The Term Sheet is translated from Georgian. Only the Georgian version of the Final Term Sheet is submitted to and approved by the National Bank of Georgia

In case of discrepancies, the Georgian version shall prevail.

Joint Stock Company
Georgia Capital
(Identification Code: 404549690)

Final Term Sheet

The Final Term Sheet sets forth the terms of the offering by disclosing the information available or estimated to be available as of the date of its filing and constitutes the terms of the bond offering.
This document determines offering terms of fixed rate bonds with a total nominal value of USD 150,000,000 (one hundred and fifty million). Maturity date: 60 months after issuance. The par value of each bond is USD 1,000. The issue date for the bonds is August 3. The Final Term Sheet document shall be submitted to the NBG after the approval of the Prospectus within the time period determined by the NBG in accordance with the Legislation.

Name of security	Sustainability-Linked Bonds of JSC Georgia Capital (The “Issuer”, “GCAP” or the “Company”)
Issuer's name, legal form, identification number and contact information	Joint Stock Company Georgia Capital, ID No. 404549690, address: Georgia, Tbilisi, Mtatsminda District, Petre Melikishvili Avenue N8a / Erekle Tatishvili Street N1. Telephone: +995 322 000 000, Email: ir@gcap.ge, Website: https://georgiacapital.ge/
Name and contact information of the Placement Agent 1	JSC Galt & Taggart (ID No. 211359206) Address: 3, Pushkin Street, 0105, Tbilisi Email:gt@gt.ge; sales@gt.ge Website: https://galtandtaggart.com/en Telephone: +995 322 401 111
Name and contact information of the Placement Agent 2	TBC Capital LLC (ID No. 204929961) Address: N7 Marjanishvili Street, 0102, Tbilisi Email: info@tbccapital.ge Website: https://www.tbccapital.ge/ Telephone: +995 322 272 733
Name and contact information of the authority responsible for approving the Prospectus	National Bank of Georgia; Address: 1, Zviad Gamsakhurdia’s Sanapiro Street, Tbilisi, 0114; Email: info@nbg.gov.ge; Website: www.nbg.gov.ge; Telephone: +995 322 406 406.
Date of approval of the Prospectus	11.07.2023
Term of the effectiveness of the Prospectus	Pursuant to the law, 12 months from the approval of the final offering terms document
ISIN	GE 2700604475
State Registration number of the securities	GE 2700604475-2-01

The Term Sheet constitutes an integral part of the Final Prospectus.

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or the value of the investment described herein.
Please refer to the original, Georgian version of the document for relevant signatures & approvals

Persons responsible for the preparation of the document:

Irakli Gilauri – General director

David Fielding Morrison - Chairperson of Supervisory Board

Signed on behalf of Georgia Capital JSC
Signatory:

Name: Irakli Gilauri

Position: General director

Signature:

Date:

Signatory:

Name: David Fielding Morrison

Position: Chairperson of Supervisory Board

Signature:

Date:

Signed on behalf of Galt & Taggart JSC
Signatory:

Name: Irakli Kirtava

Position: General director

Signature:

Date:

Signed on behalf of TBC Capital LLC
Signatory:

Name: Meri Chachanidze

Position: Managing director

Signature:

Date:

Information about the Bonds

Primary characteristics of bonds:

Interest (coupon)	Annual interest (coupon) rate for bonds is 8.50% of the nominal value of the Bonds. The interest rate applicable to the bonds may be subject to modification in the event of a trigger event (please refer to "Terms and Conditions of the Bonds", Condition 6(b) "Interest Rate Adjustment Upon Occurrence of Trigger Event").
Bond amortization terms	Principal amount of the bonds will be repaid on the maturity date.
Interest accrual and payment	The interest is accrued at the above mentioned rate from the date of issuance of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable once every 6 months on February 3rd and on August 3rd. The first payment of accrued interest will be made on February 3rd, 2024.
Currency of the bonds	The bonds are denominated in US dollars.
Rights and Restrictions related to the Bonds	The Prospectus does not provide for any special rights and limitations related to the bonds.
Limitations to the free exchange of Bonds	It is confirmed that the issuance (i) does not violate any economic sanctions administered or enforced by the U.S. Government (including OFAC), the United Nations Security Council, the European Union, the Monetary Authority of Singapore (MAS) or His Majesty's Treasury (collectively "Sanctions"); and (ii) is not connected to or for the benefit of any country, person or entity with respect to which any persons are prohibited from doing business under any law, regulation or executive order administered pursuant to Sanctions; and (iii) that the proceeds of the issue(s) will not be used for the purpose of financing any activity that would be prohibited. The Issuer warrants and represents that it is in compliance with all applicable sanctions/EO, including those of the EU, the United Nations, the United Kingdom and the United States, and that no individual or entity listed by the aforementioned sanctions has been, is and will be involved at any level in the instructed transaction.
Call Option	Bonds have embedded call option in accordance with the Condition 7 "Redemption and Repurchase" of the "Terms and Conditions of the Bonds"
Credit rating of Issuer/Bonds	The Issuer has a long-term issuer credit rating from the following credit agencies: • B+/CreditWatch positive from S&P Global Ratings ("S&P"). • B1/Positive from Moody's Investor Service ("Moody's"). The Issuer obtained Bond rating BB- from S&P.
Maturity Date	Repayment of the bonds, i.e. payment of its principal amount and accrued and unpaid interest (if any) will take place on August 3rd, 2028.
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (identification number 205156374). Tbilisi, 0162, Mosashvili str. N11; Tel: (995 32) 2 25 15 60; e-mail: info@usr.ge (the issuer will ensure signing the agreement prior to the Bond issuance).
Listing	Upon completion of the Bond placement, the Issuer intends to apply for admission of the Bonds to the trading system and exchange listing of the Georgian Stock Exchange.

	According to the management's assessment, the Company meets all conditions for admission to the Georgian Sock Exchange listing (by equity volume, profitability, number of issued securities, etc.). Compliance with the rules of the Georgian Stock Exchange will be assessed by the stock exchange itself. The Terms and conditions of the listing are available in Georgian at the following link: https://gse.ge/upload/__28.05.2020__6f4d6e87.pdf
Clearstream	Upon completion of the listing on Georgian Stock Exchange, the Issuer intends to apply for admission of the Bonds to the Clearstream system. According to the management's assessment, the Company meets all conditions for admission to the Clearstream system. Compliance with the rules of the Clearstream will be assessed by the company itself. The terms and conditions of Clearstream are available in English at the following link: https://www.clearstream.com/resource/blob/2940976/45a9b535d8c129ff6976d273afd1eb68/cbl-gtcs-march2022-data.pdf
Status and Ranking of the Bonds	The Bonds constitute senior unsecured and unsubordinated liabilities of the Company. All bonds have an equal, identical legal status, without any precedence over each other.
Sustainability-Linked Bond Framework / Second Party Opinion	The Issuer has obtained Second Party Opinion ("SPO") from Sustainalytics, a Morningstar company. The SPO reflects Sustainalytics' independent opinion on the alignment of the Company's Sustainability-Linked Bond Framework ("SLB Framework") with the Sustainability-Linked Bond Principles 2020 ("SLBP"), as administered by ICMA.
Dividend policy	Please refer to the Company's dividend policy described in the subsection "Dividend Policy" of the Prospectus.

Information regarding the Offering:

The Offer	Debt securities (Bonds) with a total nominal value of USD 150,000,000 (one hundred and fifty million), due on August 3rd 2028.
Minimal placement lot	1 Bond
Security	Coupon Bond (debt security with a fixed interest rate).
Nominal value	USD 1,000 (one thousand).
Quantity of bonds	150,000 (one hundred and fifty thousand).
Total nominal value of the Issue	USD 150,000,000 (one hundred and fifty million).
Issue Price	100% of the nominal value of the bond.
Indication of the meeting minutes council of Supervisory Board and the decisions of the shareholders and Directorate on the approval of the issue	Decisions of July 6, 2023 of the Supervisory Board, Shareholder and Directorate
Bond issue date	The bonds will be issued on August 3rd 2023.
Bond Deferred Placement Date	Any date between the issue date of the bonds and the closing date of the offering on which the Bond is placed at the deferred placement price.
Bond Deferred Placement price	The nominal value of the bonds plus the interest accrued from the date of issue of the bonds to the date of deferred placement of the bonds.
Offering period	The period of time from the approval of the final offer terms document to the completion of the offer during which securities may be purchased.
Offering Completion Date	Date on which one of the following events occurs: a) Prospectus becomes invalid; b) Publicly offered securities are placed in full; c) Public offering is terminated.
Maturity Date	Redemption of the bonds, i.e., payment of its principal amount and accrued and unpaid interest (if any) will take place on August 3rd, 2028.
Currency of the bonds	The bonds are denominated in US dollars.
The ranking of securities in the capital structure in case of insolvency/bankruptcy	In case of bankruptcy, the Bondholders shall be the unsecured and unsubordinated creditors of the Company. The order of distribution of the insolvency estate provided by the Law on Rehabilitation and Collective Satisfaction of Creditors is as follows: a) bankruptcy regime costs (which, in turn, include the costs of the process provided for in Chapter V of the Civil Procedure Code of Georgia; the compensation of the bankruptcy administrator; and the costs related to the proceedings, including the costs arising from the labor relationship during the bankruptcy proceedings, the cost of property management, as well as the costs of various professional services purchased by the decision of the administrator); b) debts arising towards the debtor after the court's ruling on the admissibility of the application for insolvency and opening of the bankruptcy regime, including tax liabilities incurred after the initiation of bankruptcy proceedings; c) preferential claims; d) preferential tax claims; e) unsecured claims, including the amount of taxes incurred prior to the decision on the admissibility of the application for insolvency, which are not covered by other subparagraphs of Article 104(1) of the Law on Rehabilitation and Collective Satisfaction of Creditors – claims of Bondholders fall in this category. For more information, see the subsection "Risks relating to the Bonds" of the Prospectus.

Calculation and paying agent	Galt & Taggart JSC, identification number: 211359206
Default	If an Event of Default occurs and is continuing, the Bondholders may, directly or through the Bondholders' Representative, give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100% of their principal amount (nominal value) together (if applicable) with accrued and unpaid interest (please see "*Terms and Conditions of the Bonds*" – Condition 10 (*Events of Default*).
Reasons of the Offering and Use of Proceeds	The net proceeds from the issue of bonds will be partially used to refinance existing liabilities, with the remaining part used for general corporate purposes. For detailed information, see the section "Use of Proceeds".
Net Proceeds	In case of full placement of the issued bonds, the net funds (after the deduction of management, and selling fees, and commissions and listing fees, but before the deduction of other expenses) raised from the bonds will not be less than 98.5% of the total nominal value of the issued bonds.
Selling Restrictions	Bonds will be offered only within the jurisdiction of Georgia, in accordance with the legislation of Georgia.
Governing law	Legislation of Georgia.
Jurisdiction	Any dispute, controversy or claim arising out of or relating to this Prospectus and/or the Bonds (including any claim, dispute or difference regarding their issuance, existence, termination or validity or any non-contractual obligations arising out of or in connection with the Prospectus or the Bonds) shall be referred to and finally settled by arbitration in accordance with the effective UNCITRAL Arbitration Rules, by one arbitrator appointed by LCIA (London Court of International Arbitration). The seat and place of arbitration shall be London, England and the English language shall be used throughout the arbitral proceedings.
Main terms of Bond Placement Agreements	The agreement obliges Placement Agent 1, Placement Agent 2 (the "Placement Agents") to provide placement of the Bonds solely on a non-guaranteed basis. It is the duty of Placement Agents to assist the Issuer to prepare the documents necessary for the placement of the Bonds (including the Bond Prospectus), to act as placement agents and to advise the company regarding the issue, sale and settlement of the bonds.
Placement fee	The placement and other fees related to the offering do not exceed 1.5% of the placed Bonds. The commission is fully covered by the Issuer and no costs will be charged to investors.

Possible expenses imposed on investors
Fees associated with the placement of the Bonds are reimbursed in full by the Issuer and the investor will not incur any additional costs under the offer.

Conflicts of interest associated with the Offering

The Issuer and the Placement Agent 1 (Galt & Taggert JSC) are indirectly related to the Issuer; as of the date of the prospectus, the Issuer held a 19.8% non-voting equity interest in the Bank of Georgia Group PLC, the ultimate sole owner of Galt & Taggart JSC. Although such connection could be potentially considered as a certain risk factor from the potential investors' perspective, the Issuer considers this to be non-material given the non-voting nature of the Issuer's equity interest in Bank of Georgia Group PLC, the fact that members of governing bodies of these companies are fully and completely segregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

The Issuer and the Placement Agent 2 (TBC Capital LLC), the Issuer's auditors and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest between them.

The Issuer is not aware of any other existing or potential conflicts of interest related to the Offering.

Joint Stock Company
Georgia Capital

Identification No. 404549690

Sustainability-Linked Bond Prospectus

Bonds of up to USD 150,000,000 (one hundred and fifty million) total principal/nominal amount bearing semi-annual coupon payments and terms determined by the Final Term Sheet document and the Prospectus.

The Bonds constitute senior unsecured and unsubordinated liabilities of the Company.

JSC Georgia Capital (The "**Issuer**", "**GCAP**" or the "**Company**") accepts responsibility for the information contained in this prospectus. To the best of the Company's knowledge and belief (which has taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and does not omit anything likely to significantly affect the accuracy and completeness of such information. Furthermore, the prospectus contains all material facts known to the Company and no information has been omitted intentionally, which could affect the content of the prospectus.

The Prospectus is translated from Georgian. Only the Georgian version of the Prospectus has been submitted to and approved by the National Bank of Georgia. In case of discrepancies, the Georgian version shall prevail.

Approval of this Prospectus by the National Bank of Georgia ("NBG") relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or the value of the investment described herein.

Persons responsible for the preparation of the document:

Irakli Gilauri – General director

David Fielding Morrison - Chairperson of Supervisory Board

Signed on behalf of Georgia Capital JSC

Signatory:

Name: Irakli Gilauri

Position: General director

Signature:

Date:

Signatory:

Name: David Fielding Morrison

Position: Chairperson of Supervisory Board

Signature:

Date:

Signed on behalf of Galt & Taggart JSC

Signatory:

Name: Irakli Kirtava

Position: General director

Signature:

Date:

Signed on behalf of TBC Capital LLC

Signatory:

Name: Meri Chachanidze

Position: Managing director

Signature:

Date:

Please refer to the original, Georgian version of the Prospectus for relevant signatures and approvals.

Important Information for the Investors

Prospective investor must read the following disclaimer before continuing. The disclaimer applies to the attached Prospectus (the **"Prospectus"**) and prospective investor is therefore advised to read this carefully. By accessing and using the Prospectus (including for investment purposes), an investor agrees to be bound by the following terms and conditions (as amended from time to time). If the investor receives the Prospectus via electronic means, he/she acknowledges that this electronic transmission (with the attached Prospectus) is confidential and intended only for him/her. Therefore, the investor agrees that he/she will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

Body responsible for approving the Prospectus:

National Bank of Georgia – address: Zviad Gamsakhurdia Sanapiro N1, 0114, Tbilisi, Georgia. Telephone: 2 406 406. Email: info@nbg.gov.ge. Website: www.nbg.gov.ge

Limitation of liability:

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or the value of the investment described herein.

Furthermore, except for cases expressly provided for by applicable law, no person, including an authorized representative of the Issuer, CEO, CFO, member of the Supervisory Board, Chairperson of the Supervisory Board, Placement Agents, the Calculation and Paying Agent, the Registrar, other advisers of the Company, nor any of their affiliates, directors, advisers or agents, other than the Issuer, accepts any responsibility whatsoever for the contents of this Prospectus, the accuracy or completeness of the information contained in this Prospectus or for any other statement, made or purported to be made by any of them or on its/their behalf in connection with the Company or the issue and offering of the securities described herein. Therefore, the Placement Agent and the advisers of the Company disclaim any liability under the law or other liability they might have in respect of this Prospectus or any other statement made by them.

For the purposes of this Offering, the Placement Agents and Calculation and Paying Agent are acting exclusively for the Issuer and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the Offering. Therefore, they will not be responsible to anyone other than the Company for providing services or for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

This Prospectus does not constitute and may not be used for the purposes of an offer in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such an offer. No action is being taken to permit an offering of the Bonds described in this Prospectus or the distribution of this Prospectus (or any other offering materials relating to the Bonds) in any jurisdiction (other than Georgia).

The investor's confirmation: the attached Prospectus is delivered to the investor at his/her/its request and on the basis that the investor has confirmed to the Placement Agents: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (+995 32) 2 40 11 11; Email: st@gt.ge (hereinafter referred to as the **"Placement Agent 1"**), TBC Capital LLC (ID No. 204929961), address: 7, Marjanishvili street, Tbilisi 0102, Georgia, tel.: (995 32) 227-27-27; Email: info@tbccapital.ge (hereinafter referred to as the **"Placement Agent 2"**) and Issuer Georgia Capital JSC that the investor (i) is located outside the United States of America and is not a US person (as defined in Regulation S under the United States Securities Act of 1933), and (ii) is outside the United Kingdom and European Economic Area, and/or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she/it is located.

If this Prospectus has been made available to the investor in an electronic form, neither the Company, the Placement Agents nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus delivered to the investor in an electronic format and the hard copy version, and/or the viruses and other destructive items arising from alterations and changes caused during the process of electronic transmission of the Prospectus. By accessing the Prospectus, the investor consents to receiving it in electronic form.

For the avoidance of any doubts, the approved Prospectus published/made publicly available by the NBG shall prevail.

There has been no substantial (material) change after the submission of the Prospectus until its approval, and if some similar change occurs after the submission until the offering, the Prospectus will be updated accordingly.

A hard copy of the Prospectus will be made available to the investor upon request made to the Placement Agents.

Restriction: If a person has gained access to this document contrary to and notwithstanding the foregoing restrictions, he/she will not be authorized to purchase any of the securities described herein.

Approved by the National Bank of Georgia

Date of Approval

[●]

Please refer to the original, Georgian version of the Prospectus for relevant signatures and approvals.

TABLE OF CONTENTS

Prospectus Summary

Introduction

Name of security	Sustainability-linked senior unsecured unsubordinated bonds of JSC Georgia Capital
Name, legal form, identification number and contact details of the Issuer	Joint Stock Company Georgia Capital, identification number: 404549690. **Address:** Georgia, Tbilisi, Mtatsminda District, Petre Melikishvili Avenue N8a / Erekle Tatishvili Street N1. **Website**: https://georgiacapital.ge/ **Email:** ir@gcap.ge **Tel:** +995 322 000 000
Name and contact information of the Placement Agent 1	Galt & Taggart JSC, identification number: 211359206, **Address:** N3, Pushkin Street, 0105, Tbilisi, **Email:** gt@gt.ge; sales@gt.ge **Website:** https://galtandtaggart.com/en **Tel:** (+995 32) 240 11 11
Name and contact information of the Placement Agent 2	TBC Capital LLC, identification number: 204929961, **Address**: N7 Marjanishvili Street, 0102, Tbilisi, **E-mail:** info@tbccapital.ge **Website**: https://www.tbccapital.ge/ **Tel:** (+995 32) 227 27 33
Name and contact details of the body responsible for approving the Prospectus	National Bank of Georgia, **Address:** N1 Zviad Gamsakhurdia Sanapiro, 0114, Tbilisi, Georgia. **Telephone:** 2 406 406. **Email:** info@nbg.gov.ge. **Website:** www.nbg.gov.ge.
Date of approval of the Prospectus	
Prospectus valid through	Within 12 months after the approval of the Preliminary Prospectus.

Important Information:

The Summary (General Overview) is an integral part of the Prospectus.

Any investment decision made by the investor should be based on the entire Prospectus and not only on the information provided in the General Overview.

The Issuer may become liable if the information represented in the General Overview is misleading or inaccurate or is not relevant to the main Prospectus or does not provide the basic information to help investors to make investment decisions with regard to the Bonds.

An investment in Bonds involves high risk. Any prospective investor, who will purchase the Bonds, should be prepared to face the economic risk of his/her/its investment and take into account the fact that the repayment of the principal amount of the Bonds and accrued interest will depend on the Issuer's solvency. Neither this Prospectus nor any other information supplied by the Company or the Placement Agents in connection with the Bonds and placement is intended to provide an evaluation of the risks involved in investing in Bonds. Each investor is advised to make his/her/its own evaluation of the potential risks involved. In addition, the investor may lose all or part of the total invested amount.

The Prospectus and the information contained therein may be subject to introducing appropriate alterations and additions in case of a change of circumstances, which will be reflected in the final Prospectus (e.g. fixing the interest rate, correction of technical deficiency, clarification of the issue size, etc.). The Issuer will inform the investors about such alterations and additions based on the procedure established by the law. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia.

Offering of the Bonds described in this Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful.

Neither the Company nor the Placement Agents make any representation or warranty to any potential or actual purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under respective investment or similar laws applicable to such purchaser.

No person is authorised to disclose any information or make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Placement Agents. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

This Prospectus should not be construed as legal, investment, business or tax advice. When making an investment decision, all investors should consult with their advisors, as necessary, and determine for themselves whether it is legally permitted to purchase the securities under applicable investment or similar laws or regulations.

Warning:

Bond Prospectus is not a simple document and it can be difficult for the investors to thoroughly understand and evaluate the product offered by this Prospectus. In making any investment decision, investors must rely on their own examination of the Company, the Bonds and the terms of this offering, including the merits and risks involved (see the "Risk Factors" section). Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. The issue of the Bonds under the Prospectus is public. Besides, all potential investors should:

i. Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;

ii. Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

iii. Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments (USD) is different from the currency in which the potential investor attracts or implements investments;

iv. Understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate;

v. Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and the ability to bear the applicable risks.

This record is for purposes of warning only and does not constitute a limitation of the Issuer's liability.

References:

The main sources used in the Prospectus are as follows:

- Georgia Capital PLC's Annual Reports https://georgiacapital.ge/ir/annual-reports
- JSC Georgia Capital Audited Financial Statements https://georgiacapital.ge/ir/eurobonds/financial-statements
- Issuer's website www.georgiacapital.ge/
- Investor presentations https://georgiacapital.ge/ir/financial-results
- National statistics office of Georgia
- National bank of Georgia www.nbg.ge
- Saras reportal www.reportal.ge
- UN population division data

Responsible persons represent that when the information provided by a third party is used, the source is indicated, and a reservation is made that this information has been processed correctly. To their knowledge, no significant information and facts are omitted which would make the information inaccurate and misleading.

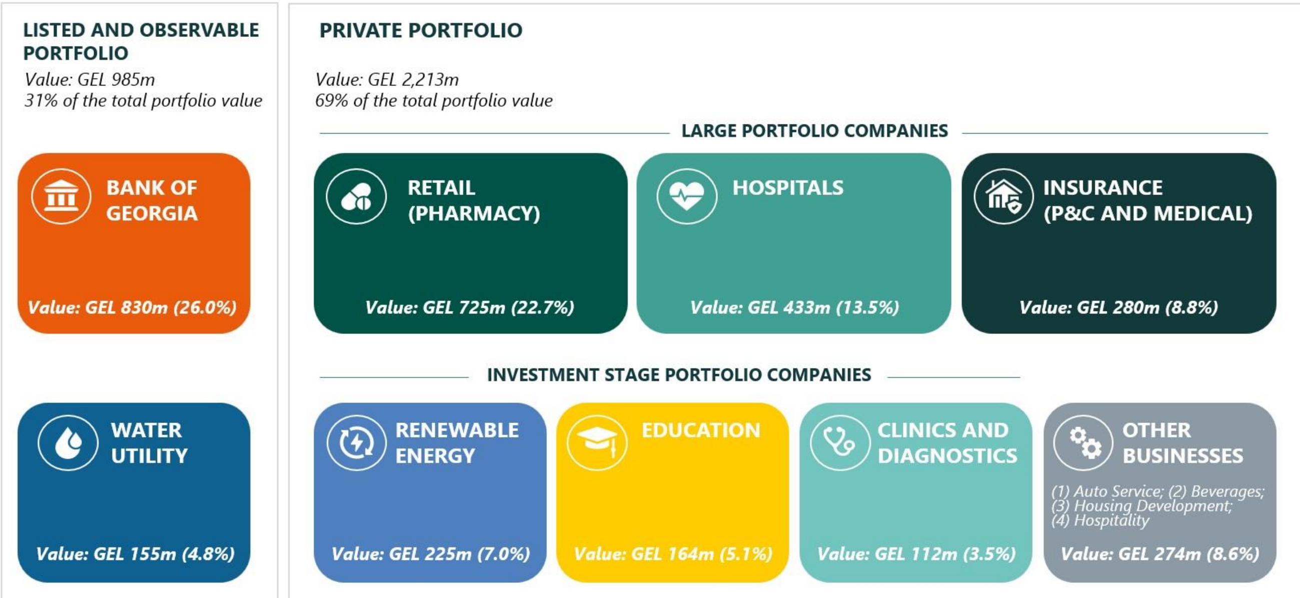
Key information about the Issuer

The Issuer is JSC Georgia Capital. Address: Georgia, Tbilisi, Mtatsminda District, Petre Melikishvili Avenue N8a / Erekle Tatishvili Street N1. Country of registration: Georgia. Regulatory legislation: legislation of Georgia. Date of establishment: December 22, 2017.

JSC Georgia Capital's business represents a platform for buying, building and developing businesses in Georgia. The Company's primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently.

JSC Georgia Capital capitalizes on the fast-growing Georgian economy with its robust corporate governance structure, access to capital, and proficient management. The Company's primary focus is capital-light, larger-scale investment opportunities in Georgia that have a potential to achieve an equity value of at least GEL 300 million over the 3-5 years from the initial investment. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. The Company does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific timeframe. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

Georgia Capital's portfolio breakdown as of 31 December 2022:



The Issuer's portfolio companies are categorized as follows (with the percentages of the total portfolio value being as reflected in the financial statements of the Issuer as equity investments at fair value as at 31 December 2022):

- *Listed and observable businesses (30.8% of total portfolio value)*:
  - *Banking (26.0% of the total portfolio value):* The Company holds a 19.8% (20.6% as at 31 December 2022) equity stake in the London Stock Exchange (LSE) premium-listed Bank of Georgia Group PLC ("**BoGG**"), a holding company of a leading universal bank in Georgia - Bank of Georgia JSC ("**BoG**" or the "**Bank**").
  - *Water Utility (4.8% of the total portfolio value):* The Company owns a 20% stake in the Water Utility business, which supplies potable water, provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.39,900 legal entities.

- *Private portfolio businesses (69.2% of total portfolio value)*: The Company's private portfolio businesses comprise large portfolio companies, investment stage portfolio companies and other portfolio companies:

    - *Large portfolio companies (44.9% of total portfolio value)*:

        - *Retail pharmacy (22.7% of total portfolio value)*: The retail pharmacy business consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies;

        - *Hospitals (13.5% of total portfolio value)*: The hospital business is the largest healthcare market participant in Georgia with 16 referral hospitals with a total of 2,524 beds;

        - *Insurance (Property & Casualty and Medical) (8.8% of total portfolio value)*: The insurance business combines property and casualty (P&C) and medical insurance lines. The P&C insurance business is a leading player in the local insurance market with a 27.4% market share[1]. The medical insurance business is one of the country's largest private medical insurers, with a 19% market share[2];

    - *Investment stage portfolio companies (15.7% of total portfolio value)*:

        - *Renewable energy (7% of total portfolio value)*: The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20 MW Hydrolea HPPs and 21MW Qartli wind farm. Moreover, the company has several renewable energy projects in the works, which are currently in different stages of development.

        - *Education (5.1% of total portfolio value)*: The education business combines majority stakes in four high quality school brands operating across five campuses. The education business has a partnership model and covers the premium, mid-level and affordable education segments;

        - *Clinics and Diagnostics (3.5% of total portfolio value).* The clinics business is the largest market participant in Georgia's outpatient market, with a 21% market share by the number of registered patients. The clinics business operates 19 community clinics with 353 bends, 17 polyclinics and 17 lab retail points. Diagnostics operates the largest laboratory in the Caucasus region – "Mega Lab";

    - *Other portfolio companies (8.6% of total portfolio value)*: the Company has ownership stakes in four subscale businesses, namely Auto Service, Beverages, Housing Development, and Hospitality.

In the aforementioned sectors, the Group operates under the following brand names.

[1] P&C insurance business is leading player in the local insurance market with a 27.4% market share based on gross premiums as of 30 September 2022.
[2] Medical insurance business is one of the country's largest private medical insurers, with 19% market share based on 9M22 net insurance premiums.

Brief Information about the sectors in which the Issuer's portfolio companies operate

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 17.2% (ten-year CAGR) during 2012-22 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 and the war in Ukraine, underscoring the robustness of the banking system. The banking sector ended 2022 with record net profits of GEL 2.1 billion. Revenues reached GEL 7.5 billion in 2022, up 25.6% y-o-y, while total expenses reached GEL 5.0 billion, up 36.7% y-o-y. Non-performing loans (IMF methodology) reached 1.7% of total loans at the end of 2022, compared to 1.9% at the end of 2021. At the end of 2022, return on assets was 3.8% (3.9% at the end of 2021) and return on equity was 30.2% (34.4% at the end of 2021), while the average capital adequacy ratio was 20.3% (19.6% at the end of 2021) and the liquid asset ratio was 22.9% (20.2% at the end of 2021). The loan portfolio proved extremely resilient in 2022, despite a tightened monetary stance and rising foreign currency rates in the latter part of the year, as credit to the economy increased by 12.1% y-o-y (excluding the exchange rate effect) at the end of 2022, including a 16.5% y-o-y growth in GEL loans and a 7.9% y-o-y growth in foreign currency loans. Mortgage loans increased by 12.2% y-o-y at the end of 2022, while business loans increased by 9.9% y-o-y. As for deposits, commercial bank deposits increased by 29.6% y-o-y at the end of 2022 (excluding the exchange rate effect), including a 30.3% y-o-y growth in GEL deposits and a 29.1% y-o-y growth in foreign currency deposits. Deposit dollarisation was 56.1% at the end of 2022, down from 59.9% at the end of 2021. Loan dollarisation followed a similar trend, falling below 50% for the first time and reached 44.3% at the end of 2022, down from 50.6% at the end of 2021.

Water Utility

When the Soviet Union collapsed and Georgia gained independence in 1991, the quality of its water supply and wastewater treatment infrastructure was relatively low, with rationed and interrupted supply, frequent disruptions and poor drinking water quality. In the years following gaining independence, the sector continued to suffer from a lack of investment, resulting in further deterioration of service quality. One of the initiatives undertaken by the Government in this area was the privatisation of water companies, including Tbilisi Water Supply Company. Since 2008, privatization has been taking place gradually of Water Supply Companies.

Providers of water supply and sanitation services are regulated by the Georgian National Energy And Water Supply Regulatory Commission ("**GNERC**"). Both water supply and sanitation services are subject to price control policies. The water supply tariff is calculated by the sum of water supply and sanitation service tariffs according to the consumer categories. Household and non-household customers pay different rates.

Retail (Pharmacy)

The Georgian retail pharmaceutical market is highly dependent on imports. The share of locally produced drugs on the market was approximately 18% in 2020 (6% in 2021 due to increased import of COVID-19 vaccines) compared to only 5% in the early 2000s. There are over 90 importers of pharmaceuticals products in Georgia, but approximately 80% of all imports are attributable to three companies: GEPHA (approximately 34-35% of imports), PSP (approximately 27-28% of imports) and Aversi (approximately 17-18% of imports).

The Company runs a combined number of 384 retail locations, comprising 372 pharmacies primarily located in Georgia (362) and Armenia (10), as well as 12 franchised stores.

Healthcare (Hospitals and Clinics and Diagnostics)[3]

The Georgian healthcare industry has undergone a number of reforms and transformations during the last two decades. The Government has prioritised healthcare and ensured an influx of private investment. The key components of the national healthcare reform were privatisation on a large scale, infrastructure upgrade, sector liberalisation, introduction of the UHC and wider accessibility to healthcare services as the major outcome. Currently, over 75% of the total nationwide hospital bed capacity is new and only approximately 10% is attributable to the public sector.

According to Galt & Taggart estimates, total health expenditure in Georgia demonstrated one of the fastest growth among peer countries, with a compounded annual growth rate of 10.3% to GEL 5.4bn over 2011-2021. In terms of health expenditure as a percentage of GDP, Georgia achieved 6.7% in 2019, above peer countries, with an average of 5.4% (Europe & Central Asia excluding high income countries) in the same period, according to World Bank.

Property and Casualty Insurance (P&C)[4]

The Georgian property and casualty insurance sector has tripled over the last decade, with gross written premiums increasing from GEL 44mn in 2012 to GEL 132mn in 2022. The largest six insurance providers in Georgia account for approximately 75% of the property and casualty insurance market as of 2022. The number of active property and casualty insurance policies also tripled, increasing from 169,000 in 2012 to 570,000 in 2022. The insurance market penetration in Georgia stands at 1.27% as of 31 December 2022.

Renewable Energy[5]

Demand for electricity in Georgia has been growing faster than supply over the last decade, increasing the import dependency of the country. Electricity consumption, highly correlated with GDP growth, increased annually by an average of 4.5% over 2010-2022 to 14.2TWh, while renewable energy generation over the same period increased by CAGR of 1.2% to 10.8 TWh. The low pace of development of local renewable energy sources resulted in the increase of thermal generation, working on imported natural gas and direct electricity imports. On average, c 70% of the electricity demand in Georgia is satisfied by hydro generation, 0.6% by wind power plant production, 19% by thermal generation, and the rest 10% of the demand is met via electricity imports from Russia and Azerbaijan, mainly.

Historically, the Government effectively incentivized investments in the renewable energy sector via Power Purchase Agreements (PPAs) that the state-owned market operator, ESCO, granted to new HPP operators. These PPAs typically entailed a fixed contract for a specified period for the purchase of electricity during eight months in autumn, winter and early spring from newly constructed HPPs for a fixed price. This policy provided a stable

[3] Source: UN population division data and World Health Organization.
[4] Source: Insurance Europe https://insuranceeurope.eu/
[5] Source: GNERC

and predictable cash flow for new projects (the prices set by PPAs mostly varied between USD c 5.0 to USD c 6.5 per KWh).

Education Industry

The private K-12 education industry in Georgia is growing rapidly, recording a compound annual growth rate of 12.3% from 2013 to 2021, and reaching GEL 267.6 million, according to Galt & Taggart. Private education market is a very fragmented one in Georgia, thereby offering an opportunity for consolidation. The number of private schools in the Georgian market has decreased from 244 in 2013 to 216 in 2022 and at the same time, the average private school size has increased from 209 learners per school to 295 learners per school.

Shareholders of the Issuer

The shares of the Issuer are wholly owned by Georgia Capital PLC (the "Ultimate Parent") which is listed on the London Stock Exchange (Ticker: CGEO). Detailed information regarding the ultimate shareholders of the Issuer can be found in the "Shareholders and Related Party Transactions" section. Georgia Capital PLC and JSC Georgia Capital together hereinafter are referred to as the "**Group**".

Management of the Issuer

Irakli Gilauri is a General director and Supervisory board deputy chairperson of JSC Georgia Capital, the Issuer. Mr Gilauri also serves as the CEO and Chairman of Georgia Capital PLC, along with being a member of the Nomination and Investment Committees. Mr Gilauri served as the CEO of BGEO Group from 2011 until May 2018. He started his career as CFO at Bank of Georgia in 2004 and later served as its CEO from May 2006 until September 2015, when he was appointed as the Chairman of the Bank. Prior to that, he worked as a banker at the European Bank for Reconstruction and Development (EBRD) and has around two decades of experience in finance, banking, and investment. In addition, he served as a Director of Georgia Healthcare Group PLC (currently Georgia Healthcare Group Limited) from August 2015 and currently sits on the Supervisory Board of JSC Georgia Capital and also serves as a General Director. Mr Gilauri earned his undergraduate degree in Business Studies, Economics, and Finance from the University of Limerick, Ireland, in 1998. Later, he received the Chevening Scholarship from the British Council and completed his MSc in Banking and International Finance from Cass Business School at City University, London. Mr Gilauri holds a certificate in winemaking from the University of California, Davis.

Avto Namicheishvili is the Deputy Director General of the Issuer. Mr Namicheishvili also serves as a Deputy CEO of Georgia Capital PLC, and as a chairman of the Company's renewable energy, beverages, housing development and hospitality 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 international business law from Central European University, Hungary.

Giorgi Alpaidze is the Deputy Director General of the Issuer. Mr Alpaidze also serves as a Chief Financial Officer (CFO) of Georgia Capital PLC and is responsible for the preparation and integrity of the Group's financial information. He was formerly the CFO of BGEO Group. Mr Alpaidze joined BGEO as Head of the 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. Mr Alpaidze holds a BBA from the European School of Management in Georgia. He is a Certified Public Accountant in the United States.

Auditors of the Issuer and third parties or experts:

Financial auditor of the Issuer for FY22: PricewaterhouseCoopers Georgia LLC ("PwC"), I/C 405220611. King David Business Centre, 7th floor, #12 M. Aleksidze Street, Tbilisi 0171, Georgia. Tell: +995 (32) 250 80

50, www.pwc.com/ge (The auditor's involvement was limited to the examination of financial information and does not extend to the preparation of the Bond Prospectus).

PwC was appointed by shareholders at Georgia Capital PLC's 2022 Annual General Meeting as the Group's statutory auditor following a competitive tender process conducted for the provision of external audit services for three years. This process was fully described in the Audit and Valuation Committee report of Georgia Capital PLC's 2021 Annual Report (page 141).

Second Party Opinion Provider: Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. Address: 1 Oliver's Yard, 55-71 City Road, London EC1Y 1HQ, United Kingdom webpage: www.sustainalytics.com E-mail: susfinance.emea@sustainalytics.com

Rating Agency #1– S&P Global Ratings, www.spglobal.com

Rating Agency #2– Moody's Corporation, www.moodys.com

Bondholder's Representative: Local consultancy firm Nodia, Urumashvili and Partners LLC will act as the Bondholders' representative based on the respective agreement entered into with the Issuer. Identification number: 204484628. Tel: 0322 207 407. Address: Tbilisi, Saburtalo district, N71 Vazha-Pshavela Ave. building IV, floor IV, office 28. Email: info@nplaw.ge

Parties involved in the Offering

Placement Agent 1, Calculation and Paying Agent: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (+995 32) 2 40 11 11; Email: st@gt.ge

Placement Agent 2: TBC Capital LLC (ID No. 204929961), Address: N7 Marjanishvili Street, 0102, Tbilisi, Georgia, tel.: (+995 32) 2 27 27 33; Email: info@tbccapital.ge

Registrar of the Issuer: JSC United Securities Registrar of Georgia (identification number 205156374). Tbilisi, 0162, Mosashvili str. N11; Tel: (995 32) 2 25 15 60; e-mail: info@usr.ge (the issuer will ensure that relevant signed agreement becomes available prior to the Bond issuance).

The Company has entered into the contract with the Placement Agents - Galt & Taggart JSC (who also acts as the Calculation and Paying Agent) and TBC Capital LLC. The contract obliges Galt & Taggart JSC and TBC Capital LLC to provide placement of Bonds only on a non-guaranteed basis (under best effort terms). The duty of the Placement Agents is to support in preparation of the paperwork required for the placement of the Bonds (including the Bond Prospectus), to act as a placement agent, and to advise the Company on the matters related to the Bonds issue, sale and settlement. The duty of Galt & Taggart JSC as the Calculation and Paying Agent is to calculate and pay the coupon and the principal amount.

Potential Conflict of Interest

The Issuer and the Placement Agent 1 (Galt & Taggert JSC) are indirectly related to the Issuer; as of the date of the prospectus, the Issuer held a 19.8% non-voting equity interest in the Bank of Georgia Group PLC, the ultimate sole owner of Galt & Taggart JSC. Although such connection could be potentially considered as a certain risk factor from the potential investors' perspective, the Issuer considers this to be non-material given the non-voting nature of the Issuer's equity interest in Bank of Georgia Group PLC, the fact that members of governing bodies of these companies are fully and completely segregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

The Issuer is not aware of any other existing or potential conflicts of interest related to the offering.

Key Financial Indicators

The table summarizes key financial indicators from the Company's financials, which are based on audited financial statements for the years 2022 and 2021. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the auditor's opinion is unmodified.

The basis for preparation and additional details are provided in the enclosed financial statements.

In addition to the information described in the Prospectus, no material changes have occurred since December 31, 2022, and before the submission of the Prospectus, which could have a material effect on the Issuer's solvency.

Company's Income Statement's key indications are presented below:

Income Statement, key indications	*Audited*	*Audited*
(GEL thousands)	***2022***	***2021***
Dividend income	93,875	74,362
(Losses)/gains on investments at fair value	(69,252)	682,074
Interest income	32,029	22,154
Other expense*	(2,602)	(20,522)
Gross investment profit	**54,050**	**758,068**
Salaries and other admin expenses	(32,640)	(27,770)
Depreciation and amortization	(635)	(567)
Interest expense	(59,763)	(76,406)
(Loss)/profit before provisions, foreign exchange, and non-recurring items	**(38,988)**	**653,325**
Net foreign currency gain	58,116	39,933
Other non-operating expenses	(4,514)	(881)
Income tax	-	-
Profit for the year	**14,614**	**692,377**
Other comprehensive (loss)/income for the year, net of tax	(72)	377
Total comprehensive income for the year	**14,542**	**692,754**

For the full version of the company's income statement please refer to the operating and financial review
** Other expense includes the following line items: Transaction costs, Gain on derecognition of liability, Net losses from investment securities measured at FVPL, Net realised (losses)/gains from investment securities measured at FVOCI, and Other income.*

Company's Statement of Financial Position is presented below:

Statement of Financial Position	*Audited*	*Audited*
(GEL thousands)	**31-Dec-2022**	**31-Dec-2021**
Assets		
Cash and cash equivalents	216,049	125,381
Securities and other liquid assets	38,076	97,565
Loans issued	26,830	154,214
Equity investments at fair value	3,198,627	3,616,231
Other assets	2,351	8,475
Total assets	**3,481,933**	**4,001,866**
Debt securities issued	681,067	1,095,433
Other liabilities	5,806	25,060
Total liabilities	**686,873**	**1,120,493**
Share capital	12,877	13,286
Paid in capital, Treasury shares & reserves	522,361	622,879
Retained earnings	2,259,822	2,245,208
Total equity	**2,795,060**	**2,881,373**
Total liabilities and Equity	**3,481,933**	**4,001,866**

For the full version of the company's statement of the financial position please refer to the operating and financial review

Company's Statement of Cash Flows is presented below:

Cash flow statement	***Audited***	***Audited***
(GEL thousands)	***2022***	***2021***
Net Cash flow from operating activities	**100,469**	**74,640**
Net cash flows from/(used in) investing activities	**490,374**	**(162,125)**
Net cash (used in)/from financing activities	**(467,901)**	**62,725**
Effect of exchange rates changes and expected credit losses on cash and cash equivalents	(12,885)	(2,552)
Cash and cash equivalents, beginning of the year	**89,714**	**117,026**
Cash and cash equivalents, end of the year	**199,771**	**89,714**

For the full version of the company's statement of cash flows please refer to the operating and financial review

The following table presents the net asset value (NAV) statement of "Group's" operating segments at 31 December 2022 and the roll-forward from 31 December 2021. On 31 December 2019, Georgia Capital concluded that it met the definition of investment entity as defined in IFRS 10 Consolidated Financial Statements.

Net Asset Value (NAV) Statement

(GEL thousands)

	31-Dec-21	*Value Creation*	*Investments and Divestments*	*Buybacks*	*Dividends*	*Operating Expenses*	*Liquidity Management/ FX / Other*	*31-Dec-22*
Listed and Observable Portfolio Companies	**681,186**	**205,783**	**139,392**	**-**	**(40,898)**	**-**	**-**	**985,463**
Private Portfolio Companies	**2,935,045**	**(171,710)**	**(501,011)**	**-**	**(52,977)**	**-**	**3,817**	**2,213,164**
Large Portfolio Companies	*2,249,260*	*(70,728)*	*(696,960)*	-	*(44,783)*	-	*821*	*1,437,610*
Investment Stage Portfolio Companies	*461,140*	*13,266*	*34,196*	-	*(8,194)*	-	*999*	*501,407*
Other Portfolio Companies	*224,645*	*(114,248)*	*161,753*	-	-	-	*1,997*	*274,147*
Total Portfolio Value	**3,616,231**	**34,073**	**(361,619)**	**-**	**(93,875)**	**-**	**3,817**	**3,198,627**
Net Debt	**(734,858)**	**-**	**394,987**	**(28,535)**	**93,875**	**(33,275)**	**(95,761)**	**(403,567)**
Net Asset Value	**2,881,373**	**34,073**	**33,368**	**(28,535)**	**-**	**(33,275)**	**(91,944)**	**2,795,060**

Portfolio Overview

The total portfolio value decreased by GEL 417.6 million in FY22.

- The value of the water utility business decreased by GEL 542.0 million, reflecting the net impact of the disposal of an 80% equity interest in the business in 2022 and the application of the pre-agreed put option multiple to GCAP's remaining 20% holding in the business, the latter leading to GEL 15.6 million value creation in FY22. At the end of 2021, the water supply business was included in the Large Portfolio Company segment within Private Portfolio Companies, and at the end of 2022 it was transferred to the Listed and Observable Portfolio Companies. The reason for the change in segments was the fact that, GCAP already has a put option on business shares, which is publicly available and therefore it is quite easy to estimate the value of this business.

- The value of GCAP's holding in BoG was up by GEL 149.3 million, reflecting the net impact of a GEL 190.2 million value creation and GEL 40.9 million dividend receipt from the Bank in FY22. BoG is included in the Listed and Observable Portfolio Companies.
- The value of the private portfolio decreased by GEL 24.9 million in FY22, excluding the effects of the Water Utility sale (GEL 542 million) and resegmentation[6] to Listed and Observable Portfolio Companies (GEL 155 million).

  The reason for the change in the segments was the fact that, after the sale of 80% of the shares of the business, in accordance with the terms of the transaction, GCAP had a 20% share of the business and a put option as described above so that there is an independently observable basis for estimating the value of the business.

  The components required for evaluation are publicly available.

Investments

Significant investments undertaken by GCAP in 2022 are outlined as follows:

- GEL 6.3 million was invested in the education business, in line with GCAP's capital allocation outlook.
- GEL 19.2 million was allocated to Housing Development for the bridge financing of the business.
- GEL 27.4 million represents the conversion of the USD 10 million shareholder loan to Renewable Energy into equity.

The FY22 Net Asset Value (NAV) Statement also reflects the following non-cash operations: a) the transfer of the 20% equity interest in the water utility business to the listed and observable portfolio (GEL 139.4 million) following the disposal of the majority stake in the business, and b) the conversion of loans issued predominantly to GCAP's beverages and real estate businesses into equity (GEL 142.6 million).

Divestments

In 2022, Georgia Capital completed the sale of an 80% equity interest in the water utility business to an international strategic investor for a cash consideration of USD 180 million. On the remaining 20% stake in the business, GCAP has a put option as set out in detail in the Prospectus.

Dividends

In FY22, Georgia Capital collected GEL 93.9 million dividends in aggregate from the portfolio companies.

Selected Key Financial Ratios

The ratios presented below are not prepared in accordance with International Financial Reporting Standards (IFRS), have not been audited, and should not be considered as a measure of the issuer's operational efficiency under IFRS. Consequently, these ratios should not be viewed as an alternative to any other performance indicators or as indicators of the Issuer's liquidity in accordance with IFRS standards.

The Issuer believes that the following indicators provide valuable information to investors for evaluating the financial condition, operational results, asset quality, and key aspects of the Company's business. It should be noted that the Issuer's methodology for calculating these ratios may differ from that of other companies in terms of their use and calculation.

The table below presents ratios which, based on Issuer's judgment, are relevant to evaluate its business activity.

	Unaudited	Unaudited

[6] The water supply business previously belonged to Private Portfolio Companies, and after selling 80% of shares, it moved to the portfolio of " Listed and Observable Portfolio Companies".

	31-Dec-22	31-Dec-21
NCC ratio	21.7%	31.8%
LTV[7]	12.5%	19.9%
Cash flow adequacy ratio	1.5	1.1
Net Debt to NAV[7]	14.3%	24.9%
Interest Coverage Ratio	2.2	1.8

It should be noted that the financial ratios disclosed above do not include any effect of the new, Sustainability-linked Bonds, since it is expected to be immaterial or cannot be fully assessed at this point. This stems from the fact that the Sustainability-linked Bonds are expected to effectively refinance Eurobonds of the same volume, while specific bond characteristics are yet to be determined as a result of the book-building process, as described in the Prospectus.

Definitions:

Net Debt – Total debt *less* cash and cash equivalents and amounts due from credit institutions, *less* liquid assets (marketable securities and investment in redeemable securities) and *less* loans issued.

Methodology for calculating the key financial ratios:

- NCC ratio – Net Capital Commitment divided by portfolio value. For more details see "Rigorous analysis methods and processes in relation to capital allocation and valuation" in the Description of Business section.
- Loan to Value (LTV) – Net debt divided by the total portfolio value.
- Cash flow adequacy ratio – *Sum* of cash dividends and cash interest income received, *divided* by the sum of the following: 1. paid salaries and other benefits issued to employees, 2. Other administrative expenses paid, 3. Paid coupon/interest expense.
- Net Debt to NAV – Net debt divided by the net asset value.
- Interest Coverage Ratio - Calculated based on Moody's[8] credit rating agency assessment.

[7] As of December 31, 2021, Issuer calculates LTV and Net Debt to NAV ratios disclosed above in the table excluding the quasi-equity component from Net Debt. Quasi-equity represented loans issued by the Issuer to its subsidiaries, which, as of today, have been converted into equity. Without subtracting the quasi-equity component, as of December 31, 2021, LTV and Net Debt to NAV ratios would have amounted 23.5% and 29.5%, accordingly.
[8] For further information, please refer to the credit opinion dated 29 June 2023 available at the following link on Georgia Capital's website: https://georgiacapital.ge/sites/default/files/inline-files/Credit_Opinion-JSC-Georgia-Capital-Update-29Jun2023-PBC_1368530.pdf

Issuer's Rating

The Issuer has a long-term issuer credit rating of B+/Negative Outlook from S&P Global Ratings ("S&P) and B1/CFR Stable Outlook from Moody's. The latest credit rating reports are available at the following link: https://georgiacapital.ge/ir/eurobonds/credit-rating

Overview of current long-term issuer credit ratings

S&P – On April 5 2023, S&P affirmed the rating of JSC Georgia Capital at B+ rating with a negative outlook. The rationale for the rating was the following:

- Positive momentum in the Georgian economy and business environment should continue to support GCAP's asset valuations, dividend payments, and ultimately its leverage over 2023-2024.
- S&P expects cash dividend income and the sale of some of GCAP's BoG shares to offer organic deleveraging opportunities. (The latter is due to the participation of "GCAP" in the redemption program of the Bank of Georgia's shares);
- While leverage should remain defensive, S&P has assessed that by the time of the report, GCAP has not yet secured the refinancing of its notes due in March 2024, which in S&P's view is credit negative.

S&P could downgrade Georgia Capital JSC if:

- GCAP fails to finalize the refinancing of its bond maturing March 2024 over the next six months from the report publication date (i.e. April 5 2023).
- S&P assesses that the Company's access to debt markets has worsened.

S&P could upgrade Georgia Capital JSC if:

- GCAP secures refinancing for its maturities, ensuring ample liquidity buffers on a permanent basis.
- Its LTV ratio remains defensive and materially below 30% and the Company's cash adequacy ratios remain healthy and sustainably above 1.0x.

Management anticipates that S&P will place the issuer credit rating on CreditWatch positive, with the agency expected to make this announcement on or prior to the offering launch date.

Moody's - On June 29, 2023, Moody's assigned Georgian Capital JSC a B1/CFR rating with stable outlook. The rationale for the rating was the following:

- The company's clearly defined investment strategy, which is focused on Georgia's (Ba2 negative) economy;
- Good track record of raising capital (both debt and equity), which gives it a competitive edge in acquiring Georgia-based assets;
- A portfolio of defensive investments with a stable dividend steam;
- Very low market value leverage (MVL) of 13.0% as of 31 March 2023; and
- Management's commitment to bring its Net Capital Commitment (NCC) ratio below 15% (excluding intercompany loans from the gross asset value calculation of the investment portfolio) by the end of 2025 from 19.7% as of 31 March 2023, and maintain it at this threshold throughout the cycle;

Moody's could downgrade Georgia Capital JSC if:

- Interest cover below 1.0x on a sustained basis;
- Net MVL above 25% on a sustained basis;
- Lack of progress on timely refinancing of the bonds maturing in March 2024 or deterioration of Georgia Capital's liquidity, such as material cash calls or support requirements for underlying investments; and

- Heightened geopolitical risk factors that lead to lower asset valuations or the inability to extract dividends from investments could also result in a downgrade.

Moody's could upgrade Georgia Capital JSC if:

- Mature investments that allow Georgia Capital to generate higher dividend income to support stronger and sustained interest cover above 3.0x;
- Track record of sustained net MVL at or below 15%; and
- Maintenance of strong liquidity.

In addition to the existing long-term credit ratings, the issuer is currently in the process of obtaining a bond credit rating from S&P. Management expects that the bonds will receive a rating of BB- from S&P, which is anticipated to be announced by the rating agency on or prior to the offering launch date.

Use of Proceeds

The net proceeds to be received by the Company from the issuance of the USD 150.0 million Bonds will not be less than 98.5% of the funds raised by the emission.

The Issuer intends to use the net proceeds from the offering as follows:

a) USD 120 million (80% of the net proceeds) will be used to partially redeem the issuer's USD 120 million existing Eurobond.
b) approximately USD 30 million (20% of the net proceeds) will be used for general corporate purposes and will be retained in cash, deposits, cash equivalents and other temporary investments as a liquidity buffer/working capital provisions for such time as it is deemed appropriate for prudential management purposes.

Brief information on the material risk factors specific to the Issuer's business and securities being offered

1. **Macroeconomic and Political Risks Related to Georgia**
   1.1. The Group is subject to risks associated with political, financial and economic instability in Georgia and the wider region.
   1.2. Regional tensions and disruptions in neighbouring markets could have a negative effect on Georgia's economy.
   1.3. Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business.
   1.4. Uncertainties in the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business.
   1.5. There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the European Union driven by the DCFTA.
   1.6. Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies.
   1.7. Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Group.

2. **Risks Relating to the Group**
   2.1. The Group's operations are located in, and its revenue is sourced from Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business.
   2.2. Unexpected events such as natural disasters, state of emergency, pandemics, etc. may have a serious adverse effect on the Company
   2.3. There is a 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 realise returns due to a lack of demand from the market, from a suspension of dividends from portfolio companies, from not holding sufficient cash or being able to raise sufficient debt financing.
   2.4. Market conditions may adversely impact the Group's operating results and its ability to execute its investment strategy
   2.5. The Group and its portfolio companies depend on their ability to hire and retain key management and qualified personnel.

3. **Risks Relating to BoG**
   3.1. There are risks related to listed investments.
   3.2. There are risks inherent in relation to the Group's stake in BoGG.
   3.3. The quality of JSC Bank of Georgia's loan portfolio and its business prospects may deteriorate as a result of adverse macroeconomic conditions in Georgia.
   3.4. Credit risk is the risk that the BoGG will incur a financial loss because its customers or counterparties fail to meet their contractual obligations.
   3.5. Significant changes or volatility in JSC Bank of Georgia's net interest margin could have an adverse effect on BoGG's performance.
   3.6. Regulatory and legal risk is the risk of financial loss, regulatory censure, criminal or civil enforcement action or damage to the reputation as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.
   3.7. JSC Bank of Georgia faces liquidity and funding risks.
   3.8. JSC Bank of Georgia is subject to certain regulatory ratios.
   3.9. Market risk is the risk of financial loss due to fluctuations in fair value or future cash flows of financial instruments due to changes in market variables.
   3.10. Financial crime risk is the risk of knowingly or unknowingly facilitating illegal activity, including money laundering, fraud, bribery and corruption, tax evasion, sanctions evasion, the financing of terrorism and proliferation, through the Group.
   3.11. Competition could adversely affect JSC Bank of Georgia's market share or compress its NIM.

4. **Risk relating to Water Utility Business**
   4.1. Changes in regulated tariffs could have an adverse effect on water utility's results of operations and financial condition.

4.2. Contamination of water, either from naturally occurring compounds or man-made sources, may result in the interruption of water supply and/or exposure of humans to hazardous substances, which could in turn result in liability for the Group.
4.3. Water utility business uses gaseous chlorine deposited in gas tanks for water purification, which gives rise to the risk of explosions which can threaten human lives and result in substantial environmental damage.
4.4. Counterparty risk in a pre-agreed put option in water utility business may result in a substantial financial loss for the Group.

5. **Risks Relating to Retail (Pharmacy)**
5.1. Group's pharmacy business operates in a competitive industry.
5.2. Group's pharmacy business may have risks associated with the expansion and development of new or existing retail stores.
5.3. The government introduced External reference Pricing model, which may lower prices and profitability margins for the business.

6. **Risks Relating to Hospitals**
6.1. Georgia Capital's hospitals operate across the Georgian healthcare ecosystem through its hospitals services and are subject to a complex spectrum of laws, regulations and codes, and cannot accurately predict future regulatory changes or their effect.
6.2. Hospitals business depends on revenue from the Georgian government and a small number of insurance providers.
6.3. Hospital Business is involved in contractual and other disputes and litigation.
6.4. Inadequate record-keeping or documentation of medical matters and patient data could lead to medical or administrative errors and regulatory breaches, which could give rise to fines, penalties and/or reputational damage.
6.5. Hospitals business performance depends on its ability to recruit and retain high-quality doctors, nurses and other healthcare professionals.
6.6. Any failure to maintain the quality of service provided at Groups facilities may negatively impact the brand or reputation and could lead to a decrease in the number of patients.

7. **Risks Relating to the Group's Medical, Property and Casualty Insurance Business**
7.1. The Georgian property and casualty insurance market is highly competitive. Aldagi (P&C) might not be able to compete with its competitors' pricing policies or price its insurance products correctly.
7.2. Aldagi's (P&C) business is partly dependent on obtaining suitable reinsurance.
7.3. Aldagi (P&C insurer) is required to meet certain minimum capital and reserve requirements and comply with a number of regulatory requirements relating to its operations.
7.4. Medical Insurance may not be able to accurately forecast healthcare costs in relation to its medical insurance products.

8. **Risks for Clinics and Diagnostics**
8.1. Group's clinics and diagnostics business operates in a competitive industry.

9. **Risks relating to Renewable Energy Business**
9.1. Ability to generate, distribute and supply electricity is dependent upon the Georgian transmission system.
9.2. Renewable Energy business sells electricity mainly to ESCO in terms of long-term power purchase agreements ("PPAs"), but in months which are not covered by PPA, the business takes market risks, which can be expressed in two sub-risks, which are 1) risk of finding off-taker and 2) market price risk
9.3. Environmental, health and safety laws
9.4. Climate conditions and natural hazards can affect the business
9.5. The Issuer in regard to its renewable energy business is dependent upon its PPAs with ESCO

9.6. Maintenance and refurbishment of power plants involve significant risks that could result in unplanned power outages, reduced output and unanticipated capital expenditure.

10. Risks Relating to the Group's Education Business

10.1. The Group may be unable to recruit a sufficient number of qualified teaching personnel for its schools and/or the market rate for teachers' salaries may increase.
10.2. The education business may not be able to successfully execute its growth strategy.

11. Risks Relating to the Group's Other Businesses

12. Risks Relating to the Bonds

12.1. The market price of the Bonds may be volatile.
12.2. There may not be an active trading market for the Bonds, which may be further affected by the fact that bonds are secured;
12.3. Investors whose financial activities are denominated in a currency or currency unit other than Bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or exchange controls
12.4. Transfer of the Bonds will be subject to restrictions imposed on investors of certain territories/other countries.
12.5. The terms and conditions of the Bonds may be modified or waivers for breaches of the terms and conditions may be issued in the future
12.6. The Bonds have a call option, which carries certain risks for investors
12.7. The Bonds are Pari Passu securities
12.8. The Bonds constitute unsecured obligations of the Issuer.
12.9. Any fluctuations in the credit ratings assigned to Georgia, the Issuer or the Bonds may cause trading in the Bonds to be volatile and/or adversely affect the trading price of the Notes
12.10. Any change of law in Georgia in the future may have a material adverse effect on the Bonds, including their GSE listing and taxation of interest on the Bond
12.11. Investors must rely on procedures of the Registrar, Bondholders and in corresponding cases – nominal holders of the Bonds
12.12. An investment in the Bonds may involve certain legal investment considerations
12.13. Application for purchasing Bonds may be satisfied partially
12.14. The Issuer's shareholder's interests may, in certain circumstances, be different from the interests of the Bondholders.
12.15. Bonds carry a fixed interest rate

Terms of the Offering and Main Characteristics of Securities:

The main characteristics of securities are defined by the "Term Sheet” document of the Bonds.

Possible costs imposed on the investor

The Bonds placement costs will be reimbursed in full by the Issuer and the investor will not incur any additional costs under the Offering.

RISK FACTORS

Investing in Bonds implies certain risks. Before deciding on the investment, potential buyers of Bonds must read this Prospectus attentively. Apart from other information provided in the Prospectus, potential investors must, before investing in the Bonds, thoroughly study, in the light of their own financial condition and investment goals, the risks described below. Any of the risks described below may have a material adverse effect on the Company's activity, financial condition and results of operation. Should any of these risks arise, it may adversely affect the market value of the Bonds. Moreover, factors that are important for the assessment of bond-related market risks are described below too. Although the Company believes that the risk factors described below are the main risks related to investing in the Bonds, there may emerge additional risks and uncertainties which the Company does not consider significant or is unaware of and any of such risks and uncertainties may have an effect similar to that described below. The Company does not therefore claim that the statements about the risks of Bondholding described below are exhaustive.

1. Macroeconomic and Political Risks Related to Georgia.

1.1 The Group is subject to risks associated with political, financial and economic instability in Georgia and the wider region.

The Group's operations are primarily located in, and substantially all of its income is sourced from, Georgia. Accordingly, the Group's results of operations are and are expected to continue to be, significantly affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and corporate finance, can have a material impact on customer demand for its products and services.

Real GDP growth in Georgia was 5% in 2019 and 4.8% in 2018, according to Geostat. This rebound in growth was supported by the stronger external economic environment, which was reflected in increased foreign currency remittances from Georgians working abroad, higher net exports from Georgia and increased foreign direct investment ("**FDI**"). Global growth has, however, been severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. Georgia's real GDP contracted by 6.8% year-on-year according to Geostat estimates in 2020, with the COVID-19 shock reversing the trend of economic growth. Mobility restrictions, evaporating tourism revenues and shrinking external demand have constrained economic activity. This has resulted in an adverse effect on the liquidity and financial condition of customers in Georgia. In 2021, the economy experienced a notable recovery. Real GDP saw a significant increase of 10.5% compared to the previous year (2020), and a growth of 3.0% compared to 2019. In 2022, despite challenging external conditions, the economy continued to expand with a 10.1% increase in real GDP compared to 2021. The faster-than-anticipated recovery in the tourism sector, along with growth in remittances and migrant flows, contributed to an improved external position and sustained domestic demand. Concurrently, the banking sector demonstrated strengthening, and overall inflation began to moderate.

Uncertain and volatile global and regional economic conditions, such as the unpredictability of U.S. regulatory and fiscal policies, the potential adoption of trade restrictions, global supply chain disruptions, economic and political instability in the Republic of Türkiye and heightened geopolitical risks, the war in Ukraine and its spillover effects could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy.

The Georgian economy is diversified, with no significant dependency on a single country. Although neighbouring Russia, the Republic of Türkiye, Azerbaijan and Armenia still constitute a large part of Georgia's external trade, along with a considerable share of the EU, China and the USA became significant trading partners in recent years as well. Throughout 2020-2022, China was the largest market for Georgian exports and third largest for imports, accounting for 14.3%, 14.5% and 13.2% of total exports and 8.8%, 8.6% and 8.2% of imports in 2020, 2021 and 2022, respectively, according to Geostat. After rebounding from the pandemic in 2021, the Chinese economy expanded by only 3% in 2022, suffering from lockdowns and global instability. Despite being excessively managed, the Chinese Yuan fluctuated notably against the USD during these years, reflecting global economic developments. In 2021, Yuan regained the value it has lost in 2020 but depreciated by more than 5% again in 2022. The Republic of Türkiye remained the largest source of Georgian imports, accounting for 17.5%, 18.1% and 17.5% of total imports in 2020, 2021 and 2022, respectively. Its economy grew by 1.9% in 2020, 11.4% in 2021 and 5% in 2022, however, the Republic of Türkiye's Lira depreciated rapidly by approximately 214% at the end of 2022 compared to 2019, extremely accelerating the already globally elevated inflation in the Republic of Türkiye. Russia's share in Georgian exports stood at 13.2%, 14.4% and 11.7% in 2020, 2021 and 2022, according to Geostat, while imports from Russia constituted the 11%, 10.1% and 13.5% share in total imports, respectively. The Russian economy contracted by 2.7% in 2020, then grew by 4.7% in 2021 and again contracted by 3.4% in 2022, being hit by the international sanctions after the invasion of Ukraine. The Russian Ruble depreciated by around 19% in 2020 and broadly stood stable before the invasion, when it rapidly depreciated by approximately 80% but then regained its value, eventually getting back to around the pre-war level. Azerbaijan also remained an important trade partner as it accounted for 13.2%, 12.5% and 12% of Georgian exports and 6.4%, 5.9% and 4.7% of imports in 2020, 2021 and 2022. The country kept its currency fixed with the USD throughout this period. At the same time, Armenian share in Georgia's exports constituted 5.6%, 6% and 10.5% in 2020, 2021 and 2022, respectively, being recently boosted by motor car re-exports. In addition to the relatively strong economic growth figures in 2021 and 2022, Armenian Dram gained around 18% of its value against the USD in 2022, after some appreciation at the end of 2020, despite being affected by the Second Nagorno-Karabakh War in 2020 and clashes on Armenian-Azerbaijani border in 2022. The USA's importance for Georgia's trade also increased as its share in imports constituted 6.9%, 6.4% and 7.5% in 2020, 2021 and 2022, respectively.

The economic slowdowns and currency depreciations experienced by Georgia's main trading partners resulted in lower exports from and remittances to Georgia during the period from 2014 to 2016, while the acceleration of growth in regional economies since 2017 has supported strong growth in exports and remittances. More recently, migration inflows and significantly boosted remittances from Russia contributed notably to Georgia's economic growth in 2022. In this context, worth to note that the developments in international sanctions imposed on Russia further accelerate the risks associated with this kind of dependency as well as any continued oil price volatility, as well as any further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.2 Regional tensions and disruptions in neighbouring markets could have a negative effect on Georgia's economy.

Georgia shares borders with Russia, Azerbaijan, Armenia, and the Republic of Türkiye, and has two breakaway territories, Abkhazia and the Tskhinvali/South Ossetia regions. Regional countries are highly linked to the Georgian economy representing its significant historical trading partners. Therefore, the escalation of regional tensions and conflicts may have an adverse impact on Georgia's political and economic stability and may affect the Issuer's business unfavourably.

The situation between Russia and Ukraine has escalated into a war since Russian troops crossed the border on 24 February 2022, resulting in severe economic sanctions imposed on Russia by G-7 countries, the EU, and many other countries. Although the Russian Ruble has since recovered, the market value of Russian securities has decreased significantly, and the already steep humanitarian costs and economic losses for Ukraine, Russia, and the rest of the world are likely to deepen as the situation develops. As Ukraine and Russia are particularly important trade partners of Georgia, spillover risks remain. The length and outcome of the war are uncertain, but the negative impact of the war may become more pronounced in the medium to longer term and could continue to have a material impact on market confidence, affecting all regional countries.

Moreover, various tensions have 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. Ongoing geopolitical tension, political instability, economic instability, and military conflict between other regional countries may also have a negative impact on the political or economic stability of Georgia, which in turn may affect the business unfavorably, including putting adverse pressure on the business model, revenues, financial position, and the valuations of listed and private portfolio companies.

The six-week war (September-November 2020) between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region has also worsened the geopolitical and economic outlook for the region, creating significant spillover risks, and altering the regional balance. Despite the peace agreement, skirmishes are reported to have occurred on several occasions, most recently in September 2022, which may further escalate. The risks of a further flare-up depend on the success of the peacekeeping mission.

Furthermore, 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, food and energy prices have surged, and spillover risks have been substantially aggravated, with further economic consequences to follow as the situation develops. Although food and energy prices have been relatively stabilizing since 2H22, markets remain highly unpredictable in light of the ongoing conflict.

The ongoing regional tensions and conflicts have also affected the operating performance of GCAP’s wine (c.60% sales exposure to Russia and Ukraine in 2021) and housing development businesses (significant growth in construction materials costs). Due to their size, however, it is not expected to be material overall for the Group (the value of the wine and housing development business represented approximately 2% of the total portfolio value as at 31 December 2022).

Moreover, regional instabilities have affected the discount rates and listed peer multiples used in Issuer’s DCF and multiple-based valuation assessments. Discount rates were up by 2.0-3.0 ppts on average in 2022, while the listed peer multiples demonstrated a declining trend.

In addition to the risks posed by regional tensions and conflicts, there are also other factors that could negatively impact the Georgian economy and the Company. These include political instability, corruption, weak rule of law, and inadequate infrastructure. While Georgia has made significant progress in addressing some of these issues in recent years, there is still work to be done to ensure a stable and business-friendly environment.

1.3 Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business.

Since its restoration of independence from the former USSR in 1991, Georgia has undergone a substantial and ongoing political transformation from a constituent republic of the Soviet Union to an independent sovereign democracy.

However, despite the progress made, Georgia still faces significant challenges, particularly in implementing further economic and political reforms. Such reforms are vital for attracting businesses and investors, but there is a risk that they may be reversed or hindered due to changes affecting the continuity or stability of existing reform policies. For instance, a rejection of reform policies by the president, the parliament, or other key stakeholders could prove detrimental to the country's economic growth and investor-friendly environment.

It is noteworthy that there have been several amendments to the Constitution of Georgia aimed at enhancing the primary governing authority of the Georgian Parliament, increasing the powers of the prime minister, and limiting the scope of functions of the president. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution, including introducing the indirect election of the president by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of the Georgian Parliament and the president.

While these changes were implemented in December 2018, it is essential to note that any further modifications to Georgian parliamentary, presidential, or prime ministerial powers may create political disruption or instability, which could negatively affect the political climate in Georgia.

The last presidential elections in Georgia were held on 28 October 2018, which at the same time was the last elections when the president was directly elected. On November 28, Salome Zurabishvili (supported by the ruling party) won in the second round of the elections and defeated Grigol Vashadze, a member of the National Movement party and a candidate from the union of opposition parties.

The parliamentary elections in Georgia were held in October-November 2020. As a result of the elections, the ruling party managed to obtain a parliamentary majority. The opposition parties announced a boycott of the new parliament. The European Union has attempted to defuse political tensions through a mediation process by its special representative, Charles Michel. Consequently, on 19 April 2021, the main political forces reached an agreement on several substantial points, including a significant judicial reform. Furthermore, it was agreed that early parliamentary elections would be scheduled for 2022 if the Georgian Dream party won less than 43% of real proportional votes in the local government elections in October 2021. Later, the Georgian Dream pulled out from this agreement. The primary reason for pulling out from the agreement was that the main opposition party, the United National Movement, did not sign the agreement.

Against the background of the political crisis and the so-called Charles Michel Agreement, the local elections scheduled for 2 October 2021 have gained even greater significance. According to official data recorded by the Central Election Commission, Georgian Dream won 46% of the vote in the first round of elections. The second round of mayoral elections took place in several self-governing cities (Tbilisi, Kutaisi, Batumi, and Zugdidi). Moreover, a few days prior to the elections, the third president, Mikheil Saakashvili, who returned to the country, was arrested, which sparked protests from his supporters and the consolidation of specific political forces. The second round of elections was held on 30 October 2021. As a result of the latter, the Georgian Dream party won with a majority of votes, and imprisoned Mikheil Saakashvili ended his hunger strike.

As of 2023, the current parliament is formed and exercises its legislative power.

Any political instability in Georgia may have an adverse effect on the Georgian economy, which in turn may have a significant negative impact on the business of the Company, financial standing, performance and prospects, and the trading price of the Bonds.

1.4 Uncertainties in the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business.

Georgia's legal framework is still developing, with several fundamental civil, criminal, tax, administrative, financial, and commercial laws having recently come into effect. However, the rapid evolution of the Georgian legal system has resulted in certain ambiguities and inconsistencies in the application of this legislation, including concerns regarding its enforceability. Additionally, the court system in Georgia is currently understaffed and undergoing significant reform. Judges and courts in Georgia may be less experienced in financial, commercial, and corporate law matters compared to those in other countries, particularly in the European Union and the United States.

Any uncertainties surrounding the Georgian judicial system or decisions made by its courts could have a significant impact on the Georgian economy, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations, and prospects. Therefore, potential investors should carefully consider the risks associated with investing in Georgia, and the potential impact of these risks on their investment.

1.5 There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the European Union driven by the DCFTA.

On 27 June 2014, Georgia signed the Association Agreement (the “AA”) and the Deep and Comprehensive Free Trade Area (the “DCFTA”) with the EU, which envisages the liberalization of bilateral trade. It is expected that the implementation of AA will provide opportunities for business, though it may also pose challenges to enterprises, household farming and the state. The implementation of the AA and the DCFTA requires from Georgia to approximate its legislation with the EU trade and sectoral legislation, which will pose challenges, especially in the fields of environmental protection and consumer safety. Following from the aforementioned, from the standpoint of requirements to the business of the Issuer, fundamental changes have been introduced, or may be introduced, to legislation on corporate law or securities market:

- **Law of Georgia on Entrepreneurs:** On 2 August 2021, the Parliament of Georgia adopted a revamped Law on Entrepreneurs (the “Law on Entrepreneurs”), which came into force on 1 January 2022. The amended Law on Entrepreneurs significantly affects the legislative regulation of business registration, founding documents, corporate management and other issues. In regard to the management of enterprise, the Law on Entrepreneurs provides for modern principles of corporate management. The revamped Law on Entrepreneurs differentiates types of capital, introduces the notion of a business letter, interprets legal nature of the relationship between the director and enterprise, etc.

- **Securities market legislation:** In accordance with the AA, the legislation on securities market has been approximated with the EU legislation. For example, a whole set of legislative amendments designed to approximate the Georgian legislation with that of the EU came into force in 2020, including: the NBG's Rule on Insider Trading, Illegal Disclosure of Insider Information and Market Manipulation; also, transparency of issuers of securities has been improved by relevant amendments; requirements have been set for submitting and publishing periodic or current reports.

Moreover, after joining the World Trade Organization (WTO) in 2000, Georgia has been gradually approximating its legislation in the sphere of trade with international norms and practices. For example, changes in regulation include the amendments to the Labor Code adopted in 2013, which are designed to bring the regulations in labor safety of Georgia in line with the obligations assumed under the AA and the DCFTA signed with the EU. The mentioned amendments required from an employer to compensate overtime, to pay an increased compensation when dismissing an employee (in the amount of one to two months' salary), also provided for enhanced rights of employees to challenge employers' decisions in court, prohibited dismissal of employees without a clear reason and required to ensure basic working conditions.

Other changes may be made to government policy, including changes to government initiatives announced earlier or approaches to them. Moreover, the implementation of AA may impose a significant load on regulatory agencies.

Expected changes in the sphere of regulation, implemented for the approximation with the EU legislation may require from the Company to change its policy and procedures in accordance with any amendment to laws and regulations that will be adopted. For example, the Company made changes to its labor agreements group-wide so as to comply with the above-mentioned amendments to the labor legislation. Further, in light of the new corporate requirements set forth by the Law on Entrepreneurs, the Company is in the process of updating corporate documentation of the Issuer's subsidiaries. The Company expects that new changes will be adopted, however, it cannot predict the extent of impact of these changes or of its ability to comply with any such changes.

1.6 Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies.

Laws in Georgia are relatively new compared to more developed market economies. This can create challenges for companies trying to comply with tax laws, particularly when the laws are unclear or subject to different interpretations, leading to the risk of non-compliance and potential challenges by the authorities. In addition, enforcement of tax laws in Georgia can be unpredictable, and the constant changes and amendments to tax laws can result in complexities for businesses.

As per the provisions outlined in the Organic Law of Georgia on Economic Freedom, the introduction of new general-state taxes (excluding excise) or the escalation of existing tax rates (with some exceptional cases) can only be implemented through a referendum until December 2030. However, it is important to note that Georgia operates under a parliamentary democracy, and a shift in government may lead to alterations in tax policies. These modifications could involve adjustments to tax rates, the implementation of new tax administration procedures, the revocation of existing benefits, and other related measures. Any changes to tax legislation or governmental policies have the potential to significantly impact the economic landscape.

It is important to note that there are differing opinions on the interpretation of various provisions of the Tax Code, both among and within governmental ministries and organizations, including the tax authorities. This creates uncertainties, inconsistencies, and areas of conflict. However, the Tax Code allows the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers.

The Management of the Issuer believes that the Group and members of the Group operating in Georgia are currently in compliance with the tax laws, but there is still a risk that the relevant authorities could take differing positions regarding their interpretation, which may result in tax adjustments or fines. The Group could also face fines or penalties as a result of regular tax audits, and tax laws and government tax policies may be subject to change in the future, including changes resulting from a change in the Government.

It is also worth mentioning that in May 2016, amendments to the Tax Code were adopted, providing that an enterprise will not be liable for the payment of corporate profit tax until it distributes its profit to shareholders, or incurs costs, or makes supplies or payments that are subject to corporate profit tax. These amendments have been applied from January 1, 2017, for all entities apart from certain financial institutions, including banks, credit unions, microfinance organizations, and insurance businesses.

In December 2022 an amendment to the corporate taxation model in Georgia applicable to financial institutions passed into law and became effective with regard to 2023 taxable profits. The previous taxation model, effective for 2022 results, implied a 15% tax rate charged to banks' taxable profit (net amount remaining after deducting allowable expenses and deductions (according to Tax Code of Georgia) from the total income received during the calendar year). The existing corporate tax rate for banks was increased from 15% to 20% for 2023 taxable earnings.

1.7 Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Group.

Although the Lari is a fully convertible currency, it has a limited market outside Georgia for exchange. A market exists within Georgia for the conversion of Lari into other currencies, but its size is limited. The total volume of commercial banks' trading turnover in the Lari-U.S. Dollar and Lari-Euro markets (including activities of the National Bank of Georgia (NBG)) amounted to USD 106 billion and €48.9 billion in 2022, respectively (significantly boosted by the trade with non-resident banks), as compared to USD 53.2 billion and €26.7 billion in 2021, respectively and USD 56.8 billion and €36 billion in 2020, respectively. Excluding activities of the NBG, the total volume of trading turnover in the Lari-U.S. Dollar market amounted to USD 105.7 billion in 2022, as compared to USD 52.1 billion in 2021 and USD 55.3 billion in 2020 (the NBG was not active in the Euro market). The NBG had USD 4.9 billion in gross official reserves as of December 2022, compared to USD 4.3 billion as of December 2021 and USD 3.9 as of December 2020. While these reserves may be sufficient to sustain the domestic currency market in the short term, a lack of growth of this market may hamper the development of Georgia's economy, which could have a material adverse effect on the Group's customers across its various portfolio companies and, in turn, on the Group's business, results of operations, financial condition, and prospects. Moreover, any lack of stability in the currency market may adversely affect Georgia's economy.

Significant instability in the Lari/U.S. Dollar exchange rate occurred following the Russian financial crisis of August 1998, the conflict with Russia in 2008, and the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 28.5% and by a further 10.5% in 2016 to alleviate the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. The Lari generally appreciated against the U.S. Dollar and other major international currencies in the first half of 2016, primarily due to an increase in the number of tourists travelling to Georgia but experienced depreciation in the second half of 2016 and in 2017 and 2018 due to negative expectations surrounding the collapse of the Turkish Lira, and in 2019 due to negative expectations surrounding Russia's direct flight ban. The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak, which resulted in a sudden cessation and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues, remittances, and merchandise exports. After fluctuating in 2021, the Lari again depreciated significantly in February 2022, in response to the expected spillover effects of the Russian invasion in Ukraine, though, later-on, being supported by strong inflows and monetary policy rate tightened to 11%, the exchange rate with the USD started appreciating steadily and returned to the pre-pandemic level as for December. As long as the Lari continued to strengthen, the NBG switched to foreign currency accumulation, purchasing more than USD 725 million from the start of 2022 up to February 2023.

Annual inflation in Georgia, as measured by the average annual Consumer Price Index, was 5.2%, 9.6% and 11.9% in 2020, 2021 and 2022, respectively, and averaged 5.4% in the first five months of 2023, according to information published by Geostat. Even though both monthly and annual inflation measures are notably declining from December 2022, there is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food, consumer products, and oil prices.

2. Risks Relating to the Group.

2.1 The Group's operations are located in, and its revenue is sourced from Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business.

The majority of the Group's revenue is generated by businesses operating within Georgia. Therefore, the Group's financial performance is significantly impacted by political, financial, and economic events in Georgia and the broader region. Several factors, including inflation, interest and foreign currency exchange rates, unemployment, personal income, tourism levels, and the financial condition of Georgian companies, can affect the demand for products and services offered by the Group's portfolio companies. The ongoing COVID-19 pandemic has particularly affected the Georgian economy and, consequently, the Group's business, as it has globally. As such, any deterioration or instability in the Georgian economy could have an adverse effect on the Group's business.

Due to a historically high current account deficit, low domestic savings rate, and high level of dollarization, the Georgian economy is susceptible to external shocks. The COVID-19 pandemic has resulted in a 12% current account deficit for the nine months ended 30 September 2020, as tourism revenues, a primary source of foreign currency inflows, significantly decreased. However, external financing secured by the Government, record high remittance inflows, and a substantial cut in the merchandise trade deficit has mitigated this to some extent.

Georgia's economic growth was negatively impacted by falling global commodity prices, the recession in Russia, and the depreciation of the currencies of its main trading partners since the second half of 2014. However, economic growth accelerated due to more favourable external conditions from the end of 2016, and Georgia had one of its strongest years in 2019 with a growth rate of 5%. Nevertheless, 2020 brought many challenges, resulting in a contraction of the real GDP by 6.8%, primarily due to government restrictions and a significant drop in tourism revenue. Any adverse macroeconomic developments in Georgia or the global economy could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

2.2 Unexpected events such as natural disasters, state of emergency, pandemics, etc. may have a serious adverse effect on the Company.

Unexpected events such as natural disasters, state of emergency, etc. may have a serious adverse effect on the Company’s operations, cause damage to its property and also affect the number or otherwise impact its activity in a negative manner.

On 11 March 2020, the World Health Organization declared the Covid-19 outbreak a global pandemic. No one can know when the virus could be contained, which makes it difficult to forecast economy as there is no historic example to compare with. The existing crisis has led to a worldwide decrease both in supply (due to reduced manufacturing and hampered supply chains) and demand (social distancing, uncertainty, job losses). The impact of pandemic-induced crisis on the Georgian economy has been heavy as it significantly affected the tourism sector which accounts for a relatively high share of the Georgian economy. According to the Geostat, the Georgian economy shrank by 6.8% in 2020 as compared to 2019. This has, naturally, had an adverse effect on the majority of economic sectors.

The entry into a strict lockdown once the pandemic broke out slowed down the spread of the virus in the early months of 2020; however, with a gradual easing of the restrictions in the spring of 2020, Georgia was hit with a second wave of the pandemic in the second half of the year. From late November 2020 to early February 2021, the government introduced partial restrictions, including the curfew between 21:00 and 05:00 hours, closure of restaurants and other catering facilities, suspension of public transport, etc., which decreased the incidence of infection and allowed the government to gradually reopen the economy beginning from March 2021.

In July and August 2021, as the incidence of Covid-19 increased again, certain restrictions were tightened, including the wearing of face masks outdoors, ban of large gatherings, suspension of municipal transport, etc. Despite a slackened immunization rate and high Covid-19 incidence, the progress of immunization has shown a notable improvement since the end of July and the government has a sufficient quantity of vaccines. By the end of 2021, a new variant of coronavirus has emerged called “Omicrone”, cases of which have also been confirmed in Georgia. In 2022, the number of Covid-19 infection cases has reduced significantly and the Government has lifted most of the pandemic-related restrictions.

As for Georgia Capital, a large part of its portfolio is concentrated across consumer defensive countercyclical sectors, such as healthcare and retail pharmacy businesses. The company has a strong liquidity position, with GEL 419 million liquid assets[9] and loans issued as of December 31, 2022. The management of the “Issuer” is satisfied that Georgia Capital's liquidity forecast adequately accounts for risks arising from the occurrence of unexpected events. The company does not have any capital commitments or a primary mandate to deploy funds or divest assets within a specific timeframe, so capital allocations to portfolio companies may be suspended if needed.

2.3 There is a 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 realise returns due to the lack of demand from the market, from the suspension of dividends from portfolio companies, from not holding sufficient cash or being able to raise sufficient debt financing.

The Group's primary investment focus is on privately held portfolio companies, which may pose challenges in realizing returns on investments within a specific timeframe. The lack of available cash or liquid assets, along with the inability to generate sufficient liquidity, could result in the Group's failure to meet its financial obligations and liabilities promptly. Various factors may contribute to this outcome, including an inability to refinance long-term liabilities, a suspension of dividend inflows from the Group's portfolio companies, over-investment in long-term assets, leading to a mismatch between funding availability and liabilities, and non-compliance with creditor covenants, causing a default.

The Group follows a regular liquidity management process that includes a framework approved by the Board and monitored by senior management and the Chief Financial Officer. The framework assesses the Group's ability to fund under both normal and stressed market conditions to ensure adequate liquidity. The Finance department monitors certain liquidity measures daily, and senior management reviews and manages liquidity on a weekly basis, with the Board's involvement on a quarterly basis. This monitoring includes a review of the cash buffer, potential cash outflows, and management's ability to meet commitments, while also serving as a tool to assess the portfolio composition and take necessary measures. JSC Georgia Capital successfully issued USD 300 million bonds in March 2018, followed by an additional USD 65 million tap issuance on 16 March 2021 (For more information, see the prospectus in the subsection "Description of Business" - "Competitive Strengths of the Group" - "Proven Track Record of accessing the capital markets").
To manage its standalone credit profile, GCAP has implemented the following measures:

- GCAP's financial stability is reliant on dividend inflows from its portfolio companies, and favourable sales of its listed securities and private portfolio investments in the long term. To reduce this dependence, the Group has implemented a policy to maintain a cash buffer of at least USD 50 million in highly liquid assets. This provides the adequate capacity to withstand potential downside scenarios and take advantage of potential acquisition opportunities.
- Recourse debt and guarantees are limited at GCAP and at each portfolio company level except for the existing guarantee issued to the beer business.

In May 2022, the Group updated its capital management framework to prioritize deleveraging. With potential economic and regional instabilities looming, reducing the Group's debt and risk exposure has become a crucial priority to safeguard its portfolio and capitalize on favourable investment opportunities that may arise. To this end, the Group has introduced an NCC (Net Capital Commitment) Ratio Navigation Tool, which will guide Georgia Capital PLC’s share buyback and investment policy. An NCC ratio ranging between 15%-40% will result in tactical share buybacks/investments, while an NCC ratio below 15% is expected to generate more substantial share buybacks/investments. The Group aims to achieve an NCC ratio below 15% by December 2025. This deleveraging strategy is also being implemented across the Group's private portfolio companies, with individual leverage targets established.

[9] Liquid assets also include repurchased Eurobonds of the Company

In October 2022, Georgia Capital carried out a tender offer - Modified Dutch Auction (MDA). and repurchased approximately USD 29 million worth of GCAP Eurobonds. In addition to the tendered amount, GCAP had also bought back USD 87 million of GCAP Eurobonds through open market repurchases as of 31 December 2022. As a result of the MDA, USD 65 million of notes were cancelled, which reduced GCAP's outstanding gross debt balance to USD 300 million, leaving USD 51 million of GCAP Eurobonds in the treasury as of 31 December 2022. The transaction aligns with Georgia Capital's primary strategic goal of deleveraging its balance sheet.

In line with the Group's capital management frameworks, individual leverage targets for the private portfolio companies were also developed. For details, please refer to Georgia Capital PLC's Annual Report 2022.

Despite these measures, however, there can be no assurance that the Group will not experience a stressed liquidity situation, particularly in light of the force majeure uncertainty. This could in turn have a material adverse effect on macroeconomic conditions and in turn, the Group's business.

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

The group allocates capital towards businesses with a projected equity value of at least GEL 300 million over the next 3-5 years, with the intention of unlocking their full value within a 5to 10 year time frame as the businesses mature, including by way of full or partial exit. However, the Group may face challenges in identifying suitable acquisition opportunities, competing with other potential acquirers, or negotiating favorable terms for such acquisitions, particularly in the event of economic downturns. Additionally, the Group's ability to fund future acquisitions and development projects through external sources of finance may become more crucial, although funding may not always be available on commercially acceptable terms. Furthermore, the Group may not achieve the anticipated cost savings or revenue enhancements from any acquisitions it makes, and poor investment decisions could lead to poor performance. Making unsuitable investment decisions can result in suboptimal performance. Such decisions may stem from insufficient research and due diligence in relation to new acquisitions, as well as ill-timed execution of both acquisitions and divestment decisions. Additionally, investment valuations are subject to volatility in relation to market developments, which further contributes to investment risks.

The Group's ability to realize the full value, including by way of partially or fully exiting existing or future businesses at reasonable prices, may be limited by macroeconomic conditions, financial and economic environment, and other market conditions in international capital markets. It may not be feasible or desirable to divest businesses, whether due to difficulties in finding suitable buyers or obtaining favourable terms and prices or due to missed opportunities. Similarly, potential buyers of the Group's businesses may face reduced access to capital, which could hinder their ability to purchase the Group's businesses upon exit. Market conditions may also prevent the Group from monetizing its investments through sales of its existing stakes in listed entities or initial public offerings of its key businesses, potentially affecting the Group's overall financial performance.

On the other hand, any divestments made by the Group may reduce the cash flows available to service interest and principal payments on the Bonds. Additionally, the Group aims to divest the businesses included in its other portfolio companies, which have limited potential to reach GEL 300 million in value, over the next two to three years. Any successful exits of the Group's portfolio companies would likely reduce its cash flows.

2.5 The Group and its portfolio companies depend on their ability to hire and retain key management and qualified personnel.

The senior management team currently in place is comprised of individuals who possess substantial experience and expertise, which the Group values highly. It is crucial for the Group and its portfolio companies to maintain the ability to attract, motivate, and retain qualified and experienced management personnel to ensure the success of their businesses. However, there can be no guarantee that the Group or its portfolio companies will be successful in recruiting and retaining the necessary personnel. The loss or reduction of services of members of the senior management team or the inability to recruit, train or retain essential personnel may have adverse effects on the Group's business, financial condition, results of operations, and prospects. Similarly, this could also adversely impact the business, financial condition, results of operations, and prospects of the Group's portfolio companies, which would, in turn, negatively affect the Group's overall business, financial condition, results of operations, and prospects.

3. Risks Relating to BoG.

3.1 There are risks related to listed investments.

The Issuer holds a 19.8% stake in BoGG as of the date of this prospectus, which is listed on the LSE. The value of the Issuer's stake in BoGG is subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. The value of this stake may fluctuate, sometimes materially, in response to the activities of BoGG or due to general market and economic conditions or other events. The share price of BoGG decreased by 24.9% in 2020 due in part to the impact of the COVID-19 outbreak on its profitability. During the initial weeks of the ongoing conflict in Ukraine, there was a significant decline in share prices, with a decrease of 31.8%. In the event of a material reduction in the share price of BoGG, the Issuer may not be able to monetise its stake at a sufficiently attractive price or at all.

3.2 There are risks inherent in relation to the Group's stake in BoGG.

BoGG is a UK incorporated holding company listed on the premium segment of the LSE. The market capitalisation of BoGG is approximately 1.30 billion GBP. JSC Bank of Georgia is the principal operating unit of BoGG. Together with the Bank and other subsidiaries, BoGG provides banking, leasing, brokerage and investment management services to corporate and individual customers. BoGG is subject to risks inherent with the provision of RB and CIB services in Georgia as well as, to a lesser extent, Belarus.

3.3 The quality of JSC Bank of Georgia's loan portfolio and its business prospects may deteriorate as a result of adverse macroeconomic conditions in Georgia.

BoGG’s operations are primarily located in, and most of its revenue is sourced from, Georgia. Key sources of macro risk related to Georgia are changes in GDP, inflation, interest rates, exchange rates, and political events. These factors may have a material impact on business by affecting BoGG’s financial performance and position.

3.4 Credit risk is the risk that the BoGG will incur a financial loss because its customers or counterparties fail to meet their contractual obligations.

Credit risk arises mainly in the context of the Bank’s lending activities: ECL and, in turn, the Bank’s cost of credit risk, could increase if an idiosyncratic risk for any single large borrower materialises, or a sectorial or systemic event causes the default of a substantial group of borrowers. In addition, if the fair value of the collateral declines significantly in the future, the Bank may be required to post additional provisions and may experience lower-than-expected recovery levels on collateralised loans. Furthermore, changes to laws or regulations may lead to collateral impairment. Redesigned lending processes in digital channels resulted in an increase in unsecured consumer loans and a higher-than-normal ECL in the Retail Banking segment. As a result, Bank of Georgia’s cost of credit risk ratio was 0.8% in 2022, versus 0.0% in 2021. At 31 December 2022, the NPL-to-gross-loans ratio stood at 2.7%, versus 2.4% at 31 December 2021.

3.5 Significant changes or volatility in JSC Bank of Georgia's net interest margin could have an adverse effect on BoGG's performance.

JSC Bank of Georgia derives the majority of its profit from net interest income. As a result, it is affected by fluctuations in its net interest margin ("NIM"), which, in turn, is affected by key factors such as interest rates, competition for loans and deposits, customer demand and cost of funding. These key factors are influenced by other factors beyond BoGG's control, such as Georgian and global macroeconomic conditions, the resources of competitors and consumer confidence.

3.6 Regulatory and legal risk is the risk of financial loss, regulatory censure, criminal or civil enforcement action or damage to the reputation as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

BoGG is subject to increasing legal and regulatory requirements, and the competitive landscape in which we operate may change as a result – the extent and impact of which may not be fully predicted.

Since the group’s parent company is listed on the London Stock Exchange (LSE)’s main market for listed securities, it is subject to the UK Financial Conduct Authority’s regulations and listing rules. BoGG’s core entity, JSC Bank of Georgia, is also subject to the laws of Georgia and regulatory oversight of the NBG. Furthermore, BoGG's companies are subject to relevant laws and regulations in Georgia, and the banking subsidiary in Belarus, BNB, is subject to the laws of Belarus and regulatory oversight of the NBRB.

3.7 JSC Bank of Georgia faces liquidity and funding risks.

Potential investors should carefully consider the risks associated with the BoG's ability to access funding in emerging markets. Investor confidence may be influenced by factors such as credit rating downgrades, political and economic instability, and industry-specific debt restructurings, which could impact the availability and cost of funding for the Bank's operations in those markets. Moreover, the limited availability of funding on the Georgian interbank market may require the group to seek alternative funding sources that may carry additional risks, including higher borrowing costs and reduced flexibility. These factors may impact the group's financial position, and future growth prospects. In addition, the group's liquidity position is subject to various risks that could impact its ability to meet its financial obligations. These risks include changes in financial market conditions, disruptions in the interbank market, or unforeseen operational issues that could render assets held for liquidity purposes illiquid or cause a significant decline in value. If alternative funding sources are required, they may not be readily available or be more costly and less flexible than traditional bank financing, which could impact the group's ability to pursue growth opportunities, meet its financial obligations, and maintain adequate capital levels.

3.8 JSC Bank of Georgia is subject to certain regulatory ratios.

Bank of Georgia is subject to the NBG's capital adequacy regulation, which is based on Basel III guidelines with regulatory discretion applied by the NBG. Current capital requirements include Pillar 1 requirements, combined buffers (systemic, countercyclical and conservation buffers) and Pillar 2 buffers (concentration, GRAPE, CRA, CICR and stress-test buffers).

3.9 Market risk is the risk of financial loss due to fluctuations in fair value or future cash flows of financial instruments due to changes in market variables.

Potential investors should consider the risks associated with the Bank of Georgia's exposure to currency and interest rate fluctuations. The volatility of the Georgian Lari may impact the Bank's financial position, as the Bank's currency exchange risk is calculated as an aggregate of open positions and is subject to regulatory limitations by the National Bank of Georgia (NBG). The NBG has set a limit of 20% of regulatory capital for the Bank's currency exchange risk, and any excess may lead to potential financial losses. Moreover, the Bank's exposure to interest rate risk is a concern for investors, as the Bank engages in lending at both fixed and floating interest rates, in amounts and for periods that differ from those of term borrowings. Changes in market interest rates may result in fluctuations in interest margins on assets and liabilities that have different maturities, potentially leading to financial gains or losses. Potential investors should carefully review the Bank's disclosures and assess the potential impact of these risks on the Bank's financial position, business operations, and future prospects.

3.10 Financial crime risk is the risk of knowingly or unknowingly facilitating illegal activity, including money laundering, fraud, bribery and corruption, tax evasion, sanctions evasion, the financing of terrorism and proliferation, through the group.

The group faces significant financial crime risks that continue to evolve globally and are subject to stringent regulatory and supervisory requirements. Failure to comply with these requirements may result in regulatory enforcement actions, financial losses, and reputational damage. The main sources of financial crime risk are related to providing products and services to customers, inadequate controls to detect risk and business activities with an unacceptable level of risk exposure. With the increasing volume and speed of transactions in financial services, the group needs to employ advanced detection techniques and data analytics to mitigate the risks associated with identity fraud, account takeovers, and fabricated customer accounts. The group will need to leverage its available information, data analytics, and machine learning capabilities to effectively manage these risks.

3.11 Competition could adversely affect JSC Bank of Georgia's market share or compress its NIM.

According to the NBG, as of 31 December 2022, there were 15 commercial banks operating in Georgia. JSC Bank of Georgia competes with a number of these banks, including TBC Bank, Liberty Bank, ProCredit Bank, and Credo Bank, in respect of the retail, micro, small- and medium-sized enterprises ("MSME") and corporate sectors. Certain international development financial institutions are also active in direct lending to the corporate sector. In addition, both the mortgage market and the market for the provision of financial services to high-net-worth individuals are highly competitive in Georgia, with some competitors in the mortgage market implementing aggressive pricing policies in order to retain or build their market share.

4. Risks relating to Water Utility Business.

4.1 Changes in regulated tariffs could have an adverse effect on water utility's results of operations and financial condition.

Water Utility Business is subject to significant regulation, particularly with regard to the tariffs it may charge for its regulated activities, which include its water supply and sanitation business. As a consequence, water utility business is impacted by GNERC's decisions regarding tariff pricing.

4.2 Contamination of water, either from naturally occurring compounds or man-made sources, may result in the interruption of water supply and/or exposure of humans to hazardous substances, which could in turn result in liability for the business.

The main water source for Group's water supply and sanitation business is the Zhinvali Reservoir, which is located in the Dusheti region of Georgia. The Zhinvali Reservoir may become subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Although the water utility business monitors water quality on an hourly basis via an early notification system covering the entire Aragvi Valley, any possible contamination due to factors beyond its control could force the company to shut down or temporarily disrupt the water supply to its customers. In that event, supplying water from alternative sources (such as the Natakhtari or Mukhrani water conduits) would result in increased operating costs. The treatment of contaminated water would also entail additional expenses for the company, which would harm its short-term liquidity but would be reimbursed in subsequent regulatory periods in accordance with the current tariff-setting methodology.

4.3 Water utility business uses gaseous chlorine deposited in gas tanks for water purification, which gives rise to the risk of explosions which can threaten human lives and result in substantial environmental damage.

Water is carried from the Zhinvali Reservoir to end users, with chlorination occurring on the five head works which are part of the water infrastructure and are supplied from the Zhinvali Reservoir with crude water. Each headwork has a separate chlorination system and discharges water to the supply network. The water may require additional purification in certain instances. For these reasons, chlorine tanks are installed on the water units located across the districts of the cities the operating company serves. The business complies with rules and regulations applicable to the use of gaseous substances and conducts specialised trainings for its personnel in relation to the handling of gaseous chlorine. Nevertheless, gaseous chlorine deposited in gas tanks gives rise to the risk of explosions, although the company has not yet experienced such an event. In the event of an explosion, the water utility business will be subject to sanctions under relevant environmental laws and may also become subject to private litigation to the extent private property is damaged, as well as reputational damage.

4.4 Counterparty risk in a pre-agreed put option in water utility business may result in a substantial financial loss for the Group

In 2022, GCAP completed the sale of 80% of its water supply business to FCC Aqualia, S.A. ("FCC Aqualia") for a total consideration of USD 180 million. GCAP retains a put option for the remaining 20% stake, with the exercise price based on an EV/EBITDA multiplier of 8.25x, and this option can be exercised within the period of 2025-2026. Conversely, FCC Aqualia holds a call option for the remaining 20% stake, priced at an EV/EBITDA multiplier of 8.90x, and this option can be exercised in 2026, six months after the expiration of GCAP's put option.

A risk associated with the put and call option provision is the likelihood of counterparty risk. In the event that FCC Aqualia faces severe financial problems, there is a possibility that it may default on its obligations, making it difficult for the Group to exercise its put option. If the Group is unable to exercise its put option, it could result in a substantial financial loss for the former.

In general, it is important to consider that additional risks may arise due to the structure of the transaction, particularly in cases involving put and call options.

5. Risks Relating to Retail (Pharmacy).

5.1 Group's retail (pharmacy) business operates in a competitive industry.

The retail (pharmacy) business is highly concentrated, with three major players holding approximately 83% of the market share. The retail (pharmacy) had a market share based on revenue of approximately 33% as at 31 December 2021, with PSP and Aversi having market shares of 28% and 21% and remaining players accounting for 18% of the market, based on publicly available data from each competitor. Competition is based on factors such as reputation, clinical excellence, client satisfaction and price. Competition is strongest in Tbilisi, although the business faces competition in all of the regions of Georgia in which it operates. In highly competitive markets, there is a constant need for innovation to maintain a competitive edge and attract customers to the company's pharmacies. However, the increased competition also means that competitors may increase their advertising and marketing expenses, leading to a potential increase in marketing costs for the company as well. Such an increase in costs could have a negative impact on company's financial and operational results.

5.2 Group's pharmacy business may have risks associated with the expansion and development of new or existing retail stores.

The pharmaceutical retail chain has experienced rapid growth in the past few years and currently operates 372 pharmacies as of December 2022. This growth rate could potentially lead to decreased efficiency and operational difficulties. For instance, in 2022, the same store revenue growth (like-to-like stores) was negative 0.8% year-on-year. Moreover, the retail chain's swift expansion may cause significant pressure on management, diverting their attention from mitigating day-to-day operational issues and potentially resulting in disruptions in the production cycle. Nonetheless, it is worth mentioning that Gepha, the retail chain operator, possesses a lot of experience in managing these types of risks.

5.3 The government introduced External reference Pricing model, which may lower prices and profitability margins for the business.

In December 2022, amendments were made to the Law of Georgia on Medicines and Pharmaceutical Activities, defining the possibility and basic principles of state regulation of pharmaceutical product prices at the legislative level. Taking into account the legislative changes implemented in 2022 and in accordance with the resolution adopted by the government (which determined the methodology, rules, and conditions of the state regulation of the price of pharmaceutical products), the Ministry of IDPs, from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("Ministry of Health") launched a reference pricing model in the pharmaceutical market from February 15, 2023. This model mostly applies to state-funded medicines, serving as a core aspect of the regulatory framework. The regulation of prices for pharmaceutical products through the establishment of reference prices involves setting a maximum threshold amount on the sales price, applicable to both the retail and wholesale levels. Any sale or issuance of a product above this maximum price is prohibited and carries legal liability. The reference wholesale price is determined using the external reference pricing method, which relies on average wholesale prices of the same or similar medicines in comparable countries defined as Bulgaria, Latvia, the Republic of North Macedonia, and Montenegro. The reference retail price, representing the maximum price at which the pharmaceutical product can be sold to consumers, is calculated based on the reference wholesale price using the method of regressive retail billing, commonly referred as retail mark-up. These measures aim to ensure price regulation and align prices with the average prices observed in comparable countries, as determined by the government. Retail (Pharmacy) business may be forced to lower prices and profitability margins, leading to a negative impact on business's financial and operational results. Based on management's estimations, the direct impact of the new regulation on the 2023 EBITDA is expected to be a decrease of GEL 4.0 million.

6. Risks Relating to Hospitals.

6.1 Georgia Capital's hospitals operate across the Georgian healthcare ecosystem through its hospital services and are subject to a complex spectrum of laws, regulations and codes, and cannot accurately predict future regulatory changes or their effect.

Hospitals business operate in an evolving regulatory environment and cannot accurately predict what regulatory changes will be introduced in the future or their effect. The hospitals business includes operating 16 referral hospitals (with a total of 2,524 beds), each of which must comply with extensive requirements across a spectrum of laws, regulations and codes.

Since 2007, there has been a significant transformation of the Georgian healthcare system aimed at achieving higher standards of care, modernisation of equipment and facilities, wider access to healthcare and lower healthcare costs. From 2007 to 2013, significant steps were taken to privatise the healthcare system. The Government essentially delegated responsibility for the insurance of certain segments of the population (including teachers, military personnel and other public sector employees) to private insurance companies. Despite these reforms, out-of-pocket payments remain the dominant source of financing for healthcare services in Georgia, comprising payments of services not covered by universal healthcare coverage (UHC).

6.2 Hospitals business depends on revenue from the Georgian government and a small number of insurance providers.

Hospitals business depends on revenue from the Government and a relatively limited number of private insurance providers. As a result, its ability to obtain favourable pricing depends on its ability to maintain good working relationships with the Government and private insurance providers and may be impacted by a change in the process by which the Government reimburses healthcare providers, including JSC Georgia Capital's hospital business, which could increase company's administrative costs or result in delays in obtaining payment for its services. Any reduction in prices or increase in the time for making payment, including any delayed payments under the UHC, would adversely affect the group's revenues, profitability and working capital. In addition, the group might not be able to predict the evolution of the Government's policy in relation to the state funding of healthcare and, in particular, changes to the UHC and any consequent effect on its business. Any of the foregoing could have a material adverse effect on group's business, financial condition, results of operations and prospects.

6.3 Hospital Business is involved in contractual and other disputes and litigation.

Hospitals are subject to the risk of litigation by patients and it is possible that some of these cases will be decided against the group, which could require the group to pay increased premiums for medical malpractice insurance or substantial damages or other amounts in judgements or settlements. Any such actions could also harm the group's reputation and the goodwill associated with its brand, require significant time and attention from management and require the group to incur debt to finance amounts owing under any judgement or settlement. The group's patients may contract serious infections or communicable diseases at its facilities because of the risks associated with the operation of medical care facilities. The group's operations involve the treatment of patients with a variety of infectious diseases and previously healthy or uninfected people may contract, during their stay at or visits to the group's facilities, serious communicable diseases, which could also infect group's employees and reduce the treatment and care capacity of group's medical facilities. In addition to claims for damages, any of these events may lead to limitations on the activities of the hospital facilities as a result of regulatory restrictions, loss of reputation and reduced utilisation of hospital beds. Any of the foregoing could have a material adverse effect on the business, financial condition, results of operations and prospects.

6.4 Inadequate record-keeping or documentation of medical matters and patient data could lead to medical or administrative errors and regulatory breaches, which could give rise to fines, penalties and/or reputational damage.

Group's hospital businesses receive, generates and store significant volumes of personal and sensitive information, such as patient medical information, and are therefore subject to personal data protection, privacy and security regulations with respect to the uses and disclosures of protected health information, which are intended to protect the confidentiality, integrity and availability of such information. Georgian personal data protection and privacy regulations and the Georgian criminal code establish a regulatory framework on a variety of subjects, including:

- the prohibition of disclosing health information learned during the course of diagnosis and treatment;
- the circumstances under which the use or disclosure of protected health information is permitted or required without specific authorisation by the patient; and
- the requirements to notify patients of privacy practices for protected health information.

Although Group's hospital businesses have implemented network security measures, their servers are potentially vulnerable to computer viruses, break-ins and similar disruptions from unauthorised tampering. The group holds confidential data regarding its patients and customers, and, given the nature of healthcare services, it must be particularly vigilant in guarding data privacy. A cyber-attack, security breach or unauthorised access to the group's systems could cause important or confidential data to be misappropriated, misused, disseminated or lost. If the business does not adequately safeguard confidential patient data or other protected health information, or if such information or data are wrongfully used or disclosed to an unauthorised person or entity, the group's reputation could suffer, resulting in a loss of customers, and it could be subject to fines, penalties and litigation, any of which could have a material adverse effect on business, financial condition, results of operations and prospects.

6.5 Hospital’s business performance depends on its ability to recruit and retain high-quality doctors, nurses and other healthcare professionals.

Hospital business operations depend on its ability to recruit and retain high-quality doctors, nurses and other healthcare professionals at its hospitals and clinics. The business competes with other hospitals to recruit and retain qualified doctors and other healthcare professionals. The reputation, expertise and demeanour of the doctors, nurses and other medical professionals who provide medical services at hospitals are instrumental to its ability to maintain high safety and quality standards and attract patients. The group’s hospitals business depends, in part, on its ability to recruit, train and retain an appropriate number of highly skilled doctors, nurses and other healthcare professionals in order to deliver international standards of care. If business is unable to effectively attract, recruit and retain qualified doctors, nurses and other healthcare professionals, its ability to provide high-quality hospital services and sophisticated treatments and to retain and attract new patients may be adversely affected.

6.6 Any failure to maintain the quality of service provided at Groups facilities may negatively impact the brand or reputation and could lead to a decrease in the number of patients.

Some patients are referred to hospitals by medical professionals while others select their hospitals themselves based on brand recognition and reputation. Hospital business is dependent upon providing high-quality healthcare (e.g., medical care, facilities and related services), measured by reference to factors such as quality of medical care, doctor expertise, friendliness of staff, waiting times and ease of access to doctors. If the hospitals business is unable to provide high-quality services to its patients, fails to maintain a high level of patient satisfaction or experiences a high rate of mortality or medical malpractice suits, its brand and/or reputation could be damaged. This damage could cause patients to select alternative hospitals or could cause medical professionals to refer patients to the Group’s competitors.

7. Risks Relating to the Group's Medical, Property and Casualty Insurance Businesses.

7.1 The Georgian property and casualty insurance market is highly competitive. Aldagi (P&C) might not be able to compete with its competitors' pricing policies or price its insurance products correctly.

The Georgian property and casualty insurance market is highly competitive. Providers compete on factors such as the terms of insurance policies (including coverage, exclusions and price) and the ease of the claims reimbursement process. Competition may increase among insurance providers, including as a result of consolidation, alliances or new entrants, which could result in competitors having greater resources than Aldagi or other competitive advantages. In addition, competitors may adopt aggressive pricing policies to capture market share. Aldagi makes assumptions about a number of factors in determining the pricing of its insurance products and setting its insurance reserves. These assumptions include estimates of the incidence and amount of claims, policy renewals, long-term interest rate trends, returns on investment, mortality and morbidity rates and future costs. If these assumptions prove to be incorrect or do not reflect actual market changes, then Aldagi may under-price its insurance products and may need to increase insurance reserves for its property and casualty insurance business. This could lead to losses, which could in turn have a material adverse effect on Aldagi's business, financial condition, results of operations and prospects.

7.2 Aldagi's (P&C) business is partly dependent on obtaining suitable reinsurance.

Aldagi's ability to implement its reinsurance policy depends on the continued availability of reinsurance at a competitive cost. Aldagi's capacity to underwrite and minimise its capital requirements will depend on its ability to meet its reinsurance policy criteria. Underwriters do not typically accept risks that exceed treaty limits and will not accept risks above the company's retention as per the treaty for each business line. Aldagi's retention and optimal treaty structure are determined by the actuarial consideration prepared by Aldagi's actuarial division and are subject to approval by Aldagi's CEO. Should Aldagi be unable to obtain reinsurance when required, its underwriting process may not function as intended, which may lead to increased losses. Aldagi's approach to risk is determined for each business on an annual basis. There is a risk that reinsurance support will not be available in the future if the results or future prospects of Aldagi are not attractive enough to reinsurers; this is a particular risk with newer business lines where the risk of underperformance is potentially higher. If Aldagi is not able to reinsure risks above the level of desired retention, new business lines may be withheld until appropriate reinsurance can be found, which could have a material adverse effect on Aldagi's business, financial condition, results of operations and prospects.

7.3 Aldagi (P&C insurer) is required to meet certain minimum capital and reserve requirements and comply with a number of regulatory requirements relating to its operations.

Certain minimum regulatory capital requirements and reserve requirements apply to Aldagi's property and casualty insurance business. To maintain its non-life and life insurance licenses, Aldagi must maintain a minimum share capital of GEL 7,200,000, 100% of which must be retained in cash on deposit with a banking institution licensed in Georgia and free from any encumbrances. Insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by the solvency requirement, in excess of 100%. Whilst Aldagi has consistently maintained its required solvency ratio above 100%, and, as at 31 December 2022, it had a solvency ratio of 183% based on its regulatory capital (calculated as total capital less certain qualifying assets), Capital requirements are subject to change, and such changes may adversely affect Aldagi's business by requiring it to hold more capital. While management expects that Aldagi will continue to fully comply with all applicable regulatory requirements on an ongoing basis, if it were to fail to do so, the ISSSG could withdraw Aldagi's license, which would prevent it from continuing to operate its business.

7.4 Medical Insurance business may not be able to accurately forecast healthcare costs in relation to its medical insurance products.

Premiums for the Group's medical insurance business are priced in advance based on the business's forecasts of healthcare costs during a fixed premium period. These forecasts are typically developed several months before the fixed premium period begins, are influenced by historical data (and recent historical data in particular), are dependent on the business's ability to anticipate and detect medical cost trends and changes in customer behaviour and healthcare utilisation patterns and require a significant degree of judgement. Cost increases in excess of the business's projections cannot be recovered in the fixed premium period through higher premiums. As a result, profits are particularly sensitive to the accuracy of forecasts and the ability to anticipate and detect medical cost trends. Even relatively small differences between predicted and actual healthcare costs as a percentage of premium revenues can result in significant adverse changes in the business's results of operations.

Healthcare costs can be affected by external events that Group’s medical insurance business cannot forecast or anticipate and over which it has little or no control, such as emerging changes in the Georgian economy and/or public policy, additional government-mandated benefits or other regulatory changes, changes in customer behaviour and healthcare utilisation patterns, changes in health care practices, new technologies, increase in the cost of prescription drugs, influenza and COVID-19 related healthcare costs, direct-to-consumer marketing by pharmaceuticals companies, clusters of high-cost cases, epidemics, pandemics, terrorist attacks or other man-made disasters, natural disasters or other events that materially increase utilisation of medical services, as well as changes in provider billing practices.

It is particularly difficult to accurately anticipate, detect, forecast, manage and reserve for medical cost trends and utilisation of medical services during and following periods when such utilisation and/or trends are below recent historical levels, during periods of changing economic conditions and employment levels and for products with substantial customer turnover.

8. Risks relating to Clinics and Diagnostics.

8.1 Group’s clinics and diagnostics business operates in a competitive industry.

The business may face competition from other healthcare service providers, such as stand-alone speciality centres and laboratories, for areas such as cardiology, oncology, urology and diagnostics. Although fewer in number and more limited in reach, the business also competes with state-owned hospitals and polyclinics. Over time, Clinics and Diagnostics business may also face competition from international healthcare companies with substantially greater resources, which may begin providing services in Georgia or attracting patients from

Georgia as part of medical tourism. Group's competitors may consolidate, develop alliances or adopt predatory pricing policies to capture market share, which could adversely affect Group's business, financial condition, results of operations and prospects.

9. Risks relating to Renewable Energy Business.

9.1 Ability to generate, distribute and supply electricity is dependent upon the Georgian transmission system

The distribution of electricity to the distribution networks, as well as the distribution of electricity to customers, is dependent upon the infrastructure of the transmission systems in Georgia. The renewable energy business has no control over the operation of the transmission system and it is entirely reliant on the System Operator, which is a state-owned entity. Any failure in the transmission system in Georgia, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the business from distributing electricity to its end customers. As a result, any failure in the transmission system could in turn have an adverse effect on the business, results of operations and financial condition.

9.2 The business sells electricity mainly to ESCO in terms of long-term power purchase agreements ("PPAs"), but in months which are not covered by PPA, the business takes market risks, which can be expressed in two sub-risks, which are 1) risk of finding off-taker and 2) market price risk

In the non-PPA period, power plants may sell electricity via a bilateral agreement to any off-taker or sell it to ESCO as balancing electricity. After the start of operation of day-ahead market ("DAM[10]") and the Intraday market ("IDM[11]"), the power plants will have two additional channels for power sales, and off-taker risk will be almost fully eliminated. Currently, if the power plant neither has PPA nor a bilateral agreement, according to applicable market rules, ESCO pays them the lowest regulated HPP price during the summer months (May to August) or the highest TPP price in the winter months (September to April). As of 2021, Enguri HPP has the lowest regulated price of 1.857 Tetri/kWh set for the 2021- 23 period – in case of the non-existence of the bilateral agreement, this would be the ESCO settlement price. Considering the deficit in recent years, the business always managed to sell the electricity according to the direct contract and the sale to ESCO was less than 0.1%. As mentioned above, the volumes can easily be traded on these markets after the launch of DAM and IDM. The launch of DAM and IDM will not affect PPAs with ESCO - the tariff, other terms of payment, term of agreement will remain the same. Considering the above-mentioned, the business is still subject to the risk of selling electricity at unfavourable prices in case of the inexistence of an off-taker. Yet, increasing the electricity deficit in the country decreases the risk, expected to be completely faded away upon the implementation of the new market.

9.3 Environmental, health and safety laws

The business is subject to various environmental and health and safety laws and regulations governing, among other things, pollution caused by its operations and the health and safety of its employees. The renewable energy business is also required to obtain environmental and safety permits from various governmental authorities for its operations. The business has adopted environmental standards applicable to its operations. While as at the date of this Prospectus, the business is in compliance with all applicable environmental and health and safety regulations in force in Georgia in all material respects, there can be no guarantee that it will continue to be in compliance in the future. Should the business fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations. Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in disruption to its operations or cause reputational harm and significant liability could be imposed on the business for damages, clean-up costs and penalties and/or compensation as a result. The occurrence of any of these events may also cause disruption to the business's operations and result in additional costs. Although environmental laws and regulations have an increasing impact on the business's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on the business. While Renewable Energy has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be

[10] Day-ahead market (DAM) is an organized auction held a day before actual delivery. Market participants bid on the desired volume and price of electricity they want to sell or buy. DAM auctions will close every day at a predetermined time and define the price for every 24 hours of the next day.
[11] An intraday market (IDM) is a market where bids and offers are continuously placed and matched on an organized platform. IDM has no deadlines, and electricity can be traded 1 hour prior to the actual generation/ consumption.

adopted. Any of the foregoing could have a material adverse effect on the business, results of operations and financial condition.

9.4 Climate conditions and natural hazards can affect the company

Adverse weather conditions can affect the renewable energy business. In drought conditions, the level of electricity produced by HPPs for sale to third parties may be lower, which would result in lower revenue. Water availability is also seasonal, especially for run-of-river HPPs, which include the Mestiachala 2 HPP and the Kasleti 2 HPP, with the strongest water flow typically occurring during the months of March, April and May for the Kasleti 2 HPP and July and August for the Mestiachala 2 HPP due to thawing snow. Moreover, the Akhmeta and Debeda HPPs are located on irrigation channels and the supply of water to these HPPs may be diverted for irrigation purposes, which will have priority over the supply of water for electricity generation purposes during the irrigation season in the summer months. Any rehabilitation works carried out on irrigation channels can also limit water supply to the aforementioned HPPs. In addition, the business is dependent on suitable wind conditions, which exhibit seasonal patterns and are difficult to predict. Winds exceeding certain speeds may also require the business to halt its turbines. Finally, while Renewable Energy projects electricity generation on the basis of normal weather representing a long-term historical average and considers possible variations in normal weather patterns, taking a conservative approach where necessary, and the potential impact on its operations, there can be no assurance that such planning can address an impact of adverse weather conditions or accurately predict future weather conditions. To the extent climate change causes changes in temperature, variability in precipitation and wind patterns or exacerbates the intensity or frequency of extreme weather events, this could negatively impact the business. Any adverse weather conditions, whether as a result of climate change or otherwise, could have a material adverse effect on the business, results of operations and financial condition.

9.5 Issuer in regard to its renewable energy business is dependent upon its PPAs with ESCO[12]

All of the HPPs of the Issuer (except for the Akhmeta HPP, whose PPA expired in February 2022) as well as the Qartli Wind Farm sell the electricity they generate pursuant to PPAs with ESCO as the off-taker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). PPAs can typically only be terminated in circumstances of force majeure or default (which is not remedied despite written warnings) by either of the parties. Purchase prices for electricity generated under these PPAs are pre-determined. For the period from May to August, electricity generated by these plants is sold at market prices. PPAs with ESCO are typically not extended and there can be no assurance that the business will be able to find arrangements for the sale of the electricity it generates that are as favourable as those under the relevant PPA. In addition, at a time of expiration of PPAs, market prices may be volatile as a result of various factors. From 2018, changes have been made to the process of issuing PPA. Notwithstanding changes to Georgian energy regulations, the PPAs already entered into by the Government remain effective. It should be noted, that it is not clear whether projects will be offered PPAs in the future, since the issuance of PPAs on new projects is practically completely suspended. If the business is unable to find suitable arrangements for the replacement of its existing PPAs, this could, in the longer term, have a material adverse effect on its business, results of operations and financial condition.

9.6 Maintenance and refurbishment of power plants involve significant risks that could result in unplanned power outages, reduced output and unanticipated capital expenditure

The operation of the business's power plants involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport electricity to customers in an efficient manner due to a lack of transmission capacity or transmission infrastructure issues. Such failures and performance issues can stem from a number of factors, including errors in operation and general wear over time. As a result, the business's facilities may require planned periodic major overhaul activities, which may also include improvements. Unplanned outages of power plants may occur from time to time and are an inherent risk to the renewable energy business. Unplanned outages of the power plants will typically increase expenses which may not be recoverable under the applicable PPA (where relevant) and may reduce revenue as a result of selling lower volumes of electricity. It is worth noting, that compared to the average useful life of similar assets, power plants are commissioned in quite a recent past, are technically sound and respectively, the business does not expect material capital expenditures for the purposes of maintenance or renewal. Nevertheless, the business cannot be certain of the level of capital expenditure that will be required

[12] Electricity Market Operator

due to changing environmental, health and safety laws and regulations (including changes in the interpretation or enforcement thereof), necessary facility repairs and unexpected events (such as natural or man-made disasters or terrorist attacks). Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditure at the power plants, could have a material adverse effect on the business, results of operations and financial condition.

10. Risks Relating to the Group's Education Business

10.1 The Group may be unable to recruit a sufficient number of qualified teaching personnel for its schools and/or the market rate for teachers' salaries may increase.

The Group's education business may face challenges in recruiting and maintaining the quality of its workforce necessary for the expansion of its business. Qualified academic personnel are the most important factor for the education business. The business plans to expand and if the scarcity of qualified personnel on the market persists, this might compromise the Group's ability to achieve this goal. In addition, the business's expansion plans have increased demand for teachers in Georgia, which, in turn, might lead to an increase in salary levels for teachers. Additionally, if the Government increases teacher salaries in public schools in Georgia, this might put additional pressure on salary costs for the private sector, including the business. Although the business plans to establish a teacher training institute and develop its own talent through targeting and training young professionals, there can be no guarantee that it will be successful in obtaining enough teachers at a reasonable salary. If it is unable to do so, this could have a material adverse effect on the business, financial condition, results of operations and prospects.

10.2 The education business may not be able to successfully execute its growth strategy.

The education business may not be able to successfully execute its growth strategy and capitalise on business opportunities. Risks in this area include cost overruns, such as exceeding the budgeted cost for greenfields; missing the timeline for a project due to, inter alia, delays in receiving the relevant permits from governmental agencies and delays in construction processes, resulting in reputational damage or delayed admission of learners; and creating an oversupply of school places on the market due to the Group's rapid expansion plan, which could result in low utilisation rates. Although the education business's growth is phased over several years and the business is closely monitoring expenditures associated with the expansion, any of the aforementioned risks could have a material adverse effect on the business, financial condition, results of operations and prospects.

11. Risks Relating to the Group's Other Businesses

The Group's other private portfolio companies (Auto Service, Beverages, Housing Development and Hospitality) had a combined value of GEL 274.1 million as at 31 December 2022, representing 9% of the total portfolio value of the Group. The Group faces various risks associated with its other businesses, including competition, adverse developments in related industries and changes in the relevant regulatory frameworks. In particular, certain of these businesses have been severely affected by the COVID-19 pandemic. For instance, the downturn in tourism had a material adverse effect on the Group's hospitality and commercial real estate business and the impact of the pandemic may depress Georgia's property market more generally, which could also adversely affect the Group's housing development business. The auto services business was also negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections. Additionally, the ongoing war negatively impacted the wine business, which had significant exposure to the Russian and Ukrainian markets (61% and 56% of the FY21 and FY22 net revenues, respectively, were generated from sales in these markets). Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

12. Risks Relating to the Bonds

12.1 The market price of the Bonds may be volatile.

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, actual or anticipated variations in the operating results of the Company's competitors, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and actual or expected sales of a large number of Bonds, as well as any other factors affecting the Company, including economic and market conditions in Georgia. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Company's business, financial condition and results of operations. If an active trading market for the Bonds develops, there can be no assurance that events in Georgia or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Bonds and/or that economic and market conditions will not have any other adverse effect. If the Bonds are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar bonds, general economic conditions, and the financial condition of the Company or other factors which may be beyond the control of the Company.

12.2 There may not be an active trading market for the Bonds

There can be no assurance that an active trading market for the Bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for bonds does not develop or is developed but not maintained, the market of bonds or trading price may be adversely affected by a number of factors, some of which may be beyond the control of the Company. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon the prevailing interest rate, market for similar bonds, general economic conditions and the financial condition of the Company. Although the secondary market indicator of the foreign currency denominated bonds segment significantly exceeds the GEL-denominated bonds, an active trading market for the Bonds may not exist, especially in developing economies like Georgia.

12.3 Investors whose financial activities are denominated in a currency or currency unit other than Bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or exchange controls.

The Company will pay principal and interest on the Bonds in USD. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the investor’s currency) other than USD. These include the risk that exchange rates may significantly change (including changes due to devaluation of GEL or revaluation of the investor’s currency) and the risk that authorities with jurisdiction over the Company’s or the investor’s currency may impose or modify exchange controls. An appreciation in the value of the investor’s currency relative to GEL would decrease (i) the investor’s currency equivalent yield on the Bonds, (ii) the investor’s currency-equivalent value of the principal payable on the Bonds, and (iii) the investor’s currency-equivalent market value of the Bonds. Governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected on the Bonds.

12.4 Transfer of the Bonds will be subject to restrictions imposed on investors of certain territories/other countries.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended ("US Securities Act") or any US state securities laws. Prospective investors may not offer or sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. It is the obligation of prospective investors to ensure that their offers and sales of the Bonds within the United States and other countries comply with any applicable securities laws.

12.5 The terms and conditions of the Bonds may be modified or waivers for breaches of the terms and conditions may be issued in the future

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend the relevant meeting and who voted in a manner contrary to the majority (please refer to the "Terms and Conditions of the Bonds" of the Prospectus, “Bondholders’ Meetings, Changes and Refusal of Rights” section).

12.6 The bonds have a call option, which carries certain risks for investors

The Bonds have call options in various means, which means that if the Company decides to use these instruments, the Bondholders will receive the prices as determined by the Terms & Conditions of the Prospectus. Additionally, the Issuer has a make-whole call option, which allows the Issuer to redeem Bonds while compensating the Bondholders for the present value of future interest payments that they would have received if the bond had not been called. This might be less than the interest Bondholders would have received in case of maturing the Bonds. There is the risk that if interest rates fall in the market, the Company may exercise this option. In this case, Bondholders will have to reinvest the funds at lower interest rates, which means that they will receive less return on their funds, than they would have, had the Company not exercised the call option.

12.7 The Bonds are Pari Passu securities

Subject to the restrictions on the incurrence of indebtedness set out in the Conditions, there is no restriction on the number of securities, which the Issuer may issue and which may rank equally in right of payment with the Bonds. The issue of any such securities may reduce the amount investors may recover in respect of the Bonds in certain scenarios as the incurrence of additional debt could affect the Issuer's ability to repay the principal of, and make payments of interest on, the bonds. This could have a material adverse effect on the trading price of the Bonds.

12.8 The bonds constitute senior unsecured obligations of the Issuer.

The Issuer's obligations under the Bonds will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Bonds would be unsecured claims, which would be satisfied only after any secured creditors, if at all. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

12.9 Any fluctuations in the credit ratings assigned to Georgia, the Issuer or the Bonds may cause trading in the Bonds to be volatile and/or adversely affect the trading price of the Bonds

The Issuer has a long-term issuer credit rating of B+/Negative from S&P Global Ratings (“S&P) and B1/Stable from Moody’s Investor Service (“Moody’s”).

On Aug. 26, 2022, S&P Global Ratings affirmed its 'BB/B' long- and short-term foreign and local currency sovereign credit ratings on Georgia. The outlook is stable.

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer has no obligation to inform Bondholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Georgia, the Issuer or the bonds may cause trading in the Bonds to be volatile or adversely affect the trading price of the Bonds.

The credit ratings may not reflect the potential impact of the risks discussed above or of any other factors that may affect the value of the Bonds. Credit ratings assigned to the Bonds do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Bonds will be prepaid, paid on an expected final payment date or paid on any particular date before the Maturity Date. The ratings do not address the marketability of the Bonds or any market price. Any change in the credit ratings of the Bonds or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Bonds. The significance of each rating should be analysed independently from any other rating.

12.10 Any change of law in Georgia in the future may have a material adverse effect on the Bonds, including their GSE listing and taxation of interest on the Bond

The terms and conditions of the Bonds are based on the laws of Georgia in effect as of the date of this Prospectus. There can be no assurance in terms of the impact of judicial decisions or changes in law or administrative practice in Georgia after the date of this Prospectus. In the future, changes in the taxpayer's income taxation regime may negatively affect the amount of net income the Bondholders may receive.

Securities legislation may be subject to further amendments that may adversely affect the Bond emissions, their registration, placement, listing on the Georgian Stock Exchange JSC (“GSE”), as well as transaction and settlement procedures of the GSE and/or secondary market.

12.11 Investors must rely on procedures of the Registrar, Bondholders and in corresponding cases - nominal holders of the Bonds

The Company will discharge its payment obligation under the Bonds by making payments to Bondholders and nominal holders of the Bonds registered by the Registrar (by the date defined in the terms and conditions of the Bonds). A Bondholder must rely on the procedures of the Registrar and in corresponding cases, of the nominal holders (where applicable) to receive payments under the Bonds. The Company has no responsibility or liability for the accuracy of records or receipt of money by the Bond beneficiary. Also, the Issuer has no responsibility or liability for a mistake made by any other person during settlement. Furthermore, the bond issuance structure envisages the existence of the Bondholder Representative, for which no comprehensive legislative or regulatory framework exists and accordingly, Bondholder rights are fully governed by the Agreement between the Bondholder Representative and the Issuer and the Terms and Conditions of the Bond.

12.12 An investment in the Bonds may involve certain legal investment considerations

The investment activities of certain investors may be subject to legal investment laws and regulations, or review or regulation, by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (i) the Bonds are legal investments for them; (ii) the Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable minimal reserve requirements or similar rules.

12.13 Application for purchasing Bonds may be satisfied partially

If in the process of book-building the final interest rate the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing the Bonds.

12.14 The Issuer's shareholder's interests may, in certain circumstances, be different from the interests of the Bondholders.

The Issuer's sole shareholder is Georgia Capital PLC. Georgia Capital PLC is in a position to control the outcome of actions requiring shareholders' approval and has the ability to approve the election of all the members of the supervisory board of the Issuer (the "Supervisory Board") and thus influence its decisions. The interests of the shareholder may be different from those of the Issuer's creditors, including the Bondholders.

12.15 The Bonds carry a fixed coupon rate

The Bonds specified in this prospectus are fixed-rate debt securities, which means that they will maintain a consistent interest rate throughout their term. Even though this stability provides investors with predictability in terms of future earnings, it is important for Bondholders to be aware of certain risks. Due to the fixed nature of the interest rate of the bonds, in the event of an increase in market interest rates, the bondholder may receive less income/profit than in case of purchase of securities with variable interest rates. Additionally, bondholders may encounter challenges in reselling the Bonds in the secondary market without incurring losses, as investors will likely to be attracted to higher-rate securities available at that time.

USE OF PROCEEDS

The net proceeds to be received by the Company from the issuance of the USD 150.0 million Bonds will not be less than 98.5% of the funds raised.

The Issuer intends to use the net proceeds from the offering as follows:

c) USD 120 million (80% of the net proceeds) will be used to partially redeem the issuer's USD 120 million existing Eurobond.
d) approximately USD 30 million (20% of the net proceeds) will be used for general corporate purposes and will be retained in cash, deposits, cash equivalents and other temporary investments as a liquidity buffer/working capital provisions for such time as it is deemed appropriate for prudential management purposes.

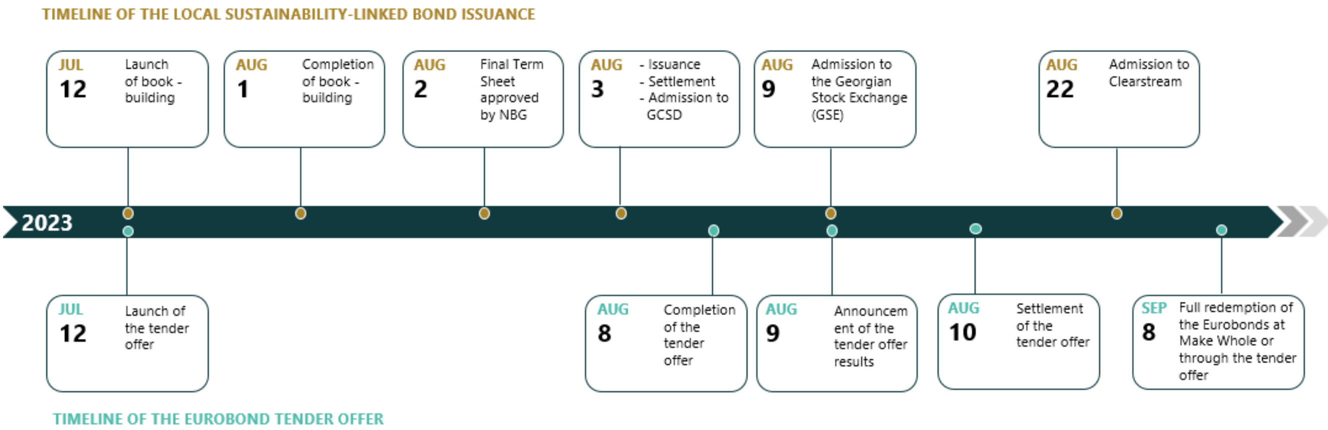
Bond Placement Procedure

Issuer will utilize a portion of the proceeds generated from the issuance of the local sustainability-linked bonds together with existing liquid funds to re-finance its existing Eurobond. In parallel with the local bond issuance, GCAP intends to make a tender offer for its existing USD 300 million Eurobond (ISIN: XS1778929478), facilitating the transition of current Eurobond holders into the local bonds.

GCAP intends to fully redeem remaining Eurobonds in September 2023, either at Make Whole or through a further tender offer. This offer will specifically target investors who did not participate in the tender offer conducted in July 2023.

Upon completion of the aforementioned processes, the only remaining liability for money borrowed for Georgia Capital will be the USD 150 million local bond.

Please refer to the table below for the indicative dates of the new local issue determined by this prospectus and redemption of the existing Eurobonds (ISIN: XS1778929478) :



For detailed information on existing Eurobonds (ISIN: XS1778929478), please refer to "Capitalisation and indebtedness".

SUSTAINABILITY-LINKED BOND FRAMEWORK

GCAP has developed a Framework that outlines the key principles to be followed when issuing Sustainability-Linked Bonds. This Framework has been established in alignment with the International Capital Market Association's (ICMA) 2020 Sustainability-Linked Bond Principles (SLBP). The SLBPs are a set of voluntary guidelines that establish industry best practices for financial instruments to incorporate sustainability-related outcomes in the future. By defining the approach to issuing SLBs, these principles serve to facilitate the growth and development of the SLB market.

Enhanced integration of ESG issues into the Group's core operations became one of the three strategic priorities of GCAP's overall strategy in 2022. By identifying ESG risks and opportunities and integrating and managing ESG matters into the investment decision-making process, the Group is able to achieve a higher degree of investment optimization, while contributing to Georgia's advances towards sustainable development and improving the future of the community. By issuing Sustainability-Linked Bonds (SLBs) GCAP will deliver on its key ESG priority to support the transition towards a more sustainable and low carbon economy.

Some of the Group's portfolio companies have prior experience with sustainable finance instruments, resulting in a broader investor base and involvement of Development Finance Institutions. By becoming an SLB issuer, GCAP hopes to raise public awareness on the benefits of good ESG management and strengthen its position in the market as a leading sustainability-oriented company in Georgia, serving as an example for other market players.

GCAP's Sustainability-Linked Bond Framework is designed in accordance with the five key components of the Sustainability-Linked Bond Principles (SLBP):

1. Selection of Key Performance Indicators (KPIs)

GCAP's key performance indicator (KPI) is the total amount of greenhouse gas (GHG) emissions from Scope 1, 2, and 3 sources across its value chain, measured in tons of carbon dioxide equivalent (tCO_2e). Scope 1 emissions are from sources owned or controlled by GCAP, Scope 2 emissions are from the consumption of purchased electricity, heat, steam, and cooling, and Scope 3 emissions represent Scope 1 and 2 emissions of GCAP's portfolio companies. This KPI is aligned with GCAP's commitment to sustainability and its long-term Net Zero goals. The KPI is material and relevant as it helps measure the company's and portfolio companies' GHG emissions, identify carbon-related risks and support decarbonization targets.

2. Calibration of Sustainability Performance Targets (SPTs)

GCAP aims to reduce Absolute Scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline. As of December 2022, GCAP's total GHG emissions from Scope 1, 2, and 3 sources amounted to 22,829 tCO_2e. The base year for emissions reduction targets has been set as 2022 for two main reasons: first, the disposal of the majority equity stake in the water utility business was completed in 2022, which significantly altered the GHG emission composition, and second, 2022 reflects the normalization of economic activities compared to the abnormal environment in 2020-2021 years due to COVID-19-related implications. The SPT is consistent with GCAP's overarching goal of reducing absolute GHG emissions from Scope 1, 2, and 3 sources by 30% by 2030 and by 95% by 2050 compared to the 2022 baseline year, aligned with net-zero targets. The SPT is coherent with the transition to a sustainable economy and aligns with the objectives of limiting global warming well-below 2°C in line with the Paris Agreement, and achieving climate neutrality by 2050, in accordance with the EU's Green Deal.

3. Bond Characteristics

GCAP will link the financial features of its Sustainability-Linked Bond (SLB) to the SPT defined in the previous section. The financial characteristics of the SLB are set out in detail in the section "Terms and Conditions on the Bonds".

4. Reporting

GCAP upholds a commitment to transparency and accuracy in its external communications, in line with its Code of Conduct and Ethics. To this end, GCAP will disclose updated information about the SLB in a separate section of its annual sustainability report. This disclosure will include information on the performance of the selected KPI, the SPT verification report, an explanation of the factors influencing KPI evolution, positive impacts related to improved sustainability, and any additional information that helps investors monitor the ambition of the SPT. This reporting will be published annually until bond maturity, and in case of any potential adjustment of the SLB's financial and/or structural characteristics relevant for assessing SPT performance. The reporting will be published according to the Terms and Condition of the Bonds (Condition 6).

5. Verification

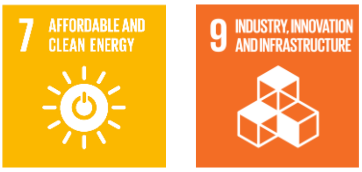
   a. Second Party Opinion SPO

GCAP has commissioned Sustainalytics, an internationally recognized firm with environmental and social expertise, to conduct a Second Party Opinion (SPO) evaluating the sustainability benefits and alignment of its Sustainability-Linked Bond Framework with the SLBP 2020. Sustainalytics confirmed the framework's compliance with the SLBP 2020 and rated it as ambitious. The full SPO report has been made publicly available on GCAP's website.

   b. Annual Verification

GCAP will ensure independent and external verification of their performance against each SPT for each KPI by a qualified external reviewer annually until bond maturity. The verification will be publicly available in a specific section of GCAP's annual sustainability reports. Any recalculation of KPIs, SPTs, or baselines will be accompanied by a publicly disclosed SPT verification report provided by an independent auditor.

SDGs Associated with GCAP's Sustainability-Linked Bond Framework are represented bellow:



To See Sustainability-linked framework and Second-party opinion please refer to Georgia Capital's website: https://georgiacapital.ge/ir/sustainability-linked-bonds

REGISTRATION DOCUMENT

Persons responsible for preparation of the document:

Irakli Gilauri – General director

David Fielding Morrison - Chairperson of Supervisory Board

Representation of Responsible persons

Responsible persons represent that all the material facts known to them are provided in the registration document and there has not been intentionally omitted information, which could affect the content of the Prospectus.

Auditors of the Issuer and third parties or experts:

Financial auditor of the Issuer for FY22: PricewaterhouseCoopers Georgia LLC ("PwC"), I/C 405220611. King David Business Centre, 7th floor, #12 M. Aleksidze Street, Tbilisi 0171, Georgia. Tell: +995 (32) 250 80 50, www.pwc.com/ge

PwC was appointed by shareholders at Georgia Capital PLC's 2022 Annual General Meeting as the Group's statutory auditor following a competitive tender process conducted for the provision of external audit services for three years. This process was fully described in the Audit and Valuation Committee report of Georgia Capital PLC's 2021 Annual Report (page 141).

Second Party Opinion Provider: Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. Address: 1 Oliver's Yard, 55-71 City Road, London EC1Y 1HQ, United Kingdom webpage: www.sustainalytics.com E-mail: susfinance.emea@sustainalytics.com

Rating Agency #1 – S&P Global Ratings, www.spglobal.com

Rating Agency #2 – Moody's Investor Service, www.moodys.com

Bondholder's Representative: Local consultancy firm Nodia, Urumashvili and Partners LLC will act as the Bondholders' representative based on the respective agreement entered into with the Issuer. Identification number: 204484628. Tel: 0322 207 407. Address: Tbilisi, Saburtalo district, N71 Vazha-Pshavela Ave. building IV, floor IV, office 28. Email: info@nplaw.ge

Parties involved in the Offering

Placement Agent 1, Calculation and Paying Agent: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (+995 32) 2 40 11 11; Email: st@gt.ge

Placement Agent 2: TBC Capital LLC (ID No. 204929961), Address: N7 Marjanishvili Street, 0102, Tbilisi, Georgia, tel.: (+995 32) 2 27 27 33; Email: info@tbccapital.ge

Registrar of the Issuer: JSC United Securities Registrar of Georgia (identification number 205156374). Tbilisi, 0162, Mosashvili str. N11; Tel: (995 32) 2 25 15 60; e-mail: info@usr.ge (the issuer will ensure signing the agreement prior to the Bond issuance).

Information about the material agreements

The Issuer’s group has no material agreements concluded for Issuer’s business activity purposes as of the date of this Prospectus which are not related to the ordinary business activities of the Company or are not disclosed in relevant sections of the Prospectus.

DESCRIPTION OF BUSINESS

Overview

JSC Georgia Capital's business represents a platform for buying, building and developing businesses in Georgia. The Company's primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently.

JSC Georgia Capital capitalizes on the fast-growing Georgian economy with its robust corporate governance structure, access to capital, and proficient management. The Company's primary focus is capital-light, larger-scale investment opportunities in Georgia that have the potential to achieve an equity value of at least GEL 300 million over the 3-5 years from the initial investment. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. The Company 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 Issuer's portfolio companies are categorized as follows (with the percentages of the total portfolio value being as reflected in the financial statements of the Issuer as equity investments at fair value as at 31 December 2022):

- *Listed and observable businesses (30.8% of total portfolio value)*:
    - *Banking (26.0% of the total portfolio value):* The Company held a 20.6% equity stake in the London Stock Exchange (LSE) premium-listed **BoGG**, a holding company of a leading universal bank in Georgia - Bank of Georgia JSC ("**BoG**" or the "**Bank**").
    - *Water Utility (4.8% of the total portfolio value):* The Company owns a 20% stake in the Water Utility business through Georgia Global Utilities JSC ("**GGU**"), which supplies potable water, provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.39,900 legal entities.
- *Private portfolio businesses (69.2% of total portfolio value)*: The Company's private portfolio businesses comprise large portfolio companies, investment stage portfolio companies and other portfolio companies:
    - *Large portfolio companies (44.9% of total portfolio value)*:
        - *Retail pharmacy (22.7% of total portfolio value)*: The retail pharmacy business consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies;
        - *Hospitals (13.5% of total portfolio value)*: The hospital business is the largest healthcare market participant in Georgia with 16 referral hospitals with a total of 2,524 beds;
        - *Insurance (Property & Casualty and Medical) (8.8% of total portfolio value)*: The insurance business combines property and casualty (P&C) and medical insurance lines. The P&C insurance business is a leading player in the local insurance market with a 27.4% market share[13]. The medical insurance business is one of the country's largest private medical insurers, with a 19% market share[14];

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[13] P&C insurance business is leading player in the local insurance market with a 27.4% market share based on gross premiums as of 30 September 2022.
[14] Medical insurance business is one of the country's largest private medical insurers, with 19% market share based on 9M22 net insurance premiums.

- *Investment stage portfolio companies (15.7% of total portfolio value)*:

    - *Renewable energy (7.0% of total portfolio value)*: The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20.4MW Hydrolea HPPs and 20.7MW Qartli wind farm. Moreover, the company has several renewable energy projects in the works, which are currently in different stages of development;

    - *Education (5.1% of total portfolio value)*: The education business combines majority stakes in four high quality school brands operating across five campuses. The education business has a partnership model and covers the premium, mid-level and affordable education segments;

    - *Clinics and Diagnostics (3.5% of total portfolio value).* The clinics business is the largest market participant in Georgia's outpatient market, with a 21% market share by the number of registered patients. The clinics business operates 19 community clinics with 353 bends, 17 polyclinics and 17 lab retail points. Diagnostics operates the largest laboratory in the Caucasus region – "Mega Lab";

- *Other portfolio companies (8.6% of total portfolio value):* the Company has ownership stakes in four subscale businesses, namely Auto Service, Beverages, Housing Development, and Hospitality.

The following table sets forth a breakdown of Company's portfolio value, based on Company's holding in the equity values of its portfolio companies:

	As of 31 December, 2022			**As of 31 December, 2021**		
	Ownership	**Portfolio value**	**% in total**	**Ownership**	**Portfolio value**	**% in total**
	(%)	*(GEL million)*	*(%)*	*(%)*	*(GEL million)*	*(%)*
Listed and Observable portfolio companies		**985**	**30.8%**		**681**	**18.8%**
Bank of Georgia	20.6%	830	26.0%	19.9%	681	18.8%
Water Utility	20.0%	155	4.8%	-	-	-
Private portfolio		**2,214**	**69.2%**		**2,935**	**81.2%**
Large portfolio companies		**1,438**	**44.9%**		**2,249**	**62.2%**
Retail (pharmacy)	77.0%	725	22.7%	67.0%	710	19.6%
Hospitals	100.0%	433	13.5%	100.0%	574	15.9%
Water Utility	-	-	-	100.0%	697	19.3%
Insurance (P&C and Medical)	100.0%	280	8.8%	100.0%	268	7.4%
of which, P&C Insurance	100.0%	228	7.1%	100.0%	212	5.8%
of which, Medical Insurance	100.0%	52	1.6%	100.0%	57	1.6%
Investment stage portfolio companies		**502**	**15.7%**		**461**	**12.8%**
Renewable energy	100.0%	225	7.0%	100.0%	173	4.8%
Education	70.0-90.0%	164	5.1%	70.0-90.0%	130	3.6%
Clinics and Diagnostics	100.0%	112	3.5%	100.0%	158	4.4%
Other portfolio companies		**274**	**8.6%**		**225**	**6.2%**
Total portfolio value		**3,199**	**100.0%**		**3,616**	**100.0%**

In the aforementioned sectors, the Group operates under the following brand names.

Competitive Strengths of the Group

The management team is of the opinion that the Group's capacity to attract and develop talent, its expertise in management, and its access to both local and international capital markets, along with a limited pool of potential competitors for large domestic acquisitions in Georgia, position it favourably to create value through the procurement of high-quality assets at attractive valuations and the expansion of its operations, while maintaining an attractive return on invested capital. The management team has a history of creating value through successful business development and investments, high-performance management procedures, market consolidation, and profitable divestitures.
In particular, Management believes that the Group benefits from the following competitive strengths:

Scale of business which positions the Group to benefit from growth in and diversification of the Georgian economy
The Group has a unique operating structure, mainly focusing on investing in and developing businesses in Georgia. It stands out due to its large scale and is in a favourable position to benefit from the growth and diversification of the Georgian economy. The Group has invested in high-growth businesses operating in sectors that are projected to experience such growth and diversification. According to Geostat, the Georgian economy has grown at a compound annual rate of 4.6% in real terms between 2010 and 2022. Although the outbreak of COVID-19 significantly impacted growth in 2020, with Georgia's real GDP contracting by 6.8%, Georgia showed a strong rebound in 2021 and 2022 with double-digit real GDP growth (10.5 % and 10.1%, respectively). The IMF forecasts GDP growth of 5% in 2023, which Management expects will drive business growth and consumer demand in the Group's current operating segments. Furthermore, the Group foresees that this growth will present additional investment opportunities and exit opportunities in line with its strategy.

Experienced senior management team with strong track record and deep understanding of the Georgian market

The Group's senior management team is comprised of highly experienced professionals, all of whom have previously served as members of the BGEO Group management team. During their tenure, the team achieved exceptional growth in net asset value of approximately 33 times between 2005 and 2017, while also successfully increasing market share across their portfolio companies. For instance, according to the NBG, the Group's banking business's (Bank of Georgia JSC) market share, as measured by total assets, increased from 17.8% as of December 31, 2005, to 34.4% as of December 31, 2017, while maintaining a focus on asset quality and conservative risk management policies. The management team also expanded the business through strategic acquisitions, established the Group as a borrower in the international and money markets, attracted new institutional equity investors, and strengthened transparency and corporate governance policies and procedures. Additionally, the senior management team has a proven track record of achieving favourable investment returns. For instance, the team successfully oversaw the initial public offering of shares of Georgia Healthcare Group PLC in November 2015, which achieved an internal rate of return (IRR) of 121% at the time of the offering.

Proven track record of accessing the capital markets

The Group's ability to access both equity and debt capital is a key competitive advantage that provides flexibility in managing its balance sheet, allowing it to pursue attractive investment opportunities in Georgia. Unlike fully developed capital markets, the Georgian capital markets offer limited options for local corporates to raise capital, with domestic commercial banks remaining their primary source of funding. In contrast, the Group has over a decade of experience in the international capital markets, including through its predecessor entities, and has successfully raised over USD 500 million in equity on the LSE and conducted six Eurobond issuances that raised approximately USD 1.8 billion in aggregate (including funds raised by portfolio companies). Moreover, the Group has secured over USD 3 billion from international financial institutions (IFIs), such as EBRD, Asian Development Bank (ADB) and International Financial Corporation (IFC). JSC Georgia Capital issued itself USD 300 million Eurobonds in 2018 and additional USD 65 million in 2021 as a tap issue, which were consolidated in a single series with Eurobonds issued in 2018 (at a total value of USD 365 million) *(ISIN: XS1778929478)*. As a result of the tender offer made in October 2022, the Company cancelleda total of USD 65 million worth of Eurobonds and reduced the unpaid total value of Eurobonds to USD 300 million. Georgia Capital's subsidiaries Georgian Renewable Power Operations JSC ("**GRPO**") and Georgia Global Utilities JSC ("**GGU**") issued USD 80 million *(ISIN: GE2700604186)* and USD 250 million *(ISIN: XS2208644059)*[15] bonds, respectively. Management also considers the Group's investment in BoGG as a liquid asset, with the potential to access further capital, if necessary, by pursuing an appropriate method of monetizing this asset.

Rigorous analysis methods and processes in relation to capital allocation and valuation

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.

In 2022, the Group introduced an NCC (Net Capital Commitment) Navigation Tool, which is an integral part of the GCAP's existing 360-degree framework and drives Georgia Capital PLC's share buyback and investment decisions. NCC represents an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP holding company level. An NCC ratio (NCC as a percentage of the total portfolio value) between 15%-40% guides GCAP to tactical share buybacks/ investments, an NCC ratio below 15% would be expected to lead to more meaningful share buybacks/investments, whilst a ratio above 40% would lead the Group to implement a cash preservation strategy as it was executed during the active phases of the COVID-19 pandemic.

USD million	**31-Dec-21**	**Change**	**31-Dec-22**
Cash and liquid funds	72.0	30.7%	94.1
Loans issued[16]..	7.0	42.8%	9.9
Gross debt...	(353.6)	-28.7%	(252.1)
Net debt (1)..	**(274.7)**	**-46.1%**	**(148.1)**
Guarantees issued (2)	**(17.9)**	**-61.7%**	**(6.8)**
Net debt and guarantees issued (3)=(1)+(2).................	**(292.6)**	**-47.1%**	**(154.9)**
Planned investments (4)	**(42.6)**	**22.9%**	**(52.3)**
of which, planned investments in Renewable Energy	(32.9)	-8.6%	(30.1)
of which, planned investments in Education	(9.7)	NMF	(22.3)
Announced buybacks (5)..	**-**	**NMF**	**-**
Contingency/liquidity buffer (6)...................................	**(50.0)**	**NMF**	**(50.0)**
Total planned investments, announced buybacks and contingency/liquidity buffer (7)=(4)+(5)+(6)	**(92.6)**	**10.5%**	**(102.3)**
Net Capital commitment (3)+(7)...................................	**(385.2)**	**-33.2%**	**(257.2)**
Portfolio Value..	**1,210.3**	**-2.2%**	**1,183.8**

15 The bond has been fully redeemed as of the date stated in the prospectus.

16 The loans issued balance as per 2021 audited financial statements amounts to GEL 152.2 million, which also includes GEL 132.7 million loans issued to our other businesses that were later converted into equity. For the 2021 NCC calculation purposes, such loans have been excluded from the loans issued balance and added to the portfolio value amount.

NCC ratio	31.8%	-10.1ppts	21.7%

Optimal leverage and liquidity profile and positive dividend income outlook from portfolio companies

In the fourth quarter of 2019, the Company's NCC ratio stood at 42.6%, however, it sharply declined over years and as at December 2022 stands at 21.7%. The Company's strategy during 2023 is to continue reducing leverage, de-risking the business, and then over time develop the Group into a sustainable permanent capital vehicle, seeking to invest mainly in capital efficient/capital light sectors and opportunities. In doing so, the Board believes that reducing the net capital commitment (NCC) ratio to below 15% will enable meaningful share buybacks/capital repatriations to take place. As of December 31, 2022, the Group had USD 104 million in liquid funds and issued loans, with 77%, 14%, and 9% represented by cash and amounts due from credit institutions, marketable and redeemable securities, and loans issued, respectively. The Group's cash operating expenses for 2022, which comprise salaries and other employee benefits, and general and administrative, amounted to USD 6.0 million, while the annual bond coupon expense paid was USD 22.4 million. The Group generated a solid dividend income of GEL 93.9 million in 2022 and has a favourable income outlook for 2023, thanks to strong cash flow generation.

The following chart represents a breakdown of the dividends received by the companies held within the portfolio:

(GEL million)	**31-Dec-22**	**31-Dec-21**
BoG	40.9	14.5
Retail (Pharmacy)	16.0	11.5
Hospitals	13.0	11.5
P&C Insurance	14.7	14.9
Renewable Energy	8.2	20.0
Medical Insurance	1.0	2.0
Total	**93.9**[17]	**74.4**

Efficient cost structure

The Group's management team's remuneration is significantly based on share-based compensation, which constitutes the majority of the Issuer's total operating expenses and is expected to be paid through long-term deferred shares. The Issuer has a modest headcount of roughly 45 employees. The Group is of the view that its well-integrated management team, streamlined corporate structure, share-based compensation policy, and commitment to preserving cash provide a platform for cost-efficient operations.

Transparency and robust corporate governance

BGEO Group PLC, the Issuer's previous parent company, has established a long-standing culture of transparency and compliance with the Listing Rules and Disclosure Guidance and Transparency Rules since November 2006. The company was the first Georgian entity to list its global depositary receipts ("GDRs") on the LSE, which underscores its commitment to transparency. As part of the BGEO Group PLC's portfolio of companies, the Group's core businesses have adhered to the rigorous corporate governance standards for a premium listed company since 2012, when the shares of its UK incorporated holding company, BGEO Group PLC (formerly Bank of Georgia Holdings PLC), were admitted to the premium segment of the Official List and to trading on the LSE's main market for listed securities. The Group has continued to uphold these high standards of governance and transparency since the demerger in May 2018, when Georgia Capital PLC was listed on the LSE. The Group's Supervisory Board is composed of members with extensive international experience. The Supervisory Board is responsible for delivering long-term shareholder value through the management of the Group's business. The board's duties include setting and overseeing the execution of the Group's strategy within an effective framework of risk management and internal controls, upholding ethical leadership, and promoting best practice corporate governance. All decisions are taken by directors who exercise independent, objective judgement and are subjected to rigorous and transparent scrutiny.

Strategy

[17] Including the buyback dividend of GEL 29 million from BoG, the total dividend income in 2022 stands at GEL 123 million.

The Group makes investments in Georgia, develops and grows companies, and then exits as investments mature. Its strategy's three primary drivers are as follows:

Superior access to capital

- The Group holds a distinctive position as the only organization of its size and magnitude that concentrates on investing in and fostering businesses in Georgia. The Group has the advantage of access to capital in a small frontier economy, which is demonstrated by its impressive track record of raising approximately USD 500 million in equity at the LSE, issuing six Eurobonds amounting to USD 1.8 billion, and raising over USD 3 billion from IFIs such as EBRD, ADB and IFC.

Access to good management

- The Group’s experienced senior management team played an important role in the significant growth of the BGEO Group (predecessor company) from 2005 to 2017. The Group has built a reputation as a desirable place to work, attracting, and retaining high-performing individuals with a demonstrated track record. The Group has a proven track record in efficiently turning around companies and growing them, as well as in monetizing investments through cash exits. Additionally, the Group provides a platform for entrepreneurs to build institutions and promotes an entrepreneurship culture. The Group places great emphasis on the quality of its people, and will not invest in an opportunity, regardless of its attractiveness, if it does not have the right people to execute the strategy.

Commitment to achieving the highest level of corporate governance

- The Group is committed to maintaining a strong corporate governance framework, which is further facilitated by its skilled Board of Directors, primarily composed of independent members with extensive international experience. Additionally, the company has an outstanding track record in institutionalising businesses and creating independently run/managed institutions and has highly experienced management teams in each portfolio company with a strong measure of autonomy. At the holding company level, there are approximately 45 employees. The shareholders' and management's interests are aligned by share compensation, with the Executive Director being solely remunerated by way of long-term deferred shares (six-year vesting) and receiving no cash compensation. The salaries of the Group's senior managers are heavily weighted towards deferred share remuneration, and bonuses for senior managers are paid in deferred shares rather than cash. The company maintains a high level of transparent reporting and adheres to strong ESG practices.

The Group's updated strategy will guide its capital allocation decisions. Notably, some of the Group's large portfolio companies, including the retail pharmacy, hospitals business and insurance businesses, have already surpassed the GEL 300 million equity value threshold. Significantly, the Group achieved a successful sale of its Water Utility business, which was formerly categorized as a large portfolio company, for a cash consideration of USD 180 million, representing 80% of the equity stake. The remaining 20% was transferred to observable portfolio companies since the Issuer has the right to exercise a put option under the agreement, which can be exercised during 2025-2026. The Group's investment stage portfolio companies, comprising the renewable energy and education businesses, are projected to reach GEL 300 million in value based on management's estimations. As such, the Group intends to predominantly invest in these investment stage portfolio companies over the next three to five years, aligned with the medium-term plan.

Announced Strategic Priorities for GCAP Holdco and Portfolio Companies

The Group has announced its strategic priorities which are aimed at deleveraging the Group by bringing down the Net Capital Commitment (NCC) ratio below 15% by December 2025. In addition, the Group plans to reduce and maintain the leverage of its portfolio companies to their respective targeted levels. Furthermore, measurable ESG targets were set at both the GCAP Group and portfolio company levels. The company will also continue to make progress on the divestment of its "Other" portfolio companies, which comprise 8.6% of the total portfolio value and include four subscale private businesses such as the auto service, beverages, housing development, and hospitality businesses. While some of these businesses have potential, the Group currently believes that most will not offer the scalable growth potential that they seek. As such, the Group plans to exit these "Other" assets within a two to three-year period, barring any change in the assessment.

Vision for the future: Group’s long-term aspirations

GCAP's strategic priorities will allow the company to transition into a sustainable Permanent Capital Vehicle (PCV). By achieving reduced leverage at the Group level, the company will have the capacity to redeploy existing capital without the need for new equity share issuance or raises. This will lead to consistent net asset value (NAV) per share growth through resilient, capital-light investments. Additionally, the company will have the opportunity to return a significant portion of its cash inflows to shareholders.

History

The Issuer served as BGEO Group PLC's investment arm prior to the latter's demerger in 2018. JSC Bank of Georgia, the primary banking business of BGEO Group, traces its origins back to 1903 and is the successor to Binsotsbank, which was previously state-owned before it was privatized in 1994. In 2000, JSC Bank of Georgia was among the first companies to list its securities on the Georgian Stock Exchange. In 2004, the bank replaced its senior management with a team of professionals mainly trained and educated in the Western world. JSC Bank of Georgia completed its initial public offering of Global Depository Receipts (**GDRs**) in November 2006, becoming the first Georgian firm to list GDRs on the LSE, followed by its debut Eurobond offering in 2007.

In 2006, BGEO Group's healthcare business, initially a subsidiary of JSC Bank of Georgia but later demerged to become part of Georgia Healthcare Group (GHG), inaugurated its first ambulatory clinic in Tbilisi to benefit from growth opportunities in the Georgian healthcare services market and diversify its revenue streams. In 2011, JSC Bank of Georgia chose to concentrate on the development of synergistic businesses, especially in the Georgian insurance, healthcare, and real estate markets, by vertically integrating its insurance and healthcare operations. In March 2012, Bank of Georgia Holdings PLC, later renamed BGEO Group PLC on 20 November 2015, became JSC Bank of Georgia's ultimate parent company following a tender offer, and its shares were listed on the LSE's premium listing segment and traded in February 2012.

In December 2014, BGEO Group PLC reorganized JSC Bank of Georgia's corporate structure, reflecting its ambition to function as a Georgia-focused banking group with an investment arm. As part of this intra-group reorganization, BGEO Group PLC's operating subsidiaries were divided into new banking and investment segments, the latter of which included the Issuer.

In line with changes in banking regulations (Consequently, banking institutions were restricted from engaging in any activities beyond banking operations) in Georgia and its business strategy, BGEO Group PLC carried out a corporate reorganization, demerging certain investment and financial services assets from JSC Bank of Georgia.[18] A new intermediate holding company, JSC BGEO Group, was established as a wholly owned subsidiary of BGEO Group PLC to serve as the Georgian holding company for both the banking and investment segments. This resulted in the renaming of the ultimate parent company to BGEO Group PLC to reflect the new structure and strategy.

In November 2015, the BGEO Group successfully completed the IPO and premium listing on the LSE of its healthcare business, GHG.

On 3 July 2017, the board of BGEO Group PLC announced its intention to demerge the company into two separate London-listed businesses, BoGG and Georgia Capital PLC. The demerger was completed on 29 May 2018, with the Issuer holding a 19.9% stake in BoGG.

In December 2019, the Group increased its stake in GHG to 70.6% through a share exchange facility, and on 16 July 2020, GHG shareholders received Georgia Capital PLC shares in exchange for their GHG shares through a share exchange offer. As a result, the Issuer's equity stake in GHG reached 100% on 28 August 2020, with GHG becoming a private portfolio company of the Group. Following this transaction, the Group revised its strategy and reclassified its portfolio into listed portfolio companies, large portfolio companies, investment stage portfolio companies, and other portfolio companies. Details on the revised strategy can be found in the "Strategy" section above.

[18] For more information, please see: the-circular-to-shareholders-and-notice-of-court-meeting-and-notice-of-annual-general-meeting-72.pdf (georgiacapital.ge)

In 2021 Georgia Capital carried out two investment projects to expand its K-12 education business in the affordable segment, with an 81% equity interest in Georgian-Austrian School Pesvebi and a new campus in Green School LLC. In October 2021, Georgia Capital announced that JSC Georgia Healthcare Group has signed a share purchase agreement to acquire a 33% minority interest in its retail pharmacy business, which would have been spread over the six years. This meant the redemption of minority shares would take place into six tranches from 2022 to 2027. The mentioned agreement was changed in the current year. On May 11, 2023 and on June 14, 2023, GHG entered into the separate purchase agreements with minority shareholders to acquire, respectively, a 19.5% minority stake and a 1.05% minority stake in the retail (pharmacy) business, Gepha JSC. As a result of the above transactions, GHG's ownership stake in the retail (pharmacy) business increased to 97.6%. This redemption was made by cash generated within the retail (pharmacy) businesses (no money was invested from "GCAP"'s side).

In 2022 Georgia Capital sold 80% of its equity interest in its water utility business to FCC Aqualia via a two-stage transaction. “FCC Aqualia” acquired the 80% equity interest for a cash consideration of USD 180 million, which values the entire water utility business at USD 225 million. Georgia Capital has a put option for remaining 20% stake that is exercisable in the years 2025-2026 and is predicated on an EV/EBITDA multiple of 8.25x. Additionally, in 2022 the Issuer successfully closed USD 35 million bond offering by JSC Georgia Real Estate. The 2-year Notes carry an 8.5% coupon and were used to refinance previous bonds. In 2022 GCAP’s subsidiary Georgian Renewable Power Operations JSC (GRPO), successfully issued a USD 80 million green secured bond offering with a 5-year bullet maturity and a 7.00% coupon, callable after two years. The proceeds of the Notes were used to refinance the shareholder loan from GCAP, provided for redeeming the renewable energy business's portion of GGU's USD 250 million, 7.75% Eurobond. The issuance was supported by several partners, including FMO, ADB, IFC, and EBRD and received a Second Party Opinion from Sustainalytics for its Green Bond Framework.

On March 3, 2023 the Group announced plans to expand its K-12 education business through two investment projects, including the acquisition of a new campus in the affordable segment and the expansion of an operational campus in the premium and international segment. The new campus has a capacity of 1,200 learners and will operate under the existing affordable brand in the Group's portfolio – “Green School”. The expansion plans will increase the education business’-built capacity from 5,650 learners to 6,850 learners and the number of "Green School" campuses from 3 to 4. On March 31, 2023, Georgia Capital PLC announced the sale of three assets of its hospitality business, including two operational hotels in Tbilisi managed under the Ramada Encore brand and a vacant land plot. The transactions generated a total of USD 28 million, which was used to reduce the business's net debt by 76% to USD 9 million and further accommodate Group’s strategy.

Portfolio Companies

The figures provided in this section are not derived from GCAP's audited consolidated financial statements. This is due to GCAP meeting the definition of an "investment entity" as outlined in IFRS 10 consolidated financial statements, which exempts the company from consolidating its subsidiaries. The primary source of statistical information in the following section is internal management data, unless otherwise specified.

Listed Portfolio Companies

Bank of Georgia Group (BoGG)
The Group's largest listed portfolio company as of 31 December, 2022 was its 20.6% equity stake (as of the date of this prospectus, Issuer's stake in BoGG is 19.8%) in LSE premium-listed BoGG, a holding company of a leading universal bank in Georgia.

BoGG is a UK incorporated holding company listed on the premium segment of the LSE. BoGG's primary operating subsidiary is JSC Bank of Georgia. The market capitalisation of BoGG is approximately 1.4 billion GBP, as of the date of the Prospectus.

Bank of Georgia Group operates through two primary segments: Retail Banking and Corporate and Investment Banking. In Retail Banking, the bank offers a client-centric digital multi-brand service, catering to the entire spectrum of retail customers, including mass retail, affluent segment, and high-net-worth individuals through SOLO brand, Wealth Management private banking services, and representative offices. Bank of Georgia is a pioneer in digital banking and payments and has established a strong retail and corporate banking franchise in Georgia.

In addition, Bank of Georgia serves micro, small, and medium-sized enterprises (MSME) under its Retail Banking business. In the Corporate and Investment Banking segment, the bank is a universal bank of choice and trusted advisor for Georgian corporates due to its scale, rich portfolio of banking products and services, industry and product expertise. The brokerage business, under Corporate and Investment Banking, is focused on profitable growth, unlocking retail brokerage potential, and fully digitalising brokerage services. By prioritizing profitable growth and focusing on digital innovation, Bank of Georgia aims to consolidate its position as a leading banking institution in the region. JSC Bank of Georgia's market share in Georgia was 36.1% and 38.9% based on total gross loans and total client deposits, respectively, according to statistics published by the NBG as of 31 December 2022, making it the second largest bank in Georgia in terms of gross loans and client deposits.

The management team of Bank of Georgia Group (BoGG) is optimistic about the recent and potential future growth of the Georgian economy, which presents several opportunities in underdeveloped segments. BoGG is well-positioned to capitalize on growth opportunities in the Georgian corporate and MSME sectors. The bank is committed to delivering on its strategy, which includes targeting an annual return on average equity (ROAE) of at least 20%. Moreover, BoGG aims to achieve annual growth of circa 10% in its portfolio of loans, while maintaining a semi-annual dividend payout ratio of between 30% and 50%. By focusing on these targets, BoGG aims to deliver consistent and sustainable financial performance, creating long-term value for its stakeholders and bondholders.

	31-Dec-22	**31-Dec-21**
	(GEL millions)	
Total assets	28,901.9	23,430.1
Loans to customers and finance lease receivables, net	16,861.7	16,169.0
Client deposits and notes	18,261.4	14,038.0
Total equity	4,248.8	3,092.9
Profit for the year	1,444.0	727.1

According to NBG Basel III standards as applied in Georgia, JSC Bank of Georgia had a Common Equity Tier 1 Capital Adequacy ratio of 14.7% (minimum requirement 11.61%), a Tier 1 Capital Adequacy ratio of 16.7% (minimum requirement 13.81%), and a Total Regulatory Capital Adequacy ratio of 19.8% (minimum requirement 17.23%), as of 31 December 2022.

JSC Bank of Georgia was established on 21 October 1994 as a joint stock company under the laws of Georgia and registered by Krtsanisi-Mtatsminda District Court under number 06/5-07 on 29 November 1995. JSC Bank of Georgia operates under a general banking licence issued by the NBG on 15 December 1994 and the Law of Georgia on the Activities of Commercial Banks dated 23 February 1996. The rights of shareholders of JSC Bank of Georgia are contained in the charter of JSC Bank of Georgia and it is managed in accordance with those articles and with the provisions of Georgian law. The NBG has designated JSC Bank of Georgia as one of three systemically important financial institutions in Georgia.

Water Utility

The Group's water utility business operates as a regulated natural monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to nearly 1.4 million residents and approximately 39,900 legal entities. Additionally, the business operates hydro power plants (HPPs) with a total installed capacity of 149MW. The HPPs generate electricity associated with the water infrastructure, a portion of which is utilized for the internal consumption of the water utility business at regulated electricity tariffs to power its water distribution network, while the remaining electricity is sold on the market. The water utility business generates revenue from two main streams: water and electricity sales. The business benefits from 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.

In 2022, the Group completed the sale of 80% interest in the water utility business for a total consideration of USD 180 million. Further, in the same year, the remaining 20% equity interest in the business was valued using a pre-agreed put option multiple to the normalised LTM EBITDA of the business, resulting in a value creation of GEL 15.6 million. Georgia Capital possesses a put option for the remaining 20% stake that is applicable in the years 2025-2026 and is based on an EV/EBITDA multiple of 8.25x. Conversely, Aqualia's call option for the remaining 20% stake is based on an EV/EBITDA multiple of 8.90x, and its applicability starts from the expiration date of the put option in 2026 and continues for a duration of six months. As of 31 December 2022, the fair value of the Group's 20% holding in the water utility business was assessed at GEL 155.0 million.

Large portfolio companies
The Group's retail (pharmacy), hospitals business, and insurance businesses make up its large portfolio companies.

Retail Pharmacy

The retail pharmacy business is the dominant pharmaceuticals retailer and wholesaler in the region, commanding a market share of approximately 35% by revenue. The business is comprised of a chain of retail pharmacies and a wholesale operation that supplies pharmaceuticals and medical supplies to hospitals and other pharmacies. The retail segment operates under two distinct brands, namely Pharmadepot and GPC, and operates a vast network of 372 pharmacies, including 362 in Georgia and ten in Armenia. Additionally, the business runs 12 franchise stores to further enhance its reach and accessibility.

The retail pharmacy business has continued its successful growth of the retail segment despite the GEL's appreciation against foreign currencies causing a recalibration of product prices in 2022. The business operates a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The decline in the wholesale business line in 2022 was due to the continuing gradual transfer of the hospitals business' procurement department from pharma to hospitals.
To deliver its targeted double-digit compound annual growth rate in EBITDA over the next five years, the business strategy focuses on expanding its local pharmacy chains, upgrading the store format of its GPC pharmacies to retail pharma drugstores, increasing sales from e-commerce, and commencing new growth projects related to beauty products and opticians. The business has already entered the beauty retail market by signing a franchise agreement with The Body Shop International Limited and Alain Afflelou SA. The business operates five standalone The Body Shop stores and two Afflelou opticians in Georgia, as well as shop-in-shop models in its GPC pharmacies.
In 2022, the business expanded its GPC pharmacy chain in Armenia and entered the Azerbaijan market by opening two The Body Shop stores.

Effective from 15 February 2023, the Ministry of Health, Labour and Social Affairs of Georgia implemented an External Reference Pricing model on the pharmaceuticals market, mainly related to prescribed medicines that are financed by the State. The outlook of the business also reflects the anticipated negative impact of the recently implemented External Reference Pricing model, which introduces a maximum prices of retail and wholesale on targeted prescription medicines. The direct impact of the new regulation on the 2023 EBITDA is expected to be a decrease of GEL 4 million. In order to minimize the impact, the business intends to renegotiate the contractual terms with its suppliers.

The business targets to maintain its EBITDA margin at 9%+ supported by double-digit compound annual growth rate in its revenues and EBITDA over the coming five years.

Key metrics	**31-Dec-22**	**31-Dec-21**	**Change**
Number of pharmacies.....................................	**372**	**348**	**24**
of which, Georgia	362	344	18
of which, Armenia	10	4	6
Number of franchise stores..............................	**12**	**7**	**5**

of which, Georgia	8	6	2
of which, Armenia	2	1	1
of which, Azerbaijan	2	0	2

Hospitals Business

The hospitals business of the Group is the largest participant in the healthcare market, occupying approximately 15% of the total hospital bed capacity in the country as of December 31, 2022. The business comprises 16 referral hospitals that offer a total of 2,524 beds. These hospitals are situated in major regional cities as well as Tbilisi, and they provide diagnostic, surgical, and treatment services on an outpatient or inpatient basis at the secondary or tertiary level.

Over the past two years, the hospital business actively participated in supporting Georgia's COVID-19 pandemic response by mobilizing seven hospitals with approximately 800 beds across the country to receive COVID-19 patients. The Government of Georgia fully reimbursed the costs associated with COVID-19 treatments and paid a fixed fee per bed designated for COVID-19 patients. However, as COVID-19 cases declined substantially in Georgia in 2022, the government suspended COVID-19 contracts with hospitals in mid-March 2022. This led to a temporary suppression of business margins in 2022, as the cost base of COVID-19 hospitals was restructured, and the business phased out from government contracts. The business expects to return to normal operating levels from 2023.

Moving forward, the hospital business aims to improve operational and financial performance and achieve growth by developing new strategic projects. These projects include developing a commercial ambulance service (currently only state owned); developing a high technology Oncology Centre in Tbilisi; creating Tbilisi Referral Hospital as Georgia’s Transplantology Centre, adding a bone marrow transplant unit, both paediatric and adult (currently offering liver and kidney transplantology services); developing and enhancing aesthetic services; resuming medical tourism strategy, previously on hold due to the COVID pandemic; and expanding the number of clinical trials and post-COVID programmes.

The Georgian Government introduced an initiative to implement a DRG financing system to streamline state funding financing in healthcare and enhance cost-effectiveness. The DRG system categorises clinically similar inpatient case types that are expected to use the same or similar resources into groups by applying various criteria (age, sex, intervention needed, comorbidity, etc.). The roll-out of the DRG system started on 1 November 2022 and was in the testing phase until 1 January 2023. Although it is too early to estimate the DRG system's impact on the financial performance of the hospitals business, the implementation of the DRG system aims to increase the efficiency of state financing and improve the quality of healthcare services in the market. The system is expected to better reflect inflation and other price pressures present in the healthcare sector.

Key metrics	**31-Dec-22**	**31-Dec-21**	**Change**
Occupancy rate	54.3%	65.3%	-11.0 ppts
Number of admissions (thousands).............................	1,175.0	1,326.6	-11.4%

P&C Insurance

Aldagi has established itself as a prominent player in the Georgian property and casualty insurance market over a span of nearly 30 years. Aldagi boasts widespread brand recognition, a leading position in retail insurance services, and the largest product portfolio, in addition to displaying exceptional financial strength. Aldagi has nearly doubled its retail portfolio within the last four years, surpassing market growth and generating an average annual ROAE[19] of approximately 32% between 2014 and 2022. Since 2014, the company has consistently distributed dividends within a payout ratio of 50%-90% each year. As of September 30, 2022, Aldagi retains its position as the most profitable insurance company in the local market, holding a 42% share of the industry's profit and a 27% market share based on gross premiums written.

[19] Return on average total equity.

The existing low insurance market penetration rate in Georgia, which stands at 1.3%, with 0.8% accounting for property and casualty insurance and 0.6% for medical insurance, presents significant growth potential. Aldagi is poised to capitalize on these opportunities and aims to enhance the profitability of its property and casualty insurance business through strategic emphasis on its three primary business lines, as outlined below:

- **Retail customer**. The retail insurance market in Georgia presents a significant opportunity for growth, as a majority of its potential has yet to be realized. Motor insurance dominates the retail insurance market in Georgia, accounting for 56% of the total, of which 17% comprises Mandatory Third-Party Liability insurance for the owner of a motor vehicle registered in a foreign state moving in the territory of Georgia ("**MTPL**") insurance (this type of liability insurance became mandatory from March 2018). Additionally, only 7% of registered cars are insured on the local market, suggesting that there is significant untapped potential in this segment. The forthcoming passage of a law requiring local MTPL for all vehicles registered in Georgia is expected to increase retail market penetration significantly. Aldagi currently holds a 35% market share in voluntary retail insurance and plans to expand its market share by developing simple products for mass retail and by providing an exclusive premium line customer experience. Aldagi intends to reinforce its market leadership position and customer retention by continually enhancing its digital insurance platform.
- **SME.** Aldagi recognizes that the SME insurance market in Georgia is currently in its early stages and has identified significant potential to expand its portfolio in this segment. Aldagi plans to achieve this by offering customized insurance products and leveraging its established multi-channel distribution networks and digital platforms, which have been specifically designed for SME clients. To execute this strategy, Aldagi created a separate SME sales division at the end of 2019. As a result of these efforts, Aldagi's SME gross revenues have increased by 43% in the fiscal year 2022, rising from GEL 2.5 million to GEL 3.5 million.
- **Large Corporates**. While insurance penetration within the corporate sector is relatively high compared to the retail and SME segments, the presence of favourable macroeconomic conditions, a stable investment climate, steady economic growth, and a surge in infrastructure projects will likely boost customer demand for insurance products.

Despite the current geopolitical situation in the region, the business demonstrated exceptional performance in FY22. This was due to its low reliance on the Russian reinsurance market, which has already been replaced. The business revenue increased by 13.9%, primarily driven by growth in credit life, agricultural, and border MTPL insurance lines. Additionally, the loss and combined ratios improved by 2.2 ppts and 1.1 ppts, respectively, owing to strong revenue growth, a decline in COVID-19-related credit life insurance claims, agricultural insurance claims, and revised underwriting practices in the retail motor insurance portfolio.

Aldagi's medium-term strategic focus remains unchanged, with a focus on underwriting excellence and portfolio profitability, backed by five key pillars: 1. Strengthening customer retention; 2. Introducing new digital insurance products; 3. Improving customer experience; 4. Advancing employee recognition; and 5. Preparing for the launch of local MTPL insurance.

Key ratios	**31-Dec-22**	**31-Dec-21**	**Change**
Combines ratio[20]...	79.7%	80.8%	-1.1 ppts
Expense ratio[21]...	33.5%	32.4%	1.1 ppts
Loss ratio[22]..	46.2%	48.4%	-2.2 ppts
ROAE...	**29.5%**	**24.7%**	**4.8 ppts**

As a part of its strategy, Aldagi has set certain financial targets for the period 2023-2025, which are as follows:

- Attain a market share of 25% to 30%
- Achieve a return on average equity (ROAE) ranging from 20% to 25%

[20] Equals sum of the loss ratio and the expense ratio in the insurance business.
[21] Equals sum of acquisition costs and operating expenses divided by net earned premiums in the insurance business.
[22] Equals net insurance claims expense divided by net earned premiums.

- Distribute dividends within the range of 50% to 60% of net income
- Attain a combined ratio between 80% to 85%
- Maintain a solvency ratio of 180% or more
- Increase the concentration of the retail segment to 60% or more.

Medical insurance

The Group's business in the medical insurance sector is among the leading providers of private medical insurance in Georgia. The business has captured a significant market share of 19% in medical Insurance based on 9M22 net insurance premiums. The extensive distribution network allows the business to offer a range of medical insurance products to a diverse clientele that includes Georgian corporate and state entities as well as retail customers.

The marginal growth in earned premiums observed in 2022 is attributed to the combination of higher insurance policy pricing and a reduction in the number of insured clients during the same period. The primary objective of the medical insurance business is to expand its customer base while retaining its market leadership in medical insurance and ensuring sustainable profitability.

Investment stage portfolio companies
Renewable energy

Renewable energy business is a leading platform for the development and operation of hydroelectric power plants (HPPs) and wind power plants (WPPs) across the country. The business operates commissioned renewable assets with a total installed capacity of 71.1MW and an average capacity factor of over 40%. These assets include the 30MW Mestiachala HPP, which was developed and constructed by Renewable Energy, as well as the 20.4MW Hydrolea HPP and the 20.7MW Qartli WPP, both of which were successfully acquired by the business at the end of 2019. All power plants (except for the Akhmeta HPP, whose PPA expired in February 2022) benefit from long-term power purchase agreements (PPAs) formed with the Government-backed entity, resulting in predictable dollar-linked cash flows, as PPAs as well as market sales are denominated in US dollars.

The primary objective of renewable energy business is to capitalize on favourable electricity market conditions in Georgia, especially in light of the ongoing harmonization of the current energy market structure with EU directives, which should result in a more transparent, liquid, and competitive market. Following the deregulation of the electricity market in 2019, the Government of Georgia introduced a new electricity market model concept in 2020, paving the way for the launch of day-ahead and intraday trading markets in the near future, as well as for the launch of balance and ancillary service market. In general, the renewable energy business expects that the planned reforms in the Georgian electricity market will have a positive effect on electricity sales prices.

Performance and strategy
The renewable energy business delivered a strong performance in FY22. Revenue from electricity sales were up by 8.1% y-o-y to USD 14.6 million. Higher sales were backed by favourable weather conditions, which resulted in higher electricity generation. Around 55% of electricity sales were covered by PPAs with the Government, while the remaining was supported by favourable market selling prices, which amounted to USD 46.1 MWh. The renewable energy business benefited from the high EBITDA margin of 76.6% and as a result delivered USD 11.2 million EBITDA (up by 7.9% y-o-y). Cashflow from operating activities was up 12.9% y-o-y to USD 11.3 million and EBITDA to cash conversion rate was over 100%. Overall, on the back of solid financial performance of the power generating assets, the business made USD 2.8 million dividend distribution to Georgia Capital.

In October 2022, the renewable energy business successfully closed a USD 80 million green secured bond offering with 5-year bullet maturity (callable after two years) and a 7.00% coupon (75 basis points improvement compared to the previous notes issued by the business). The proceeds from the transaction were fully used to refinance the shareholder loan from GCAP. The issuance represents the first-ever green secured bond placement and the largest corporate bond placement on the Georgian capital market.

- Robust profitability with ~80% EBITDA margin
- ~100% EBITDA to cash-conversion rate.

The renewable energy business is 100% owned by Georgia Capital.

The below table represents the Renewable Energy projects:

Commissioned/acquired projects	Installed capacity, MWs	Capacity factor	PPA expiration	PPA tariff PA tariff, USc/kWh
Mestiachala HPP...............................	30.0	40%	1H34	5.5
Hydrolea HPPs	20.4	64%	1H22-2H28	5.5-5.6
Qartli Wind Farm..............................	20.7	47%	1H30	6.5
Total operating................................	**71.1**			

ESCO, which stands for Energy System Commercial Operator, serves as the counterparty for all guaranteed power purchase agreements (PPAs) referenced in the aforementioned table. It is a state-owned market operator, which is in charge of regulating wholesale electricity and guaranteed capacity trading, and serves as the counterparty for all power plants that have entered into PPAs till July1st of 2024 (before the opening of organized electricity markets). From July 1, 2024 (that is, in parallel with the opening of organized electricity markets), "ESCO" will lose the status of a wholesale market operator, although it will remain as a counterpart to long-term contracts for the guaranteed purchase of electricity already signed with power plants and will continue to fulfil its obligations under the same agreements.

Education

The private education market in Georgia, spanning kindergarten to 12th grade (K-12), has exhibited a compounded annual growth rate (CAGR) of 12.6% over the period 2013-2022. Currently, the private schooling sector enrolls around 63,500 students, constituting 10% of the total education market. The private general education market has recorded a CAGR of 2.3% in enrolments and a CAGR of 9.1% in tuition fees over the same period. Management anticipates the private general education market to grow by 1.5 times its current value in the next three years, driven by factors such as the quality gap between public and private schools, growing household income, and a declining unemployment rate. Moreover, Georgia has a relatively low average annual spending per K-12 learner, indicating potential for further expansion, especially considering the rising demand for private K-12 education globally.

Although the pandemic led to a decrease in the number of private school learners to around 60,300 in 2021 if pre-pandemic growth had continued, the market is expected to recover with around 7,200 learners returning to private schools in the short term, resulting in growth beyond the historic CAGR. Based on the number of learners in the 2022-2023 academic year, the gap between the pre-pandemic growth market and the actual growth market has narrowed to approximately 6,400 learners.

Currently, the private general education market in Georgia is fragmented, with an increasing average school size and a decline in the number of schools by 9% over the last decade. Georgia Capital is the leading player with a market share of 5.8% in terms of learners, while the second-largest player holds a 2.3% market share. Consolidation of private school learners is predominantly present in four cities with populations larger than 100,000, whereas only 5% of private schools have more than 1,000 learners, and 61% have less than 250 learners. The education business operates on a partnership model and has acquired majority stakes in four private school brands across five campuses from 2019-2021. These include the British-Georgian Academy and the British International School of Tbilisi (70% stake), which are leading schools in the premium and international segments, Buckswood International School (80% stake) in the mid-level segment, and Green School (80%-90% ownership), the leading brand in affordable education. Capacity expansion investments have allowed the education business to grow from a 5,060-learner capacity in 2021 to 5,670 learners in 2022 through operational campus expansion, with Buckswood and the British-Georgian Academy increasing capacity by 260 and 350 learners, respectively.

The business experienced substantial growth in the number of 1st grade students enrolled during the 2022-2023 academic year, with an impressive 99.6% year-over-year increase from 276 to 551. This has resulted in a 98.4% utilization rate. The total number of learners has also increased by 32.2% year-over-year to 4,162 learners. The business maintained last year's average cash collection rates and adhered to their cash collection policies. With improved revenue streams, the business generated an operating cash flow that increased by 38.5% year-over-year in FY22.

Clinics and diagnostics business

Clinics

The clinics business, which is comprised of 17 polyclinics and 19 community clinics, operates as a key player in the healthcare industry. The community clinics are strategically located in regional towns and municipalities and offer comprehensive outpatient and inpatient diagnostic, basic surgical, and treatment services to the local population. In cases of complicated medical conditions, their primary objective is to stabilize the patient and redirect them to the nearest referral hospital for secondary or tertiary care. The polyclinics, on the other hand, are situated in Tbilisi and major regional cities, and provide basic and full-scale outpatient diagnostic and treatment services. The business has established itself as the leader in the outpatient market, with a remarkable 21% market share in terms of registered patients, highlighting its strong potential for growth and profitability in the long run.

Diagnostics

The diagnostics business was established in 2018 through the launch of "Mega Lab", the largest laboratory in the Caucasus region, covering an impressive 7,500 square metres and equipped with cutting-edge infrastructure and technology. Offering a range of basic and complex laboratory tests, including molecular and oncology tests that were previously unavailable in Georgia and required blood samples to be sent abroad, Mega Lab has established itself as a leader in the diagnostics market. In a remarkable achievement, Mega Lab obtained Joint Commission International (JCI) accreditation in July 2022, becoming the first laboratory in the Caucasus region to receive this coveted certification, and only the 38th worldwide. The JCI accreditation, granted by the highest healthcare accreditation body in the United States, attests to the rigorous management of clinical processes, ensuring continuous improvement in the quality and safety of patient care.

The clinics business segment of the Company demonstrated an unwavering commitment towards aiding the COVID-19 pandemic response in Georgia. By allocating twelve community clinics with approximately 300 beds across the country, the business effectively supported the Government's efforts in tackling the pandemic. The Government of Georgia provided full reimbursement for COVID-19 treatments and fixed fee amounts per bed designated for COVID patients. However, in March 2022, the Government suspended COVID contracts with clinics, causing a temporary suppression of the business's margins and revenue. With an optimistic outlook, we anticipate a return to normal operating levels starting from 2023.

The diagnostics revenue of the clinics business segment was also impacted by the reduced number of COVID cases in the country and the suspension of Government contracts from March 2022 for COVID lab tests. To mitigate the effects of the pandemic, the clinics business segment will focus on increasing its registered customer base, expanding its polyclinics chain, and lab retail points, developing distance channels such as a call centre, web page and app, to enhance customer convenience, and improve user experience.

The diagnostics business segment will concentrate on increasing utilisation by expanding its retail chain, attracting more B2B contracts, and introducing new services and technologies such as Next Generation sequencing. The business segment will maintain the highest standards of clinical processes and in the long-term, become a platform for education through an accredited training centre, residency programme, and scientific research and studies centre.

The Company's clinics and diagnostics business segments aim to deliver a double-digit compound annual growth rate in revenues and combined EBITDA of c.GEL 35-40 million over the next five years. The Company remains committed to providing exceptional healthcare services while delivering shareholder value.

Other portfolio companies

Auto service

The Group's auto service business comprises of a periodic technical inspection (PTI) business, a car services and parts business operating under the Amboli brand, and a secondary car trading business. In the first half of 2018, the business initiated the construction of PTI centres, which led to the launch of the Greenway Georgia (GWG) PTI business in March 2019. The implementation of a mandatory vehicle inspection program was mandated by the Georgia-EU Association Agreement in several phases, beginning in January 2018. In July 2018, GWG secured a ten-year accreditation to launch and operate 51 PTI lines across Georgia, winning a state tender. As the sole player in the market with support from Applus+, an international partner and global leader in testing, inspection and certification services with a presence in over 70 countries, GWG is uniquely positioned. In 2022, GWG inspected 362,194 cars, including 289,452 primary checks, capturing 37% of the market. In June 2019, Georgia Capital acquired an 80% interest in Amboli, and by February 2020, increased its shareholding to 90%. Amboli, a highly fragmented market's second-largest player, imports, distributes, wholesales, and retails car consumables and spare parts, accounting for approximately 8% of the target market.

Beverages

The beverages business is comprised of three distinct business lines: a wine business, a beer business, and a distribution business. The wine business specializes in the production and sale of wine, both domestically and for export to 24 countries. To this end, the wine business owns three high-quality wineries that are located in each of Kakheti's three primary wine-making regions, and is among the top five wine producers in Georgia in terms of vineyard acreage. The majority of the vineyards grow the highly-regarded Saperavi grape variety. In 2022, the wine business sold 8.4 million bottles of wine, of which approximately 81% were exported, representing a market share of 4.7% in the Georgian wine export market. However, the ongoing war has adversely impacted the wine business due to its significant exposure to Russian and Ukrainian markets, which together accounted for 61% and 56% of net revenues in FY21 and FY22, respectively. The beer business, on the other hand, produces both beer and lemonade, and has secured a ten-year exclusive license from Heineken to produce and sell Heineken beer brands in Georgia. The beer business is the owner of several highly recognized brands, including ICY, Black Lion, Kazbegi, Amstel, and Krusovice beer. In 2019, the beer business received a license 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 embarked on a brand relaunch and an improved product mix, which enabled the business to increase its market share to 22% in 2022. This, in turn, allowed the business to achieve break-even EBITDA in the second half of 2019 and positive EBITDA in 2021 and 2022. The beer business also started to export its beer and lemonade brands to international markets.

Housing development

The Group's real estate development business is a prominent player in the Georgian real estate market, primarily targeting mass-market customers by providing affordable, high-quality, and comfortable housing options. The business is fully owned by Georgia Real Estate, formerly known as m2. It has four ongoing projects, namely m3 Saburtalo (previously known as Digomi), Nutsubidze, Mirtskhulava, and Chkondideli (Sveti projects). The m3 Saburtalo project has already sold 121,436 square meters with a sales value of USD 114.5 million as of 31 December 2022. The business has also assumed responsibility for completing three suspended projects of the Sveti construction company, which will add 173,267 square meters to its inventory. The projects are ongoing in three locations in Tbilisi, and construction and development are expected to continue for approximately three years. The Sveti project, construction and sales for which began in April 2020, has sold 125,334 square meters with a sales value of USD 89.4 million as of 31 December 2022. In 2022, the housing development business successfully issued a USD 35 million bond on the local market *(ISIN: GE2700604178)*.

Hospitality

The company currently owns and operates one hotel, which is managed under the brand name "Gudauri Lodge". Additionally, the company has three hotels under construction at different stages of construction, as well as several land plots located in Georgia. The business is wholly-owned through Georgia Real Estate.

Litigation and Other Proceedings
Other than as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of these Listing Particulars which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

Imedi L Litigation

On 16 April 2015, some of the former shareholders of Insurance Company Imedi L filed a claim in the Tbilisi City Court against Insurance Company Aldagi and GHG's subsidiaries, Insurance Company Imedi L and Evex Medical Corporation, all of which are legal successors of Insurance Company Aldagi BCI. Pursuant to a demerger agreement entered into in 2014, the business and assets and liabilities of Insurance Company Aldagi BCI were spun off into three entities: Insurance Company Imedi L acquired the medical and travel insurance (limited to cover for emergency medical treatment) business; Evex Medical Corporation acquired the healthcare services business, and Insurance Company Aldagi continues to operate the property and casualty and pension business. The claim alleges that the claimants' 66.0% stake in the share capital of Insurance Company Imedi L was sold to Insurance Company Aldagi BCI in 2012 under duress, at a price below market value. The claim sought damages amounting to USD 17.1 million. The First Instance Court has ruled in favour of the defendants in 2018, however upon the appeal the Appellate Court by its decision of 2020 ordered reconsideration of the case by the First Instance Court In July 2022, the First Instance Court partially upheld the claim and determined that the defendants are obligated to pay to the claimants the principal amount of USD 12.7 million, along with an annual 5% interest charge, as compensation for lost income. The defendants appealed the new decision of the First Instance Court and the case is, as of the date of this Prospectus, at the stage of consideration at the Appellate Court.

The defendants are actively and assertively defending their stance arguing that no valid grounds exist for overturning the original ruling of 2018. The defendants are confident in their prospects of prevailing in the case and therefore have not made any provisions for potential liabilities in their financial statements. Management shares the evaluation of the case's merits and believes that the likelihood of incurring losses from this claim is minimal. Consequently, the fair values assigned to portfolio companies do not factor in any potential liabilities associated with this litigation.

Interim measures have not been used.

Information about the subsidiaries of the "Company"
As of December 31, 2022, the Company's total investment in subsidiaries amounted to 2.8 billion. Detailed information about the Company's subsidiaries and related enterprises can be found in the Company's 2022 audit report, specifically in the 2nd chapter "Basis for the preparation of financial statements, subsidiaries and related enterprises".

Since December 31, the following changes have been made in the ownership of subsidiaries:

Subsidiary	Change since Dec-22
Caucasus Autohouse, LLC	Merged with Georgia Property Management Group, LLC in June 23
Kakheti Wine and Spa, LLC	Merged with Georgia Property Management Group, LLC in June 23
m2 Zugdidi, LLC	Merged with Georgia Property Management Group, LLC in June 23
m2 Hatsvali, LLC	Merged with Georgia Property Management Group, LLC in June 23
m2 Resort,LLC	Merged with Georgia Property Management Group, LLC in June 23
Georgia Commercial Assets, LLC	Merged with Georgia Property Management Group, LLC in June 23
Melikishvili Hotel Property, LLC	Merged with Georgia Property Management Group, LLC in June 23
m2 Mtatsminda, LLC	Disposed in May 2023
JSC GEPHA	Increased shareholding to 97.6%
JSC ABC Pharmacia (Armenia)	Increased shareholding to 97.6%
ABC Pharmalogistics, LLC	Increased shareholding to 97.6%

AKG AVELIN QAN DEGHATUN, LLC (Armenia)	Increased shareholding to 97.6%
IVERTA JSC	Increased shareholding to 97.6%
JSC Georgian Logistics	Increased shareholding to 97.6%
AZPHA LLC (Azerbaijan)	Increased shareholding to 97.6%
Euroline LLC	Increased shareholding to 97.6%
Dart LLC	Disposed in June 23
Georgian-Austrian School Pesvebi, LLC	renamed to Green School - Didi Dighomi, LLC
m2 Care Fund N(N)LE	Established on January 2023
ITFY LLC	Established on February 2023
Qartli Solar Farm, LLC	Established on March 2023
Green School - Saburtalo, LLC	Established on June 2023
BONO Healtcare LLC	Established on June 2023

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the consolidated financial condition and results of operations of the Group covers the years ended 31 December 2022 and 2021. Unless otherwise specified, the financial information for the periods presented in this discussion has been extracted from the financial Statements. This section should be read in conjunction with the Financial Statements and the notes thereto and the other financial information included elsewhere in the Prospectus.

Basis of Preparation

The consolidated financial statements of JSC Georgia Capital have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB) and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. These financial statements are prepared under the historical cost convention except for financial assets measured at fair value and investments in subsidiaries held at fair value through profit or loss (FVPL).

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:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

Key Factors Affecting Results of Operations

Acquisitions, capital allocations and divestments

Acquisitions

The Group is a platform for buying, building and developing businesses in Georgia and hence acquisitions and divestments are significant factor affecting its results of operations. Until 31 December 2019, following an acquisition, the Group consolidated the acquired company. Since that date, however, it initially records the acquired company at fair value on its statement of financial position and then changes in fair value are recorded directly on its income statement. See *"Basis of Preparation"* above.

Capital allocation

Georgia Capital does not have any committed capital or a specific mandate to deploy or divest funds within a set timeframe. Instead, the company prioritizes generating shareholder returns by seeking investment opportunities that meet its own growth and return criteria. To achieve its capital allocation strategy, the group focuses on larger-scale investment opportunities in Georgia, which have the potential to reach a minimum of GEL 300 million in equity value over three to five years and can be monetized as they mature. This approach is aimed at reducing the discount to the reported NAV per share, as the group believes that larger investments offer superior opportunities and improved liquidity.

Operating in a frontier economy such as Georgia, businesses have limited access to capital and management personnel. Therefore, those with access to these limited resources can make investments in companies that provide an attractive risk-return profile. The group aims to create value for its shareholders by investing in opportunities in Georgia that are currently not directly accessible to its shareholders, changing management and governance structures, institutionalizing and scaling up company operations, often to benefit from consolidating fragmented and underdeveloped markets, and unlocking their full value over time. The group's approach to investing and managing companies is guided by these principles:

Highly disciplined entry approach

Around 15 years ago, the Georgian economy began experiencing significant growth and development, resulting in various sectors and businesses being in early stages of formation. However, due to limited access to capital and management personnel, Georgia Capital has the opportunity to pursue attractive investment opportunities and acquire assets on favourable terms. The focus is on consolidating fragmented and underdeveloped sectors of the economy, particularly targeting high-multiple service industries, which do not require significant capital commitments. The Group envisions Georgia becoming a service hub of the region in the long run. As the Group has no time pressure to invest, it follows a selective and opportunistic approach to new investments. The Group prioritizes buying assets at affordable prices and maintains a highly disciplined approach in this regard. To evaluate new acquisition opportunities, Georgia Capital has developed a comprehensive 360-degree analysis framework.

360-degree analysis – a strong foundation for value creation

When it comes to making capital allocation decisions, Georgia Capital considers the share price of GCAP as a crucial factor. The Group conducts a thorough 360-degree analysis for each investment opportunity, comparing it to the buyback and sale opportunities. Georgia Capital aims to purchase assets or companies at a higher discount compared to their listed peers' fair value discount. The Group's goal is to invest in opportunities that generate higher returns than the returns created by buying back GCAP shares.

In 2022, the Group introduced the Net Capital Commitment (NCC) Navigation Tool as a part of the existing 360-degree framework, which guides Georgia Capital's share buyback and investment decisions. NCC represents an aggregate view of all confirmed, agreed, and expected capital outflows at the GCAP holding company level. An NCC ratio between 15%-40% guides the Georgia Capital PLC to make tactical share buybacks/investments. If the NCC ratio is below 15%, it would lead to more significant share buybacks/investments. However, if the ratio exceeds 40%, Georgia Capital would implement a cash preservation strategy, as was the case during the active phases of the COVID-19 pandemic.

Entering a new industry with a small ticket size

One of the fundamental tenets underlying the investment philosophy of the Group is to exercise prudence when considering the size of potential investments in emerging sectors. Georgia Capital habitually initiates investment with a modest ticket size, and evaluates and advances the management's performance record before increasing the size of investment.

Liquidity is essential

In order to execute the aforementioned strategy successfully, it is imperative for GCAP to exercise diligence in realizing the value of the invested and managed companies. This entails establishing an exit strategy prior to making an investment, which becomes even more crucial in a small frontier economy with limited exit opportunities. The Group endeavors to ensure two potential liquidity events for each asset, the first being when entering a new industry, where GCAP intends to develop and grow portfolio companies, focusing on the ability to increase operating cash and make efficient capital expenditure investments, while targeting an appropriate level of return on invested capital (ROIC). Once the business attains its late stage of development, GCAP anticipates pursuing its first exit route, which involves dividend flows for the Group. The second exit might occur within five to ten years from the initial investment, as businesses mature, and Georgia Capital endeavors to look at suitable exit options to monetize its investment. The Chief Strategy Officer is responsible for overseeing the establishment of structured exit processes for portfolio companies, as Georgia Capital actively participates in the price discovery of portfolio assets held.

Focus on cash generation

Cash generation at both Georgia Capital and portfolio company levels is a key success factor for Georgia Capital.

Focus on management development

Nurturing and enhancing the skills of talented individuals within Georgia Capital is instrumental in generating added value for the Group's shareholders. Devoting time and resources towards the growth and development of the management team remains pivotal in ensuring the success of the Group's strategy.

Good corporate governance

Georgia Capital strongly believes that robust corporate governance serves as a means of creating value for its shareholders. The Group recognizes that aligning the interests of shareholders and management through the provision of long-term deferred share awards to senior executives of the Group can further augment the creation of value.

Capital allocation outlook

Georgia Capital plans to allocate a total of USD 52.3 million of net equity capital towards investments in renewable energy (USD 30.1 million) and education businesses (USD 22.3 million) over the upcoming three to five years.

Investments

On May 11, 2023 and on June 14, 2023, GHG entered into the separate purchase agreements with minority shareholders to acquire, respectively, a 19.5% minority stake and a 1.05% minority stake in the retail (pharmacy) business, Gepha JSC. As a result of the above transactions, GHG's ownership stake in the retail (pharmacy) business increased to 97.6%. This redemption was made by cash generated within the retail (pharmacy) businesses (no money was invested from "GCAP"'s side).

In 2023, GCAP invested in the expansion of its K-12 education business through two investment projects: (1) the acquisition of a new campus in the affordable segment, and (2) the signing of a binding agreement for the acquisition of a land plot for the expansion of an operational campus in the premium and international segment.

(1) The new campus in the affordable segment has a capacity of 1,200 learners and currently provides education to 305 learners Following the planned rebranding, starting from the 2023-2024 academic year, it will operate under the existing affordable brand in the Group's portfolio - "Green School". The new campus is located in Saburtalo district, one of the densely populated urban areas in central Tbilisi. It has c.6,000 sq.m. building facilities and a 1.1ha land plot. With this investment, the education business will expand from its current built capacity of 5,670 learners to 6,870 learners, while the built capacity of the affordable segment will increase from 3,500 learners to 4,700 learners. The number of "Green School" campuses will increase from 3 to 4.
(2) The land plot is located adjacent to the operational campus of issuer's premium and international schools. This acquisition, once completed, will increase the total secured pipeline capacity for 2025 by 350 learners, in total from 2,410 learners to 2,760 learners, of which, the secured pipeline capacity of the premium and international schools will increase from the current 1,200 learners to 1,550 learners.

In FY22, GCAP's cash investments amounted to GEL 53.4 million, of which: a) GEL 6.3 million was invested in the education business, in line with GCAP's capital allocation outlook, b) GEL 19.2 million was allocated to Housing Development for the bridge financing of business, c) GEL 27.4 million represents the conversion of the USD 10 million shareholder loan to Renewable Energy into equity.

In FY21, GCAP invested GEL 18.3 million predominantly in the investment stage businesses, in line with its announced capital allocation programme. a) GEL 3.7 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti) and wind farm projects. B) 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).

Divestments

In 2023 the Issuer sold three assets of its hospitality business: (1) two operational hotels in Tbilisi, currently managed under the Ramada Encore brand and (2) a vacant land plot. The aggregate consideration received from the transactions amounted to USD 28 million.

In 2021, Georgia Capital agreed to sell 80% of its equity interest in its water utility business to FCC Aqualia via a two-stage transaction. In FY22 both stages were competed and FCC Aqualia acquired the 80% equity interest for a cash consideration of USD 180 million, which values the entire water utility business at USD 225 million. Georgia Capital has a put option that is exercisable in the years 2025-2026 and is predicated on an EV/EBITDA multiple of 8.25x.

In 2021, GCAP executed the sale of USD 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 USD terms and demonstrating continued progress towards the Group's strategic priority to divest, over the next few years, subscale portfolio companies which do not have the potential to reach GEL 300 million equity value;

In 2020, GCAP sold 40% equity interest in one of its lowest ROIC generating hospitals – HTMC, for USD 12 million, in line with its strategy to divest low-return generating assets. The divestment improved the healthcare services business's ROIC (by 90bps in 2019). Additionally, the Group also sold 35% shareholding in one of its lowest generating asse[ts] – 5th Clinical Hospital.

Macroeconomic Conditions

Substantially all of the Group's revenue is linked to the Georgian economy. Accordingly, the value of the Group's portfolio companies, and hence its results of operations, are, and are expected to continue to be, affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. See *"Risk Factors—Risks relating to the Group—The Group's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business"*.

Certain macroeconomic data relating to Georgia is set out in the table below.

	Year ended 31 December		
	2022	**2021**	**2020**
GDP growth (%)	10.1%	10.5%	(6.8)%
Nominal GDP (USD millions)	24,610	18,629	15,843
Nominal GDP per capita (USD)	6,672	5,023	4,256
Current account deficit (USD millions)	(1,012)	(1,940)	(1,977)
Current account deficit as a % of GDP	(4.1)%	(10.4)%	(12.5)%
Inflation (end of period, %)	9.8%	13.9%	2.4%
Foreign direct investment (USD millions)	2,000	1,242	590
Foreign direct investment as a % of GDP	8.1%	6.7%	3.7%
Public debt as a % of GDP	41.4%	49.7%	60.2%
Budget expenditures (GEL millions)	21,143	18,913	16,981
Budget expenditures as a % of GDP	29.5%	31.5%	34.5%
Fiscal deficit as a % of GDP	(2.5)%	(6.1)%	(9.3)%
Tourism revenues (USD millions)	3,517	1,245	542
Tourism revenues as a % of GDP	14.3%	6.7%	3.4%
Goods exports (USD millions)	5,593	4,243	3,344
Goods imports (USD millions)	13,588	10,100	8,054
Remittances (USD millions)	3,001[23]	2,350	1,886
Remittances as a % of GDP	12.2%	12.6%	11.9%
Unemployment rate	17.3%	20.6%	18.5%

[23] After adjusting the remittances from Russia for double-counting and other issues based on TBC Capital estimates.

Source: Geostat, NBG, Georgian Ministry of Finance.

After a 6.8% contraction in 2020, due to lockdowns and economic downturn caused by the Covid-19 pandemic, the Georgian economy experienced a double-digit growth for two years in a row. A 10.5% recovery in 2021 was followed by the further expansion of 10.1% in 2022, according to the national statistics office of Georgia. Even though the Russian invasion of Ukraine had negative spillover effects on Georgian economy, especially in terms of increased commodity prices and halting of a conventional tourism, those effects were eventually compensated by the migration impact and increased remittance inflows. As for the end of the year, tourism revenues even surpassed the respective 2019 figure by 7.6%, while every other sector experienced a notable expansion as well: remittances, FDI, exports and imports increased by 28.1%, 61.1%, 31.8% and 33.2% YoY, respectively.

Foreign Exchange Fluctuations

Borrowings at the parent company level give rise to foreign exchange gains or losses being directly recorded on the income statement.

At the subsidiary level, foreign exchange fluctuations may affect the Group's individual portfolio companies, which may in turn affect the equity value of the Group's holding in each portfolio company. For example, the water utility business or retail pharmacy is Lari businesses and thus exposed to foreign exchange fluctuations on its U.S. Dollar denominated debt. The renewable energy business has a balanced foreign exchange position due to the fact that revenue under its PPAs is denominated in U.S. Dollars. In addition, sales to third parties on the open market are typically conducted in U.S. Dollars rather than Lari.

In 2020, the Lari depreciated against the U.S. Dollar by 14.3% and in 2019, the Lari depreciated against the U.S. Dollar by 7.1%, after depreciating by 3.3% in 2018. The depreciation in 2020 was largely due to the impact of the COVID-19 pandemic, while depreciation in 2019 was largely due to negative expectations surrounding Russia's flight ban and depreciation in 2018 was largely due to the depreciation of the Turkish Lira. Russia and the Republic of Türkiye are key trading partners of Georgia and hence any adverse movements in their currencies can affect the value of the Lari. On the contrary, Lari appreciated against USD in 2021 and 2022 by 5.5% and 12.8%, respectively. The appreciation was largely due to strong economic growth by 10.1% in 2022, following a 10.5% growth in 2021. The appreciation was further supplemented by an upswing of the Russia-Ukraine war due to the migration effect, the volume of money transfers witnessed a significant surge, increasing by 86% y-o-y in 2022. The primary driver for this substantial rise was attributed to the increased flow of transfers from Russia.

Results of Operations

The following table sets forth the Company's results of operations for the years 2021-2022:

(GEL thousands)	***31-Dec-22***	***31-Dec-21***
(Losses)/gains on investments at fair value	(69,252)	682,074
Listed and Observable Investments	*155,435*	*149,628*
Private Investments	*(224,687)*	*532,446*
Dividend income	93,875	74,362
Transaction costs	-	(19,058)
Interest income at EIR[24] method	19,942	15,175
Other interest income	12,087	6,979
Gain on derecognition of liability	9,907	-
Net realised (losses)/gains from investment securities measured at FVOCI	(1,750)	91
Other income	42	56

[24] EIR – Effective interest rate method

Gross investment profit	**54,050**	**758,068**
Salaries and other employee benefits	(25,843)	(22,413)
Depreciation and amortization	(635)	(567)
Other administrative expenses	(6,797)	(5,357)
Interest expense	(59,763)	(76,406)
(Loss)/profit before provisions, foreign exchange and non-recurring items	**(38,988)**	**653,325**
Expected credit loss reversal/(charge)	380	(96)
Net foreign currency gain	58,116	39,933
Loss on derivative financial assets	(4,507)	-
Non-recurring expense	(387)	(785)
Profit before income taxes	**14,614**	**692,377**
Income tax	-	-
Profit for the year	**14,614**	**692,377**
Other comprehensive(loss)/income for the year, net of tax	(72)	377
Total comprehensive income for the year	**14,542**	**692,754**

The following table sets forth a breakdown of portfolio development during the year including gains (losses) on investments at fair value.

Year Ended 31 December 2022

(GEL thousands)	*31-Dec-21*	*Portfolio decomposition and Transfer between stages*[25]	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments and Divestments*[26]	*Other*[27]	*31-Dec-22*
Listed and Observable Portfolio Companies	**681,186**	**-**	**205,783**	**(40,898)**	**164,885**	**139,392**	**-**	**985,463**
BoG	*681,186*	*-*	*190,175*	*(40,898)*	*149,277*	*-*	*-*	*830,463*
Water utility	*-*	*-*	*15,608*	*-*	*15,608*	*139,392*	*-*	*155,000*
Private Portfolio Companies	**2,935,045**	**-**	**(181,160)**	**(52,977)**	**(234,137)**	**(491,561)**	**3,817**	**2,213,164**
Large Portfolio Companies	**2,407,264**	**(158,004)**	**(80,178)**	**(44,783)**	**(282,965)**	**(687,510)**	**821**	**1,437,610**
Retail (Pharmacy)	*710,385*	*-*	*30,150*	*(16,018)*	*14,132*	*-*	*-*	*724,517*
Hospitals	*731,819*	*(158,004)*	*(127,607)*	*(13,015)*	*(298,626)*	*-*	*-*	*433,193*
Water utility	*696,960*	*-*	*(9,450)*	*-*	*(9,450)*	*(687,510)*	*-*	*-*
Insurance (P&C and Medical)	*268,100*	*-*	*26,729*	*(15,750)*	*10,979*	*-*	*821*	*279,900*
Of which, P&C Insurance	*211,505*	*-*	*30,468*	*(14,749)*	*15,719*	*-*	*821*	*228,045*
Of which, Health Insurance	*56,595*	*-*	*(3,739)*	*(1,001)*	*(4,740)*	*-*	*-*	*51,855*
Investment Stage Portfolio Companies	**303,136**	**158,004**	**13,266**	**(8,194)**	**163,076**	**34,196**	**999**	**501,407**
Clinics and diagnostics	*-*	*158,004*	*(45,826)*	*-*	*112,178*	*-*	*-*	*112,178*
Renewable Energy	*173,288*	*-*	*31,040*	*(8,194)*	*22,846*	*27,854*	*999*	*224,987*
Education	*129,848*	*-*	*28,052*	*-*	*28,052*	*6,342*	*-*	*164,242*
Other Portfolio Companies	**224,645**	**-**	**(114,248)**	**-**	**(114,248)**	**161,753**	**1,997**	**274,147**
Equity investments at fair value	**3,616,231**	**-**	**24,623**	**(93,875)**	**(69,252)**	**(352,169)**	**3,817**	**3,198,627**

Gain on investments at fair value

- The Company recorded a loss on investment at fair value of GEL 69,252 thousand in the year ended 31 December 2022. The positive value creation was recorded from listed and observable companies, mainly because of an increase in BoG's share price in GEL, which was partially offset by GEL's 28.1% appreciation against GBP in FY22. The negative value creation was recorded from private investments, mainly because of operating performance related value reduction in Hospitals and Clinics and diagnostics.

[25] Stages refer to Large, Investment and Other portfolio companies.
[26] Capital injections in portfolio companies made by JSC GCAP (cash contribution of GEL 26,005 thousand for the year ended 2022, GEL 18,296 thousand in 2021). In 2022 GCAP made non-cash capital contribution to its investments in the form of issued loans conversion into equity in the amount of GEL 169,943 thousand.
Divestments represent sale of 80% interest in water utility business. On 2 February 2022 the JSC GCAP completed the first stage in the proposed two-stage transaction, disposal of controlling interest in Georgia Global Utilities JSC ("GGU") to FCC Aqualia for USD 180 million. Sale proceeds (GEL 548,118 thousand) have been received on 2 February 2022.
[27] Other investments in portfolio companies.

- The Company recorded a gain on investments at fair value of GEL 682,074 thousand in the year ended 31 December 2021, reflecting the a) BoG's share price increase by 36.7%, b) operating performance-related increase in the value of the private assets partly supported by the strength of the Georgian economy, c) valuation of the water utility business at the sale price and revaluation of the minority interest in Retail (pharmacy).

Year Ended 31 December 2022 in more details

Listed and observable businesses. The Company recorded an increase in value on listed and observable equity investments of GEL 205.8 million in the year ended 31 December 2022, reflecting:

- *A 56.2% increase in the share price of BoG, which was partially offset by GEL's 28.1% appreciation against GBP in FY22, resulted in a GEL 190.2 million value creation.*

- *GEL 15.6 million value was created at the water utility business in FY22, reflecting the strong operating performance and the application of the pre-agreed put option multiple to GCAP's 20% holding.*

Private investments. The Company recorded a decline in value on private investments of GEL 181.1 million in the year ended 31 December 2022, mainly reflecting operating performance related value decrease.

- *Retail pharmacy*: The Company recorded an increase in value on private investments in relation to its retail pharmacy business in the amount of GEL 30.2 million, reflecting an expansion of the retail chain and the resilience of the Georgian economy,

- *Hospitals*: The Company recorded a decline on private investments in relation to its hospital business in the amount of GEL 127.6 million. Revenue and EBITDA (excl. IFRS 16) were down by 9.3% and 29.0% y-o-y, respectively, in FY22, reflecting - a) the suspension of COVID contracts by the Government in 1Q22, b) the temporary closure of Iashvili Paediatric Tertiary Referral Hospital due to mandatory renovation works, and c) the absence of revenues from the Traumatology Hospital, which was divested in April 2022. This led to a 28.7% decrease in LTM EBITDA (incl. IFRS 16), while Net debt was up by 5.4% y-o-y. As a result, the equity value of the business decreased.

- *Insurance (Property & Casualty and Medical Insurance)*: The Company recorded a decline in value on private investments in relation to its medical insurance business in the amount of GEL 3.7 million reflecting the impact of a profitability reduction in FY22. The company recorded an increase in value on private investments in relation to its P&C insurance business in the amount of GEL 30.5 million, reflecting the growth in the credit life, agricultural, and border MTPL insurance lines.

- *Renewable energy*: The Company recorded an increase in value on private investments in relation to its renewable energy business in the amount of GEL 31.0 million, reflecting the upward dynamics in electricity selling prices.

- *Education*: The Company recorded an increase in value in education business in the amount of GEL 28.0 million, reflecting the strong operating performance of the business. Revenue and EBITDA of the business were up by 36.5% and 34.8% y-o-y, respectively, in FY22, due to strong intakes and ramp-up of utilisation in line with both the organic growth and expansion of the business.

- *Clinics and diagnostics:* The Company recorded a decline in value on private investments in relation to its clinics and diagnostics business in amount of GEL 45.8 million. Similar to the hospitals business, clinics business was also impacted by the suspension of COVID contracts by the Government, which led to a 6.7% y-o-y decrease in revenues in FY22. The revenue of our diagnostics business, which apart from regular lab tests was actively engaged in COVID-19 testing, was impacted by substantially lower COVID cases and was down by 32.7% y-o-y in FY22. Consequently, the combined FY22 revenue of the clinics and diagnostics business was down by 15.2% y-o-y leading to a 55.0% y-o-y decrease in FY22 EBITDA (excl. IFRS 16).

- *Other portfolio companies:* The Company recorded a decline in value in Auto service, Beverages, Housing Development and Hospitality business in the amount of GEL 114.2 million, reflecting the adverse financial impact of Russia-Ukraine war on those business.

Year Ended 31 December 2021

(GEL thousand)	*31-Dec-20*	*Value Change*	*Dividends*	*Total gains/ (Losses) on investments at fair value*	*Investments*	*Other*	*31-Dec-21*
Listed Portfolio Companies	**531,558**	**164,109**	**(14,481)**	**149,628**	**-**	**-**	**681,186**
BoG	531,558	164,109	(14,481)	149,628	-	-	*681,186*
Private Portfolio Companies	**2,376,130**	**592,327**	**(59,881)**	**532,446**	**18,296**	**8,173**	**2,935,045**
Large Portfolio Companies	**1,858,237**	**583,852**	**(39,881)**	**543,971**	**-**	**5,056**	**2,407,264**
Healthcare Services	571,656	171,708	(11,545)	160,163	-	-	*731,819*
Retail (Pharmacy)	552,745	169,100	(11,460)	157,640	-	-	*710,385*
Water utility	471,148	221,179	-	221,179	-	4,633	*696,960*
Insurance (P&C and Medical)	262,688	21,865	(16,876)	4,989	-	423	268,100
Of which, P&C Insurance	197,806	28,157	(14,881)	13,276	-	423	*211,505*
Of which, Health Insurance	64,882	(6,292)	(1,995)	(8,287)	-	-	*56,595*
Investment Stage Portfolio Companies	**302,964**	**1,632**	**(20,000)**	**(18,368)**	**17,415**	**1,125**	**303,136**
Renewable Energy	209,902	(21,463)	(20,000)	(41,463)	3,724	1,125	*173,288*
Education	93,062	23,095	-	23,095	13,691	-	*129,848*
Other Portfolio Companies	**214,929**	**6,843**	**-**	**6,843**	**881**	**1,992**	**224,645**
Equity investments at fair value	**2,907,688**	**756,436**	**(74,362)**	**682,074**	**18,296**	**8,173**	**3,616,231**

Year Ended 31 December 2021 in more details

Listed and observable businesses. In 2021, the Company observed a notable growth of GEL 164.1 million derived from its listed portfolio company, specifically encompassing solely the Bank of Georgia.

- The increase in the investment value in the Bank of Georgia was primarily driven by a 36.7% rise in BoG's share price in 2021, reaching 16.68 GBP on December 31, 2021. Furthermore, Company received dividends amounting to GEL 14.5 million from the bank. As a result, the Issuer's stake in BoG increased by GEL 149.6 million, reaching a total of GEL 681.2 million. It is noteworthy that in 2021, BoG achieved a 13.9% annual increase in ROAE and a 13.9% year-on-year expansion in its loan portfolio.

The company experienced GEL 592.3 million increase in value in private portfolio companies during the 2021 fiscal year. Additional details regarding the increase:

- Retail (Pharmacy): The Company achieved a positive value change of GEL 169.1 million from private portfolio companies in the retail pharmaceutical business. The year 2021 witnessed a 15.2% growth in sales, primarily attributed to the expansion of new pharmacies and the organic growth of existing ones. Comparing to the previous year, the EBITDA (excluding IFRS-16) rose by 8.3%. Additionally, the company managed to decrease net debt (including financial leasing) by GEL 11.8 million. This reduction was primarily driven by an increased cash balance resulting from higher revenues and improved cash collection.

- Healthcare Services (During this period, the Hospitals, Clinics and Diagnostics business segments were incorporated into the Healthcare Services): In the Healthcare Services business, the Company achieved an increase in value of GEL 171.7 million. The improvement was a result of a rebounding trend of regular elective care and outpatient services during 2021, which translated into an 82.9% and 71.8% y-o-y increase of number of admissions, respectively. The diagnostics business also performed well, with a revenue increase of 43.3% compared to the previous year. Additionally, EBITDA (excluding IFRS 16) saw a substantial growth of 54.5%. The net debt, considering financial leasing, remained mostly stable throughout this period.

- Water Utility: The Company achieved an increase in value of GEL 221.2 million from private portfolio companies in Water Utility business. As of December 2021, the business was valued at USD 225 million (GEL 697.0 million), using an LTM EV/EBITDA valuation multiple of 8.9x. The company demonstrated robust performance in 2021, with a significant revenue increase of 56.0% and an EBITDA of GEL 128.1 million for the last 12 months. Additionally, the net debt decreased by GEL 26.8 million during the year.

- Insurance (P&C and Medical): The Company recorded an increase in value of GEL 21.9 million from private portfolio in the insurance segment.

    - Property and Casualty business - experienced a positive shift, primarily driven by a 19.9% increase in net premiums received. This improvement was attributed to the growth in the motor insurance line. The net profit of the direction was up 7.4%, y-o-y reaching GEL 18.3 million. Additionally, the business distributed dividends amounting to GEL 14.9 million.

    - Health Insurance - net premiums witnessed a 4.2% increase in 2021, reaching GEL 72.4 million. This growth was primarily driven by the rise in prices of insurance policies. However, net claim expenses were also up by 13.1% y-o-y, resulting in a 41.3% decrease in the net profit of the segment, which translated to a nominal decline of GEL 2.6 million. Additionally, during 2021, the business distributed dividends amounting to GEL 2.0 million. As of December 31, 2021, the Company's share in the Health Insurance was valued at GEL 56.6 million, marking a decrease from GEL 64.9 million as of December 31, 2020.

- Renewable Energy: The Company incurred a decline in value of GEL 21.5 million from private investments in relation to its renewable energy business. The decline in valuation of the business reflects 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.

- Education: The Company achieved an increase in value of GEL 23.1 million from private investments in education business. The segment experienced significant growth, with revenues and EBITDA increasing by 20.9% and 21.1% respectively. This growth was attributed to the expansion into the affordable education segment and an increase in average tuition revenue per learner.

- Other portfolio companies: The Company achieved an increase in value of GEL 6.8 million in various businesses within the portfolio, including housing development, hospitality and commercial real estate, beverages, auto service, and digital services. As of December 31, 2021, the portfolio's total value amounted to GEL 224.6 million, representing a 4.5% increase. GEL 6.8 million increase was driven by a value creation of GEL 49.5 million in the beverage and auto services businesses, partially offset by a decrease of GEL 37.1 million in the housing development and hospitality & commercial real estate businesses.

Dividend income

The Company’s dividend income increases yearly, more precisely it raised by 149% and 26% in FY21 and FY22 respectively. The breakdown of the dividends received by portfolios for 2022 and 2021, respectively, is as follows:

- BOG – GEL 40.9 million in 2022 year and GEL14.5 million in 2021 year
- Retail (Pharmacy) – GEL 16.0 million in 2022 year and GEL 11.5 million in 2021 year;
- Hospitals – GEL 13.0 million in 2022 year;
- Medical services (Hospitals, clinics and diagnostics and Diagnostics) – GEL 11.5 million in 2021 year;
- P&C Insurance – GEL 14.7 million in 2022 year and 14.9 million in 2021 year;
- Renewable Energy – GEL 8.2 million in 2022 year and 20.0 million in 2021 year;
- Medical Insurance – GEL 1.0 million in 2022 year and 2.0 million in 2021 year;

Transaction costs

The Company recorded a GEL 19,058 thousand expense in FY21, which was related to the divestment of the Water Utility business as described earlier in this Prospectus. The cost mainly covers fees paid to agents, advisors, legal fees, due diligence costs, and other expenses associated with the sale of an asset.

Investments

Significant investments undertaken by GCAP in 2022 are outlined as follows:

- GEL 6.3 million was invested in the education business, in line with GCAP's capital allocation outlook.
- GEL 19.2 million was allocated to Housing Development for the bridge financing of business.
- GEL 27.4 million represents the conversion of the USD 10 million shareholder loan to Renewable Energy into equity.

The investments presented in the FY22 Equity investments at fair value statement also reflect the following non-cash operations: a) the transfer of the remaining 20% equity interest in the water utility business to the listed and observable portfolio (GEL 139.4 million), and b) the conversion of loans issued predominantly to our beverages and real estate businesses into equity (GEL 142.6 million).

In the financial year of 2021, GCAP allocated a cash investment of GEL 18.3 million primarily towards investment stage businesses. More specifically:

- An investment of GEL 3.7 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti) and wind farm projects;
- An investment of GEL 13.7 million was allocated to the education business, specifically for the capacity expansion of the existing campus of Buckswood and the acquisition of land and buildings for a new campus location. Additionally, some of the funds were used for the expansion of the Green School's existing campus and the acquisition of an 81% equity interest in the Georgian-Austrian school "Pesvebi".

For more details see "Key Factors Affecting Results of Operations – Capital allocations and Investments"

Interest income

The Company recorded interest income of GEL 32.0 million and GEL 22.2 million in 2022 and 2021, respectively, on an average balance of liquid assets and issued loans. Interest income represents the sum of other interest income and interest income using the EIR (Effective interest rate) method. The main driver behind the 44.6% increase in interest income in 2022 (compared to just 10.9% y-o-y in 2021) was attributed to the higher average level of liquid funds throughout the year (this was primarily due to the receipt of GEL 526.7 million (USD 173 million) from the sale of 80% of Water Utility) and investments in internationally listed debt securities that were made over the course of the year.

Gain on derecognition of liability

The gain of GEL 9.9 million was derived from Eurobonds repurchases transaction in 2022. In March 2018 JSC Georgia Capital issued USD 300 million 6.125% notes denominated in US Dollars. Notes were sold at the price of 98.770% of par value at the initial offering. On 16 March 2021, Georgia Capital placed USD 65 million tap issue *(ISIN: XS1778929478)*, which was consolidated and forms a single series with the Notes. During 2022, Georgia Capital repurchased its own Eurobonds Issued for total consideration of GEL 285,797 thousand and recorded a gain on repurchases in the amount of GEL 9,907 thousand.

Administrative expenses

The Company recorded administrative expenses in the amount of GEL 6.8 million in 2022, which mainly includes legal and professional service and insurance costs. In the fiscal year 2022, administrative expenses experienced a significant increase of 27% compared to the previous year. This rise can be primarily attributed to a notable surge in travel and corporate entertainment expenses. In contrast, the increase in administrative expenses between 2021 and 2020 was comparatively lower at 14.3%, equivalent to GEL 672 thousand.

Salaries and other employee benefits

The Company recorded expenses for salaries and other employee benefits in the amount of GEL 25.8 million in 2022, which related to salaries and employee benefits for employees at the Issuer level. Salary expenses increased by 15% in FY22 due to a soar in equity compensation plan costs. In the 2021 financial year, there was an increase of 17.1% in salaries and other employee benefits compared to the previous year, 2020. This increase translates to a nominal amount of GEL 3,273 thousand. The breakdown of salaries and other employee benefits is presented in the table below.

(GEL thousands)	***31-Dec-22***	***31-Dec-21***
Equity compensation plan costs	(17,900)	(14,040)
Salaries and bonuses	(7,943)	(8,373)
Salaries and other employee benefits	**(25,843)**	**(22,413)**

Interest expense

The Company recorded interest expense in the amount of GEL 59.8 million in 2022, which represented interest accrued on Eurobonds issued in 2018, and was down by 22% in FY22 due to reduced debt balance as a result of the Company’s deleveraging strategy.

In 2021, the company incurred interest expenses totalling GEL 76.4 million, reflecting a significant increase of 24% compared to 2020. This rise in interest expense was primarily driven by the tap issuance of Eurobonds amounting to USD 65 million. For more detailed information, please refer to the "Capitalisation and Indebtedness”.

Net foreign currency gain

The Company recorded a net foreign currency gain in the amount of GEL 58.1 million in 2022, while in 2021 it totalled to GEL 39.9 million, which related to the impact of currency fluctuations on the foreign currency denominated financial assets and liabilities of the Issuer.

The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company’s principal transactions are carried out in Georgian Lari and its exposure to foreign exchange risk arises primarily with respect to US Dollar.

The currency risk management process is an integral part of the Company’s activities; currency risk is managed through regular and frequent monitoring of the Company’s currency positions and through the timely and efficient elaboration of responsive actions and measures.

Financial Condition

The following table sets forth the statement of financial position of the Company as at 31 December 2022 and 2021:

(GEL thousands)	***31-Dec-22***	***31-Dec-21***
Assets		
Cash and cash equivalents	199,771	89,714
Amounts due from credit institutions	16,278	35,667
Marketable securities	25,445	79,716
Investment in redeemable securities	12,631	17,849
Accounts receivable	109	96
Prepayments	610	680
Loans issued	26,830	154,214
Property and equipment	391	410
Intangible assets	109	84
Other assets	1,132	7,205
Equity investments at fair value	3,198,627	3,616,231
Total assets	**3,481,933**	**4,001,866**

Liabilities		
Accounts payable	917	839
Debt securities	681,067	1,095,433
Other liabilities	4,889	24,221
Total liabilities	**686,873**	**1,120,493**
Equity		
Share capital	12,877	13,286
Additional paid-in capital	523,760	624,186
Treasury shares	(960)	(940)
Other reserves	(439)	(367)
Retained earnings	2,259,822	2,245,208
Total equity	**2,795,060**	**2,881,373**
Total liabilities and equity	**3,481,933**	**4,001,866**

Asset valuation techniques:

The issuer adheres to IFRS 9 guidelines when determining the fair value of a portion of its assets, which are recognized in the Company's financial statements at fair value. To ensure accurate presentation, the company has categorized assets and liabilities into classes based on their intended use, characteristics, and risk profiles. The following table offers an analysis of assets and liabilities measured at fair value or assigned fair values based on their placement within the fair value hierarchy levels.

31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Marketable securities	1,183	24,262	-	25,445
Investment in redeemable securities	-	-	12,631	12,631
Equity investments at fair value	830,463	155,000	2,213,164	3,198,627
Listed portfolio companies	830,463	-	-	830,463
Observable portfolio companies	-	155,000	-	155,000
Private portfolio companies	-	-	2,213,164	2,213,164
Loans issued	-	-	26,830	26,830
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	16,278	-	16,278
Accounts receivable	-	-	109	109
Liabilities for which fair values are disclosed				
Debt securities issued	-	650,308	-	650,308

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;

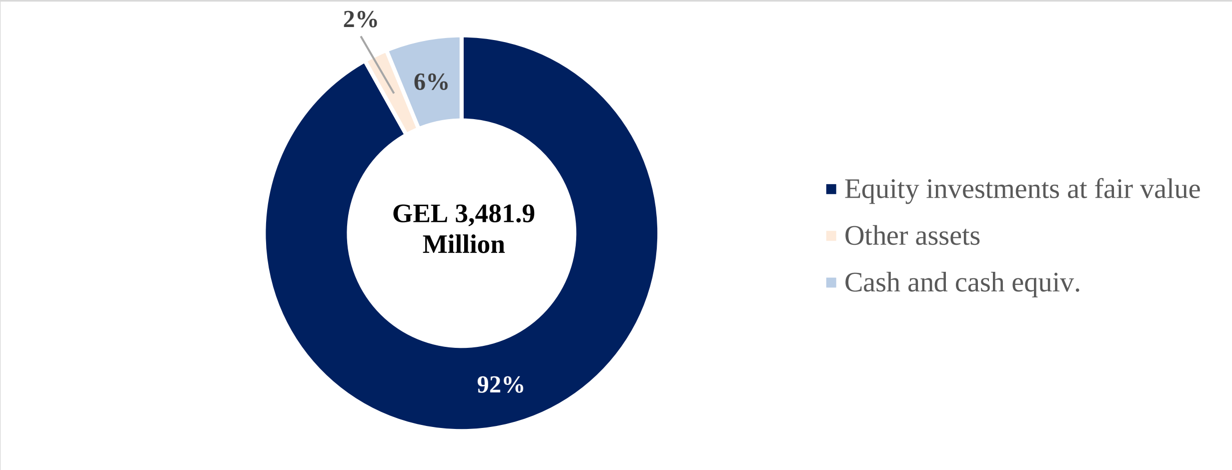
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For in-depth information regarding the valuation of the company's assets, please refer to the JSC Georgia Capital 2022 audit report. Specifically, pages 38-45 of the report, Note 17 - "Fair Value Measurements". You can access the report and its relevant sections at the following link: https://reportal.ge/ka/Reports/GetFile/45998

Total Assets

Total assets decreased by GEL 520 million, or 13%, to GEL 3,481.9 million as at 31 December 2022, compared to GEL 4,001.9 million as at 31 December 2021. The decrease was due to a) a reduction in loans issued, b) a decrease in equity investments at fair value.

In the year 2021, there was a significant increase in total assets, amounting to GEL 804.8 million, representing a growth of 25.2%. This increase can be primarily attributed to the rise in the fair value of equity investments. Further details regarding the factors influencing the changes in investments can be found in the subsection titled "Results of Operations".



Cash and cash equivalents

	31-Dec-22	31-Dec-21
Current accounts with financial institutions	33,541	52,542
Time deposits with financial institutions with original maturities of up to 90 days	166,232	37,173
Cash and cash equivalents	**199,773**	**89,715**
Allowance	(2)	(1)
Cash and cash equivalents, Net	**199,771**	**89,714**

The carrying value of cash and cash equivalents approximates fair value of the asset. The Company started to hold significant amounts of cash in FY22 to ensure high liquidity.

In addition, Company at all times holds USD 50 million liquid asset buffer at Georgian parent company level, where liquid assets are defined as marketable debt securities, cash at bank and short-term and long-term deposits with financial institutions. *For more information see "Liquidity"*

In FY22, total cash and liquid funds' balance was up 14.0%, reflecting a) the receipt of GEL 528.8 million cash proceeds from the disposal of an 80% equity interest in the water utility business, b) dividend and interest receipts of GEL 93.9 million and GEL 24.3 million, respectively, and c) net proceeds from marketable securities GEL 29.1 million. The increase was partially offset by a) GEL 285.8 million cash outflow for the buyback and cancellation of USD 65.0 million GCAP Eurobonds, b) GEL121.6 million cash outflow for share buybacks, c) GEL 60.0 million coupon payment, d) GEL 26.0 million capital allocations, and e) GEL 53.8 million cash outflow for loans issued to portfolio companies.

In 2021, the cash balance increased by 28.8%, mainly due to Eurobond emissions of USD 65 million and improved dividend revenues.

Marketable Securities and Investment in Redeemable Shares

	31-Dec-22	31-Dec-21
Internationally listed marketable securities (FVPL)	21,068	37,747
Internationally listed marketable securities (FVOCI)[28]	1,183	39,447
Locally listed marketable securities (FVOCI)	3,194	2,522
Marketable securities	**25,445**	**79,716**

Investment in redeemable shares

In August 2021 a 100% owned portfolio company of Georgia Capital, JSC Insurance Company Aldagi (P&C Insurance), issued 6 million preference shares. 100% of preference shares were subscribed by Georgia Capital

[28] During 2022 GCAP recorded foreign exchange loss of GEL 12,583 thousand (2021: GEL 5,139 thousand) on marketable securities presented through FVOCI

at the price of USD 6 million (GEL 18.6 million). The proceeds from preference shares are invested by JSC Insurance Company Aldagi in a fund that invests in fixed income securities. Preference shares are mandatorily redeemable by JSC Insurance Company Aldagi upon redemption of the underlying fund shares. Redemption amount for preferred shares is equal to proceeds from underlying fund shares subject to certain adjustments. As at 31 December 2022 the fair value of the investment was GEL 12,631 thousand (2021: GEL 17,849 thousand) presented as investment in redeemable shares in the consolidated statement of financial position. Investment in redeemable shares is accounted at fair value through profit or loss at net asset value of underlying fund shares.

Loans issued

	31-Dec-22	***31-Dec-21***
Loans to equity investments (FVPL)	26,830	154,214
Loans issued, Net	**26,830**	**154,214**

Issued loans' balance primarily refers to loans issued to the private portfolio companies and are lent at market terms. The balance was down by 82.6% to GEL 26.8 million as of 31 December 2022.

As at 31 December 2022 and Loans to equity investments are denominated in GEL, USD and EUR and carry interest rates from 5.5% to 16.5%, with average remaining terms of maturity of 1 year.

In 2021, the balance of the aforementioned loans experienced a substantial growth of 41.5%, reaching a total of GEL 154.2 million.

As part of water business sale transaction, JSC GCAP issued shareholder loan USD 90 million, in order to refinance green bonds issued by the Water Utility and Renewable Energy businesses. During 4Q22 GCAP recovered loan issued for bond refinancing in the amount of USD 80 million, the remaining part of the shareholder loan was converted into equity of the renewable energy business in line with capital allocation strategy.

Total Liabilities

Total liabilities decreased by GEL 433.6 million, or 39%, to GEL 686.9 million as at 31 December 2022, compared to GEL 1,120.5 million as at 31 December 2021. The decrease was due to:

a) Eurobond buyback because of the Group's deleveraging strategy.

At the investor day, held on 9 May 2022, the Issuer announced its intention to deleverage the Issuer's balance sheet. As the Issuer's liquidity position has been improved by the sale of an 80% stake in its water utility business, the Issuer is launching the Tender Offer to meet its deleveraging target. The company made progress in deleveraging by buying back Eurobonds in total worth of USD 116 million, with USD 65 million being cancelled following a Modified Dutch Auction (MDA). This resulted in a 10.1 percentage point decrease in the NCC ratio in 2022, and the company's balance sheet and capital allocation processes remain strong.

b) foreign exchange movement as USD depreciated against GEL.

Despite the US dollar (USD) strengthening globally, the GEL has sustained its appreciation trend since mid-2021. In 2022 US dollar further depreciated by 12.8% against the GEL compared to 2021.

As of December 31, 2021, the total liabilities experienced a 13.9% increase, reaching a total of GEL 1,120.5 million. This increase in liabilities during 2021 can be attributed to the issuance of additional securities amounting to USD 65.0 million (equivalent to GEL 215.8 million) on March 16, 2021. These securities were consolidated with the existing USD 300 million Eurobonds.

Total Equity

As of December 31, 2022, the total equity amounted to GEL 2,795.1 million, reflecting a decrease of GEL 86.3 million or 3% compared to the previous year's total equity of GEL 2,881.4 million, which represented a 30.2% increase compared to year 2020.

Cash Flow Statement

(GEL thousands)	***31-Dec-22***	***31-Dec-21***
Dividends received	93,875	74,362
Salaries and other employee benefits paid	(10,555)	(7,967)
Other administrative expenses paid	(6,797)	(5,162)
Interest income received	24,331	13,627
Net change in operating assets and liabilities	(385)	(220)
Net cash flows from operating activities before income tax	**100,469**	**74,640**
Income tax paid	-	-
Net Cash flow from operating activities	**100,469**	**74,640**
Cash flows from investing activities		
Net withdrawal of amounts due from credit institutions	16,210	1,135
Loans issued	(281,660)	(52,315)
Loans repaid	227,896	1,857
Proceeds from sale of shares in portfolio companies	548,118	-
Transaction costs incurred in relation to sale of share in existing equity investment	(19,325)	(1,317)
Increase of equity investments	(25,999)	(18,296)
Purchase of marketable securities	(102,660)	(104,129)
Proceeds from sale and redemption of marketable securities	131,723	30,758
Investment in redeemable securities	-	(18,648)
Purchase of property and equipment	(236)	(131)
Other investing activities	(3,693)	(1,039)
Net cash flows from/(used in) investing activities	**490,374**	**(162,125)**
Cash flows from financing activities		
Dividend paid to the shareholder	-	(14,481)
Proceeds from debt securities issued	-	212,725
Redemption and buyback of debt securities issued	(285,797)	(41,575)
Share capital redemption	(87,238)	(21,679)
Interest paid	(60,056)	(64,842)
Acquisition of treasury shares under share-based payment plan	(34,411)	(6,963)
Cash payments for principal portion of lease liability	(359)	(408)
Cash payments for interest portion of the lease liability	(40)	(52)
Net cash (used in)/from financing activities	**(467,901)**	**62,725**
Effect of exchange rates changes on cash and cash equivalents	(12,884)	(2,561)
Effect of change in expected credit losses for cash and cash equivalents	(1)	9
Net increase/(decrease) in cash and cash equivalents	**110,057**	**(27,312)**
Cash and cash equivalents, beginning of the year	**89,714**	**117,026**

Cash and cash equivalents, end of the year	**199,771**	**89,714**

Net Cash Flow from operating activities

In FY22, cash flow from operating activities amounted to GEL 100.5 million, compared to GEL 74.6 million in FY21. The difference is related to the increase in dividends (GEL 19.5 million increase from FY21 GEL 74.4 million to FY22 GEL 93.9 million) and interest income received on liquid funds. On the other hand, in 2021, the net cash flow from operating activities, including dividends received, witnessed an increase of 161% compared to the previous year. This growth was primarily attributed to the higher amount of dividends received, which experienced a substantial increase of GEL 44.5 million in 2021 compared to the previous year.

Net Cash Flow from investment activities

In FY22, net cash inflow from investing activities amounted to positive GEL 490.4 million. This is mainly related to the sale of 80% of the Water Utility business. More precisely, the Company completed the sale of an 80% equity interest in the business to FCC Aqualia ("Aqualia") for a cash consideration of USD 180 million. As a consequence, GCAP owns a 20% interest in the business as of 31 December 2022 (31 December 2021: 100%), which remains subject to the ongoing put/call option structure.

Additionally, the Company invested GEL 26 million in equity and issued debt totalling net GEL 53.8 million to its subsidiaries.

In the financial year 2021, the net cash flows received from investment activities[29] amounted to a negative GEL 162.1 million. This negative value was primarily attributed to two main factors: a) granting loans amounting to GEL 52.3 million, and b) the purchase of liquid securities totalling GEL 104.1 million.

Net Cash Flow from financing activities

In FY22 net cash outflow from financing activities amounted to negative GEL 467.9 million compared to positive GEL 62.7 million. The difference is related to the deleveraging strategy of the Company. In 2021 the Company issued bonds, while in FY22 the Company was making redemptions and buybacks of the debt securities in order to decrease debt leverage.

More precisely, GEL 285.8 million was used for redemption and buyback of the issued debt securities, GEL 87.2 million was used for share capital redemption, GEL 60 million was used to pay interest expenses and GEL 34.4 million was used for treasury shares acquisition under a share-based payment plan.

Liquidity

Management arranges 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, Group at all times holds USD 50 million liquid asset buffer at Georgian parent company level, where liquid assets are 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 assets and liabilities of JSC Georgia Capital and each portfolio entities are managed separately. The major liquidity risks confronting the Group are the daily calls on its available cash resources in respect of supplier contracts and the maturity of borrowings.

Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with the exception of a EUR 1.5 million as at 31 March 2023 (31 December 2022: EUR 6 million, 31 December 2021:

[29] Excluding dividends received

EUR 16 million) financial guarantee issued to a portfolio company, namely a beer business. Management has assessed the probability of this guarantee being exercised as remote.

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-Dec-22,** *(GEL thousands)*	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Total***
Debt securities issued	20,633	20,633	694,349	735,615
Accounts payable	917	-	-	917
Financial guarantees	18,460	-	-	18,460
Other financial liabilities	58	4,742	97	4,897
Total undiscounted financial liabilities	**40,068**	**25,375**	**694,446**	**759,889**

Financial liabilities **31-Dec-21,** *(GEL thousands)*	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Total***
Debt securities issued	33,379	33,379	1,190,061	1,256,819
Accounts payable	839			839
Financial guarantees	55,297	-	-	55,297
Other financial liabilities	17,814	5,980	488	24,282
Total undiscounted financial liabilities	**107,329**	**39,359**	**1,190,549**	**1,337,237**

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.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group'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 Group's financial assets credit risk profile by external rating grades:

	31 December 2022						
	A+to A-	***BB+to BB-***	***B+to B-***	***CC+to CC***	***C+to C-***	***D+to D-***	***Not graded***
Cash and cash equivalents	71,066	105,541	23,164	-	-	-	-
Amounts due from credit institutions	-	16,278	-	-	-	-	-
Marketable securities	-	1,183	23,540	262	190	270	-
Investment in redeemable securities	-	-	-	-	-	-	12,631
Loans issued	-	-	-	-	-	-	26,830
Other assets	-	-	-	-	-	-	369
Total	**71,066**	**123,002**	**46,704**	**262**	**190**	**270**	**39,830**

	31 December 2021		
	BB+to BB-	***B+to B-***	***Not graded***
Cash and cash equivalents	75,622	14,092	
Amounts due from credit institutions	-	35,667	
Marketable securities	28,571	51,145	
Investment in redeemable securities	-	-	17,849
Loans issued	-	-	154,214
Other assets	-	-	6,268
Total	**104,193**	**100,904**	**178,331**

Currency risk

The Group is 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 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.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2022 and 31 December 2021 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the twelve months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
	2022		**2021**	
EUR	13.4%	2,348	8.6%	3,532
GBP	15.1%	1,812	9.5%	-
USD	10.9%	(60,477)	6.4%	(53,050)

CAPITALISATION AND INDEBTEDNESS

The table below sets out the capitalisation and indebtedness of the Company as at 31 May 2023, 31 December 2022 and 31 December 2021

(GEL thousands)	**31-May-23**	**31-Dec-22**	**31-Dec-21**
Indebtedness			
Debt securities issued	566,284	681,067	1,095,433
Equity	**2,961,865**	**2,795,060**	**2,881,373**
Share capital	12,877	12,877	13,286
Additional paid-in capital	500,558	523,760	624,186
Treasury shares	(960)	(960)	(940)
Other reserves	(268)	(439)	(367)
Retained earnings	2,449,658	2,259,822	2,245,208
Total capitalisation and indebtedness	**3,528,149**	**3,476,127**	**3,976,806**

As of the date of the Prospectus, there has been no material change in Company's capitalisation and indebtedness other than the issuance of the New Bonds and the application of the proceeds to refinance existing Eurobonds as described in this Prospectus.

In the table above, information is presented without any modifications, considering that newly issued Sustainability-linked Bonds will have only an immaterial effect on the Company capitalisation and indebtedness. This is largely due to the fact that, in essence, new, Sustainability-Linked bonds are intended to effectively refinance existing Eurobonds of the same amount or such effect cannot be assessed at this point.

It is worth noting, that the Company is planning to refinance the existing Eurobonds by the end of September 2023 in full, and, alongside issuing new, Sustainability-Linked Bonds it has launched a contemporaneous tender offer for the existing Eurobonds and anticipates executing a further tender offer or making a make-whole redemption later on for the remaining amount, if needed.

Apart from the proceeds of new Sustainability-Linked Bonds, any funding needed to refinance the remaining part of the Eurobonds shall be financed by the Issuer's liquid funds. Once the aforementioned processes are finalized, Georgia Capital will have one remaining Indebtedness amounting USD 150 million, which shall be local bonds.

As a result of the aforementioned transactions, based on a pro-forma effect applied to the December 31, 2022, Company's total capitalization shall decrease from GEL 3,476 million (USD 1,334 million) to GEL 3,085 million (USD 1,184 million). The pro-forma effect for the gross debt to capital ratio shall imply in decrease form 22% to 13% for the same time period.

Indebtedness

In March 2018 JSC Georgia Capital issued a USD 300 million (GEL 734 million) 6.125% notes due in March 2024 denominated in US Dollars which were admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market. Eurobonds were sold at the price of 98.770% of par value at the initial offering.

On 16 March 2021, Georgia Capital placed USD 65million (GEL 216 million) tap issue, which was consolidated and forms a single series with the notes. From the tap issue, notes with par value of USD 4,154 thousand (GEL 13,809 thousand) were repurchased by Georgia Capital at the issue date. Cash proceeds from the tap issue, net of fees paid, was GEL 212,725 thousand.

Throughout 2021-2023, Georgia Capital repurchased own Eurobonds Issued for total consideration of USD 148 million, out of which USD 65 million was cancelled and USD 84 million is kept in the treasury of the Issuer.

As a result of the above-mentioned, the Company's current net balance of USD 216 million (calculated nominal value *less* the remaining bonds held in the treasury) remains at the date of the prospectus (gross balance and the nominal amount of USD 300 million). Upon issuing new bonds and refinancing Eurobonds, the issuer's remaining Indebtedness shall be USD 150 million.

More precisely about the bond:

- Nominal Amount – USD 300 million
- Currency – USD
- Issue Price – 98.770%
- Status – Senior, Unsecured
- Coupon rate: 6.125% payable semi annually
- Repayment schedule of the principal: At the maturity date
- Issue date: 9 March 2018
- Maturity date: 9 March 2024
- Listing: Irish stock exchange, GEM market
- Bond's ISIN: XS1778929478

The Company and notes are subject to a financial incurrence net debt covenant. More precisely, the Issuer shall not create, incur, assume or otherwise become liable in respect of any indebtedness, unless, after giving effect to the incurrence of such indebtedness and the application of the proceeds thereof net debt is no greater than 45% of adjusted shareholders' equity. The company has no material non-financial covenants.

	31-Dec-22	**30-Jun-22**	**31-Dec-21**	**30-Jun-21**
Net debt to adjusted shareholder's equity	16.6%	25.3%	33.1%	36.2%

In addition to Eurobonds, this covenant also encompasses "Terms and Conditions of the Bonds" of the current Sustainability-Linked Bonds.

Definitions:
Net Debt:
(a) Amounts borrowed from credit institutions, ***plus***
(b) Debt securities issued, ***less***
(c) Cash and cash equivalents, ***less***
(d) Amounts due from credit institutions, ***less***
(e) Debt investment securities to the extent comprising temporary investments

Adjusted shareholder's equity means – Issuer's shareholder's equity.

The Company has standard non-financial covenants, including:

- Covenant to ensure Continuance of Business
- Limitations to a certain extent regarding Reorganizations and M&A
- Limitations to a certain extent regarding Disposals
- And others

The company had no covenant breaches for all aforementioned periods.

See bond prospectus on Issuer's web-site for more details.

Description of additional credit needs of the Issuer:

Apart from the funds raised from the bond issue, according to the information available at this stage, the Company does not have accurate information and/or assessment regarding the need for future financing.

Capitalisation

As of December 31, 2022, the issuer's equity is GEL 2,795 million.

The total stated (eligible) authorized charter capital of the company amounts to GEL 15,000,000 (fifteen million), which is divided into 15,000,000 (fifteen million) ordinary shares. The nominal value per share is GEL 1.00 (one). The Company has the right to issue preferred shares in accordance with the laws of Georgia.

Each common share entitles one vote to its owner at the general meeting of shareholders. Holders of the Company's shares shall have a pre-emptive right to acquire additional shares issued by the Company, in the same proportion which the nominal value of such holder's shares represent to the total nominal value of all share outstanding immediately prior to the issuance of such additional shares. The company has the right to issue bonds and other securities on the basis of a resolution of the Supervisory Board.

INDUSTRY

Macroeconomic Overview

Unless otherwise noted, all macroeconomic data in this section has been sourced from Geostat.

Georgia is located in the South Caucasus at the crossroads of Western Asia and Eastern Europe, and is bordered to the south by the Republic of Türkiye and Armenia, to the west by the Black Sea, to the southeast by Azerbaijan and to the north by Russia. The population of Georgia was estimated at 3.7 million as of the date of this Prospectus, with Tbilisi accounting for slightly more than 33% of the population, or approximately 1.2 million people.

The following chart depicts Georgia's location in the region:

Georgia is considered an open market in which to do business. Since becoming a WTO member in 2000, growth-oriented reforms and ongoing economic liberalisation have transformed Georgia into a country that is ranked by the World Bank as one of the easiest places to do business. Georgia also benefits from low rates of bribery and corruption which are comparable to those of the Member States of the European Union (EU) and outperform regional peers. In 2020, Georgia was ranked 7th in the World Bank's Ease of Doing Business survey. Furthermore, Georgia is on par with the EU member states and top in the Eastern Europe and Central Asia Region in the 2022 Corruption Perception Index by Transparency International, as well as the 2022 Bribery Risk Index by TRACE International. Georgia's liberal economic reforms, favorable international rankings of the business environment, and low levels of corruption have supported significant inflows of FDI over the past decade. These capital flows have boosted productivity and accelerated growth. At the same time, IFIs-funded public infrastructure projects have played an important role in spurring growth, as well as providing critical services to citizens and better realizing the country's potential in logistics, transport and tourism. FDI has averaged 8.5% of GDP over the past ten years (2013-2022).

Georgia enjoys a strong reputation as a global top reformer on governance, pro-business reforms, and anticorruption measures. The country’s close relationship with the EU is based on the EU-Georgia Association Agreement, which includes a Deep and Comprehensive Free Trade Area (DCFTA) agreement that entered into force in July 2016, reflecting Georgia’s aspiration for closer political association and economic integration with the EU. Georgian citizens have benefited from visa-free travel to the Schengen area since March 2017. On March 3, 2022, Georgia officially applied for EU membership together with Ukraine and Moldova and was granted a conditional European perspective, set to receive the candidate status once specified conditions are satisfied. While committed to the EU integration agenda, Georgia has also stabilized its relations with Russia, leading to the lifting of an embargo on Georgian products in 2013. Georgia-China economic ties have also strengthened, and a free trade agreement signed in 2017 has been followed by China emerging as the top destination country for Georgian exports since 2020, including for domestic Georgian exports. Free trade arrangements with the EU and China put Georgia in a favorable position to continue attracting foreign direct investments. There is also room for diversifying agricultural exports. Georgia's existing FTAs (with the EU, CIS, EFTA, the Republic of Türkiye, China, and Hong Kong) and the prospective FTA with India, as well as an agreement with Israel, offer significant potential for Georgia's exports. The credit rating agencies (Moody's, Fitch Ratings, and S&P Global Ratings) have acknowledged the country's economic and institutional strength and resilience to global shocks, with credit ratings remaining unchanged in 2020 despite the COVID-19 shock, after having been upgraded in 2019. Furthermore, as a result of the improved macroeconomic environment, Fitch Ratings revised Georgia’s sovereign credit rating outlook to positive from stable in January 2023.

Georgia had been demonstrating strong economic growth, an improving external balance and a shrinking fiscal deficit before the COVID-19 pandemic, reflecting a solid record of economic reforms. Despite various global and regional economic shocks, real GDP growth averaged 4.2% between 2013 and 2022, driven both by domestic and external demand. However, the COVID-19 pandemic temporarily halted these gains as the economy contracted by 6.8% in 2020, mainly due to a near-complete standstill in international tourism and restrictions on local economic activity to curb the spread of the virus. To mitigate the negative impact of the shock, the Georgian authorities mobilized significant financing from the International Monetary Fund (IMF) and other international partners (WB, EU, EBRD, EIB, ADB, etc.) to respond effectively to the pandemic. This timely and substantial support reflects Georgia's long-lasting ties with international institutions and their trust in the country's prudent economic policymaking.

Despite the challenges posed by the COVID-19 pandemic, the Georgian economy demonstrated resilience in 2021, experiencing a solid rebound in GDP, a strengthened Georgian Lari, an improved external balance, and a stronger fiscal balance sheet. The removal of most restrictions in March 2021 led to a surge in economic momentum, with the rebound exceeding expectations. Despite concerns over new COVID-19 variants and a relatively slow vaccination process, the lack of major restrictions in 2021 enabled a robust recovery, with real GDP growth reaching 10.5%. This rebound was bolstered by pent-up domestic demand, robust growth in remittances and exports, the beginning of a bounce-back in tourism revenues, fiscal stimulus, and increased lending by the banking sector. Notably, the economy exceeded pre-pandemic 2019 levels by 3.0%, gaining the pandemic losses back faster than anticipated. However, rising commodity and utility prices due to the global supply crunch, along with pent-up demand on the domestic side, led to inflationary pressures, with inflation reaching 13.9% in December 2021. To combat this, the National Bank of Georgia (NBG) raised the monetary policy rate by 250bps to 10.5% through four rate hikes in 2021, and initiated measures to de-dollarize customer deposits. Despite these challenges, international reserves remained high, reaching a then-record level of USD 4.3 billion as of December 2021, largely thanks to support from international partners.

As the region began to recover from the COVID-19 pandemic, it was hit by another significant shock: Russia's war in Ukraine. This resulted in supply chain disruptions, soaring risk premiums for regional countries and a surge in commodity prices amidst the geopolitical turbulence. Despite these challenges, Georgia's historically resilient economy continued to be supported by a stable macroeconomic environment, prudent monetary and fiscal policies, a business-friendly environment, and a healthy banking sector. Initially, the war was expected to slow down Georgia's economic growth, as negative spillovers and exceptional uncertainty due to the war were anticipated to weigh heavily on the market appetite, constraining both domestic and external demand. However, contrary to expectations, in 2022, the economy continued fast recovery due to a surge in tourism, war-related immigration and financial inflows, a rise in transit trade, and local investments. This recovery led to a significant number of highly skilled regional migrants and international companies relocating or setting up operations in Georgia. Additionally, international cargo forwarders were attracted to the country, providing a convenient transport and logistics corridor for international trade flows. As a result of this growing interest in the country, external inflows surged, international trade expanded, and investment activity gained momentum. Increased consumption and investment spending, coupled with strong external inflows and robust demand from Georgia's trading partners, resulted in the Georgian economy growing by 10.1% in 2022, delivering a second consecutive year of double-digit growth. The appreciation of the Georgian Lari against the USD by 12.5% in 2022 was also supported by increased external inflows through exports, remittances, tourism revenues, and FDI, as well as improved market confidence, robust foreign currency lending, rebounding economic activity and the tight monetary stance. This appreciation, coupled with fiscal moderation and the high GDP level, led to a sharp improvement in the fiscal deficit and public debt to GDP ratios to 2.9%[30] (from 6.1% in 2021) and 39.7% (from 49.6% in 2021) in 2022, respectively. Moreover, in 2022, amid double-digit growth, unemployment shrank by 3.4 percentage points to 17.3%, lowest on record (data since 2010). It is worth noting that the strong track record of the Georgian economy and solid support from international institutions contributed to rising interest among international investors, with FDI inflows exceeded a record high of USD 2.0 billion in 2022. The current account deficit reached a record low of 4.1% of GDP in 2022, including a record-high 5.7% surplus in 3Q22, as rising merchandise exports, soaring tourism receipts, reflecting both the immigration effect and the global resumption of travel, and surging remittance inflows allowed for improving the external position whilst imports accelerated in parallel with aggregate demand.

As Russia's war in Ukraine exacerbated existing supply-side pressures and sent energy, food and commodity prices soaring, inflation remained high in Georgia in 2022, with imported inflation by far the most significant driver of rising prices despite the Georgian Lari strengthening. The average annual inflation rate was 11.9% in 2022, significantly above the 3.0% target, although it shrank to 9.8% by December 2022 and has now decelerated to 2.7% as of April 2023. To curb inflation and anchor inflationary expectations, the NBG further increased the monetary policy rate by 50 basis points to 11.0% in March 2022, and implemented several macroprudential measures in order to constrain credit activity and, subsequently, aggregate demand. Throughout 2022, the NBG maintained a tight monetary stance, while also taking advantage of surging FX inflows to accumulate reserves and build external buffers, purchasing net USD 564.6 million on the foreign exchange market. As a result, official reserve assets reached a record high of USD 4.9 billion by the end of December 2022.

Despite high uncertainty enduring and global economic growth projected to slow down amid tightening financial conditions, Georgia's medium-term growth is forecasted to be among the highest in the region, with the IMF predicting real GDP to grow by 4.0% in 2023 and by an average of 5.2% between 2024 and 2027.

Healthcare Industry

The Georgian healthcare industry has undergone a number of reforms and transformations during the last two decades. The Government has prioritised healthcare and ensured an influx of private investment. The key components of the national healthcare reform were privatisation on a large scale, infrastructure upgrade, sector liberalisation, introduction of the UHC and wider accessibility to healthcare services as the major outcome.

According to Galt & Taggart estimates, total health expenditure in Georgia demonstrated one of the fastest growth among peer countries, with a compound annual growth rate of 10.3% to GEL 5.4bn over 2011-2021. In terms of health expenditure as a percentage of GDP, Georgia achieved 8% in 2022, above peer countries, with average 5.4% (Europe & Central Asia excluding high income countries) in the same period, according to World Bank.

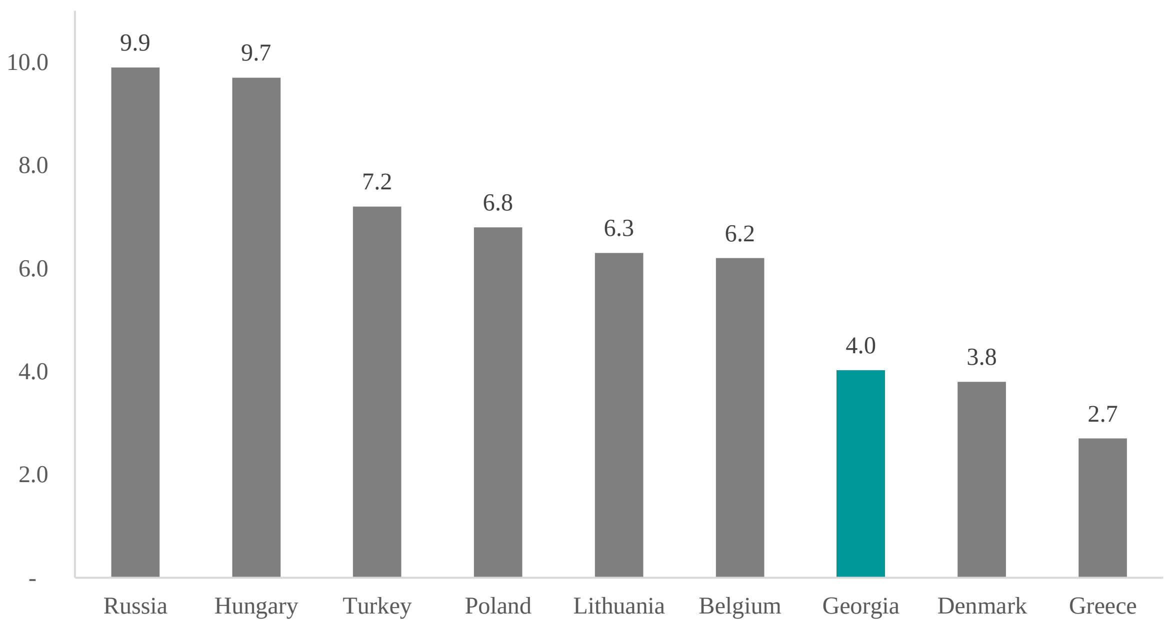
Growth of total health expenditure was driven by state healthcare spending, increasing almost 7x times to GEL 2.6bn over 2011-21. Increased government funding and development of private insurance sector reduced share of out-of-pocket spending in total health expenditure by 32ppts to 44% over 2011-21, according to Galt & Taggart estimates. Out-of-pocket payments (mainly spent on medicines) are still high in Georgia compared to EU (16% in 2019) and peer EM countries in the region (36%). According to Vision for Developing the

[30] Calculated as net acquisition of financial assets subtracted from preliminary estimates of net borrowing (IMF definition of the modified overall deficit).

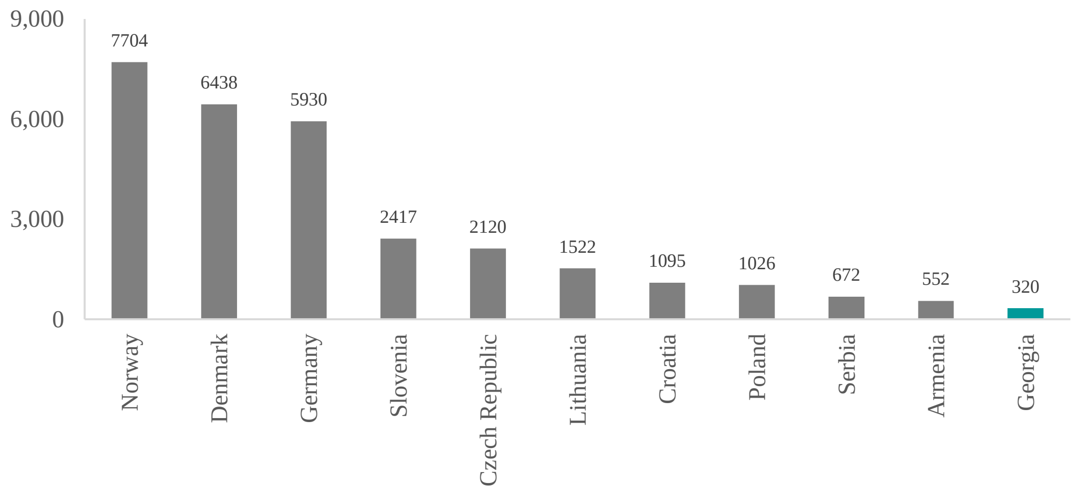
Healthcare System in Georgia, the government aims to reduce share out-of-pocket health expenditures to 30% by 2030.

Despite high growth over the last decade, there still remains an ample room for further increases in healthcare spending since Georgia has one of the lowest per capita expenditures on healthcare among the benchmark countries. According to the World Health Organization, healthcare spending per capita in 2020 is at a very low base of only USD320, with annual outpatient encounters of 4.0 per capita. 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. As displayed on the chart below, all of these indicators are significantly lower than many comparable countries. Management believes that there are strong prospects for growth in healthcare expenditure, driven by both supply and demand. The following tables set forth these indicators for Georgia against the benchmark countries for the period indicated:

Outpatients visits per capita, latest data available, 2021



Per capita expenditures on healthcare, Current USD, 2020



Universal Healthcare Programme

UHC, a Government-funded healthcare programme that provides basic healthcare coverage to the entire population, was introduced in March 2013. It eventually replaced the existing two State Insurance Programmes. UHC is an undertaking by the Government to reimburse healthcare providers directly for the delivery of treatment to patients. The programme is subject to certain limits and service coverage exclusions, beyond which the patients have to fund treatment on an out-of-pocket basis or rely on a private medical insurance coverage.

On 5 November 2019, the Government introduced changes to the UHC reimbursement mechanism, effective from 21 November 2019. The changes mainly cover the Tbilisi and Kutaisi regions, which have recently developed an oversupply of beds as a result of addition of a number of small hospitals in recent years. According to the new initiative, the Government has reduced certain tariffs on intensive care and cardiac services to equate them with the tariffs set for the rest of the regions.

Starting from November 1, 2022, the government introduced a new approach to financing universal health care known as diagnosis-related groups (DRG). This innovative model brings about several changes. Firstly, all medical facilities participating in the universal health care program will receive a standardized reimbursement rate for the same range of services. The funding allocated to each clinic is determined based on factors such as the patient's diagnosis, age, duration of hospital stay, and other relevant criteria. One significant benefit of this system is that patients will no longer be burdened with additional expenses when availing themselves of medical services. Instead, they will only be responsible for paying the co-payment share within the universal health care program, which can range from 0% to 30% depending on the specific packages available. By implementing these changes, the government aims to streamline the financing of universal health care, ensuring fair and equal reimbursement rates for medical facilities and eliminating extra costs for patients.

Since the introduction of the UHC, its budget almost tripled from GEL 338 million in 2014 to GEL 964 million in 2020 and totalled GEL 800 million in 2021, accounting for approximately 31% of total state healthcare expenditure. Elective inpatient services and emergency medical services constitute the major part of the UHC budget, while outpatient services have a limited coverage. The remainder of the state healthcare budget is allocated to vertical healthcare programmes, such as dialysis and cancer screening and managing COVID-19. Government’s budget for COVID-19 management amounted to GEL 1,131 million in 2021, 44% of total state healthcare expenditure.

Notwithstanding a significant improvement in the bed occupancy rate, from 22% in 2008 to 49.1% currently, there is still potential for even higher efficiency in order to align Georgia with best practices (which Management considers to be 70%). The improved efficiency should mainly come from market consolidation. From 2015 to 2021, the number of beds in the market increased by 61% (from 12,830 to 20,633). The Government is developing new legislative initiatives to define hospital types and introduce KPIs for service providers, although progress has been slower than initially anticipated. It is also expected to improve the quality of patient care since only the providers who have enough experience will cater to the population under the UHC. The recent change in UHC may also drive more rapid market consolidation in Tbilisi and Kutaisi, improving service efficiency and quality in the country.

The number of outpatient encounters per capita has increased over the past decade from 2.0 in 2009 to 4.0 in 2020, but remains low compared with the European Union with average encounters of 7.0 in 2019 and 5.9 in 2020. The outpatient clinic segment remains highly fragmented and underdeveloped in Georgia for several reasons. Historically, patients in Georgia have preferred hospitals that are associated with a better reputation and a higher quality of services. The widespread practice of self-treatment and low health awareness have also contributed to a lower number of outpatient visits as compared with developed countries. In the next few years, however, the trend may reverse since the Government increases its focus on this segment, increases administrative oversight on prescriptions and favour primary care, which is expected to provide a boost for the number of outpatient visits.

Pharmaceuticals market overview

The pharmaceutical market in Georgia is highly concentrated, with three major players holding approximately 83% of the market share. The Georgian pharmaceutical market is highly dependent on imports. The share of number 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 70% of all imports are performed by three companies: GEPHA (approximately 25%), PSP (approximately 23%) and Aversi (approximately 20%). Domestic production is represented by over 50 companies and is dominated by two players, with approximately 84% 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 bodies include, for example, the US Food and Drug Administration and the European Medicines Agency), as well as favourable regimes for setting up pharmacies. According to the new Government initiative, from January, 17 2022 the Republic of Türkiye has also been added to the list of parallel import countries, meaning companies would be allowed to import, without further so-called "National Regime"of state registration , 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 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 fifth largest commodity group, amounting to USD 404 million (3.0% of total imports), while export of medicines was the eighth largest export commodity group, amounting to USD 109 million (2.0% of total exports) in 2022, including USD 88 million of re-exports (4.7% of total re-exports). Also, effective from 15 February 2023, the Ministry of Health, Labour and Social Affairs of Georgia (the "Ministry") implemented an External Reference Pricing model on the pharmaceuticals market, only related to prescribed medicines that are financed by the State. Reference Pricing is an approach where prices are set according to the benchmark prices for the same or similar medicines in comparable countries. According to the new initiative, the Ministry introduced the maximum retail price on targeted pharmaceutical products, in two directions: Generic and Original drugs. The price caps are set based on the average of such medicine prices in the following countries: Bulgaria, Latvia, Macedonia and Montenegro.

Medical insurance market overview

Over the past decade, the private medical insurance market has expanded significantly. In 2006, only 40,000 Georgian citizens (approximately 1% of the total population) had a voluntary medical insurance package, typically provided as part of a corporate benefits programme. There were approximately 673,000 private health insurance ("**PHI**") policies in force by September 2022. The corporate segment accounts for the major portion of the PHI market. 93.5% of all policies are acquired by employers and the remainder (approximately 43,600) are purchased by self-paying individuals. In Georgia, private health insurance is primarily intended to provide value-added services in the form of more extensive coverage or more convenience for the patient.

Diagnostics market overview

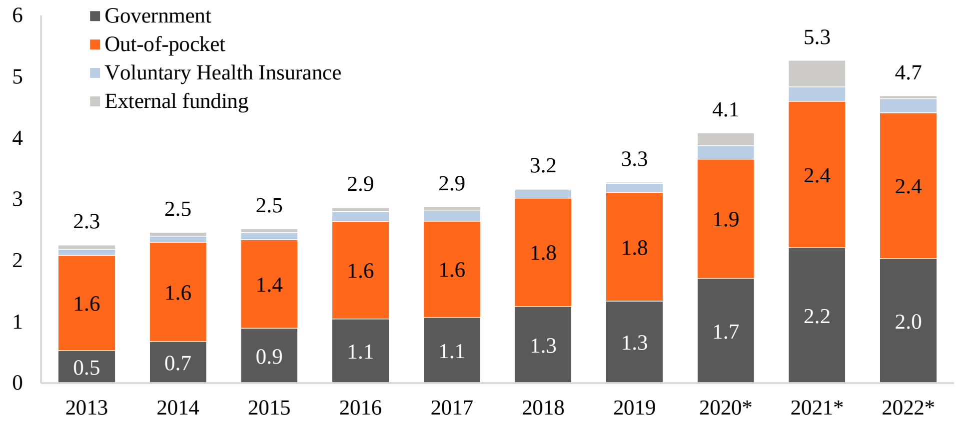
The laboratory and diagnostic services market in Georgia is also highly fragmented. Along with large market players, such as Synevo Medical Laboratory, Cito Medical Centre and European Limbach Diagnostic Group, there are multiple smaller service providers.

Moreover, almost every polyclinic (outpatient clinic) and referral hospital runs its own lab facility. Despite such an abundance of labs, the Georgian healthcare system, before the opening of MegaLab, suffered from a limited provision or outright shortage of certain laboratory services: there were no dedicated high-quality pathology laboratories in the country, the samples for complex lab tests, such as oncology and molecular lab genetics, were and some are still sent abroad, and there are only a few providers of morphological or bacteriological tests.

MegaLab, the largest diagnostics laboratory not only in Georgia but in the entire Caucasus region, is the first laboratory offering a full set of clinical and pathology tests, some of which are being introduced in the region for the first time.

Healthcare service providers (both state and private) generate revenue from out-of-pocket payments (including fee-for-service and the UHC co-payments), transfers from state healthcare programmes and payments from private medical insurance companies. Pharmaceuticals companies' revenue generation is primarily driven by out-of-pocket retail revenue of the pharmacies, together with wholesale revenues from hospitals, insurance companies and the state. Medical insurance companies depend on revenues from medical insurance policies purchased by employers for their employees and by individuals for their own use. Out of pocket expenditure on healthcare in Georgia still exceeds public financing and private insurance. The share of out of pocket expenditure in total healthcare expenditure in Georgia was 51% in 2022, the share of Government expenditure was 43%, and the remaining 6% came from insurance and other sources, according to G&T estimates.

Healthcare expenditures by source, GEL bn



Source: MoH, MoF, GeoStat, Galt & Taggart
* G&T estimate

Outlook and main growth drivers

The market is estimated at approximately GEL 4.7 billion in 2022, down by 11% y/y as Covid-19 pandemic eased. The health expenditures are expected to remain flat in 2023, but keep upward trend in medium term. Demand on healthcare services in Georgia is largely driven by rising prevalence of age-associated diseases, increasing demand on outpatient services and improved accessibility, supported by increased government spending.

Population income growth and rising health awareness

Economic growth in Georgia is expected to outperform most of the developed and CIS countries. After the real GDP's consecutive two-year double-digit growth of 10.5% in 2021 and 10.1% in 2022, IMF expects the economy to grow with an annual rate of 5.2% in 2024-2027. These are among the highest projected growth rates in the region. Rising population incomes and awareness supported by Government efforts to develop preventive medicine are expected create growth opportunities for the polyclinic segment.

Filling the service gaps - growth of private investment in technology and equipment

While Georgia has achieved remarkable success in certain fields of healthcare, some areas remain underdeveloped and there are a number of service gaps in the country. Many laboratory tests are still performed abroad.

There are two PET/CT scanners in Georgia, while at least four are required to comply with WHO recommendations. There are also shortages of the following equipment: laparoscopic instruments, equipment for interventional endoscopy, including endoscopic retrograde cholangiopancreatography, microwave tissue ablation systems, arthroscopes, choledocoscopes, muscle reinnervation systems, intraoperative ultrasound probes, vacuum machines, Flowtron mechanical compression units, pH metre units, and intraoperative neurophysiology and navigation systems in neurosurgery. Private investment in high-technology equipment should strengthen local capabilities, increase the number of procedures and improve the quality of care.

Growth in the number of outpatient visits

Georgia lags behind most of the developed countries in terms of the number of outpatient visits per capita. This is partially explained by cultural differences (practices of self-treatment, and distrust of outpatient service providers). However, with growing private investment in this segment, expected market consolidation and Government support, the market will see growth in outpatient visits, which will positively impact GHG's polyclinics' revenues.

Growth in hospitalisation rates

Georgia is experiencing significant growth in the hospitalisation rate, which is likely to depend on market consolidation, the pace of introduction of new technologies and development of local skills.

Supportive Government healthcare policies

Since its introduction in March 2013, the UHC has made basic healthcare available to the entire population and is expected to maintain increase in demand for medical care, particularly hospital services. Although the Government budget on healthcare is declining since the pandemic, budget for UHC is expected to continue the growth. For 2023, the UHC budget increased by 10% compared to 2021 and amounted to GEL 880 million.

Growing awareness of the benefits of health insurance among the Georgian population

Growing awareness of the benefits of health insurance may lead to a greater demand for private medical insurance from employers and self-paying customers who seek better quality services, quicker treatment or more advanced procedures than those covered within the UHC framework. However, the new Government initiative due to which a change was made in the universal health care program, was introduced in 2017 – excluding individuals with annual income of over GEL 40,000 (approximately 105,000 people) from the UHC coverage and granting only a limited UHC coverage to middle income citizens, i.e. those with an income of over GEL 1,000 per month but under GEL 40,000 per year (approximately 475,000 people) – is intended to make the UHC spending more efficient and may potentially expand the private medical insurance market.

Strong growth in healthcare expenditure

On a per capita basis, healthcare spending remains low compared with certain emerging market peers (such as Malaysia and the UAE) pointing to further growth potential. At the same time, economic growth and rising disposable incomes of Georgian citizens, including those living outside the capital city, should also lead to higher spending on pharma and healthcare services, particularly considering the potential increase in the number of corporate medical insurance plans for employees.

Demographics

Georgia has an ageing population, with an increasing proportion of its citizens aged over 60 (as per the latest UN Population Division data, the share of people aged 60+ in Georgia will increase to 24% by 2025 from 20% in 2015), who will require more frequent, better and prolonged treatments. Increasing incidence of certain lifestyle-related diseases (hypertension, ischemic heart diseases, cerebrovascular diseases, and diabetes) will also boost demand for medical care and medicines. In addition, healthy fertility rates will drive demand for obstetric and childcare services.

Development of medical tourism in the medium to long term

Improving facilities and standards have the potential to develop health tourism by attracting the citizens of the neighbouring countries and, conversely, retaining the Georgians currently seeking treatment overseas in the long run. The country is also highly price competitive compared with other medical tourism destinations and possesses unique natural resources (climate, mineral waters). The number of tourists in Georgia reached 3.3 million in 2022, an increase of 176% over the previous year, but still remains low compared to the pre-pandemic levels. Some potentially attractive segments for medical tourism may be IVF, plastic surgery, ophthalmology, transplantology, orthopaedics and oncology.

Healthcare Business

The healthcare sector in Georgia is subject to numerous regulations, including regulations on the establishment and operation of private healthcare facilities, certification of medical personnel and storage of personal data.

Key Regulatory Authorities

The “MOH” is the main body overseeing the healthcare system of Georgia and is responsible for the development of regulation, supervision, and implementation of healthcare programmes and policies.

The Medical and Pharmaceutical Regulation Agency (the "Regulation Agency") under the state control of the "Ministry of Health" issues medical licenses and permits to medical institutions. Medical and pharmaceutical activity under the state control of the "Ministry of Health". It is responsible for certifying medical professionals in medical specialties. The Medical Regulation Agency also investigates patient complaints related to the quality of medical products and services.

The Social Service Agency is responsible for the implementation of a wide range of social programs (UHC and other vertical state programs), including in the areas of healthcare and social welfare.

The NCDC is a legal entity of public law included in the system of "Ministry of Health", whose primary functions include within its competence the provision and implementation of public state healthcare programmes, the supervision and implementation of measures for the prevention of infectious diseases, medical statistics and the management of scientific research grants. The NCDC is obliged to be prepared at all times for the implementation of emergency measures in the event of epidemics.

Licensing of Healthcare Facilities

The Law of Georgia on Licences and Permits and other regulations set out procedures for obtaining and maintaining licenses and permits to operate healthcare facilities. A licence is required for certain medical activities such as emergency medical services, forensic medical examinations, forensic psychiatric examinations, pathological activities, especially activities on dangerous pathogensand po. The licences are issued to and are only valid for the named licensees and cannot be transferred to another legal entity or person.

A permit must be obtained to operate a hospital. No permit is required to operate an ambulatory clinic, "high risk" medical activity/service such as outpatient clinic conditions (such as dental services, surgery, gynaecology, ER, venereology, medical radiology, dialysis, infectious disease related services and endoscopy), is regulated by the technical regulation of medical activity and is subject to mandatory notification. in which case the operator must notify the Medical Regulation Agency. The permit is issued for a particular facility and remains valid notwithstanding a change in the owner or operator of that facility.

Healthcare facilities are subject to both, periodic and random inspections by the Medical Regulation Agency to ensure their continued compliance with the terms of the relevant license or permit.

Certification of Medical Practitioners

A person who has graduated from a higher medical school and has received a state certificate confirming the right to medical activity has the right to independent medical activity. Nurses must hold a nursing or medical diploma. Physicians usually have general or special certification. Physicians may be certified in one major and/or in one or more sub-specialties.

Certified physicians who violate established practices may have their certifications revoked or suspended as a liability. The Professional Development Council under the MOH is empowered to grant and revoke medical certificates.

Registration of Medical and Pharmaceutical Products

Subject to certain exceptions, pharmaceutical products may only be manufactured, imported, marketed, sold and/or advertised on the territory of Georgia if they have been admitted onto the Georgian market in accordance with the Law of Georgia on Drugs and Pharmaceutical Activity, through registration with the Georgian registry of pharmaceutical products maintained by the Medical Regulation Agency.

Advertising of Pharmaceutical Products

The legislation of Georgia regulates the advertising of medical and pharmaceutical products and prohibits the advertising of pharmaceutical products subject to special control, as well as prescription pharmaceutical products and pharmaceutical products that do not have the right to enter the Georgian market. Advertising of over-the-counter pharmaceuticals requires prior approval of the advertising text by the Medical Regulation Agency. All advertisements (including TV, newspapers or verbal communication) of the over-the-counter pharmaceutical products must contain the relevant warnings.

Confidentiality

Under the Law on the Protection of Personal Data, the information received by the doctor and other medical personnel in the course of their professional activities about the patient's physical and mental condition, his public or work activities, family or personal life (including the fact of referral to a doctor) is considered a medical secret. , also, circumstances of death). Medical information (medical) confidentiality must be kept confidential even after the patient's death and may be disclosed only in limited circumstances provided for by law. In addition, under the Law of Georgia on Healthcare, information on requests for medical assistance, individual's health, diagnoses and any other information received in the course of medical examination or treatment is subject to medical confidentiality. Medical information must be kept confidential at all times, even after patient's death, and may be disclosed only with the consent of an interested person or in the limited circumstances provided by the law.

Environmental Considerations

The healthcare sector is subject to laws, regulations and other legal requirements relating to the protection of the environment, specifically to the management and disposal of hazardous substances and medical waste.

Water Utility and Renewable Energy Industry

Water utility and sanitation business

When the Soviet Union collapsed and Georgia gained independence in 1991, the quality of its water supply and wastewater treatment infrastructure was relatively low, with rationed and interrupted supply, frequent disruptions and poor drinking water quality. In the years following independence, the sector continued to suffer from a lack of investment, resulting in further deterioration of service quality. One of the initiatives undertaken by the Government in this area was the privatisation of water companies, including Tbilisi Water Supply Company. In May 2008, Geogian Water and Power (GWP), together with Rustavi Water, Mtskheta Water (which was merged into GWP in November 2020) and Gardabani Sewage Treatment Plant, was sold to Multiplex Energy Limited, a British Virgin Islands company limited by shares, which was subsequently renamed Georgian Global Utilities Limited. In May 2008, Georgian Global Utilities Limited took over responsibility for water supply and wastewater treatment services in Tbilisi and the adjacent cities of Rustavi and Mtskheta. Georgian Global Utilities Limited was subject to certain privatisation obligations in connection with its acquisition of the companies referred to above. In 2018, it completed the performance of all such privatisation obligations, which included, among others, the rehabilitation and modernisation of the Gardabani Sewage Treatment Plant and carrying out post-privatisation investments of not less than USD220 million in aggregate. In April 2019, Georgian Global Utilities Limited formally exited from its privatisation agreement with the Government and obtained unencumbered title over its water utility business and assets. In March 2020, as part of the deoffshorisation/redomiciliation process, Georgian Global Utilities Limited was dissolved and replaced by GGU, recently incorporated Georgian holding company of the Group's water utility business and operational renewable energy assets. (In 2022, Georgia Capital completed the sale of an 80% equity interest in the business to FCC Aqualia ("Aqualia"), for more information refer to *"-Divestments"*)

The other regions of Georgia were consolidated into three authorities: East Georgia, West Georgia and Adjara. In 2010, further consolidation followed and East and West Georgia were merged into one regional authority, the United Water Supply Company of Georgia. Kobuleti Tskali and the Batumi Water Company continue to serve the autonomous republic of Adjara. GGU's water utility business is the largest private water utility company in Georgia, providing water supply (drinking water supply and drainage) and sanitation services to approximately 38% of its population, with the remainder being mostly supplied by state-owned companies.

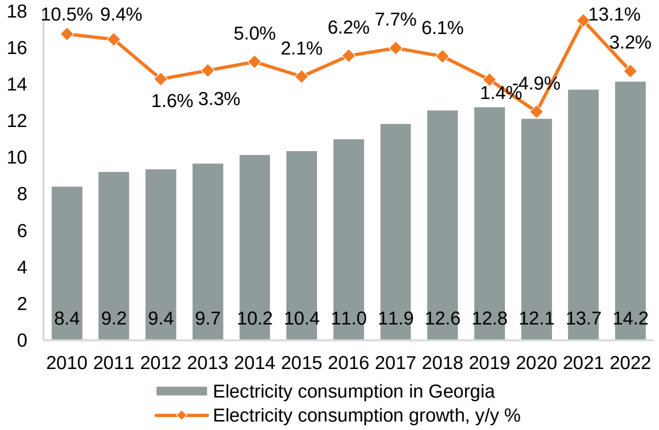
Providers of water supply services are regulated by the GNERC. Both water supply and sanitation services are subject to price control policies. There are three tariff levels for the two components of water supply and drainage: water supply and waste water services. Household customers and commercial/industrial customers pay different rates. For services, the water supply tariff is calculated by the sum of the drinking water supply and water supply tariffs according to the user categories. Residential and commercial non-residential customers pay different rates. In the event that both services are not provided to the user, the user is charged only the tariff corresponding to the provided service. In addition, household customers' tariffs vary based on whether they are metered or pay on a per capita basis. For details of the regulatory regime applicable to the water utility, see *"—Renewable Energy—Regulation"* below.

Lost water remains the main challenge in the water supply and sanitation sector as a majority of the assets are amortised and require continuous rehabilitation and investment to achieve efficiency. In 2019, 791 million cubic metres of water was extracted for the purpose of providing the customers with drinking water, out of which approximately 68% was lost during the water extraction process. The remaining 32% was provided to customers. The main reason for leakages is the poor condition of infrastructure, which results in a water loss rate that is significantly higher than the average rate in developed countries.

Renewable Energy

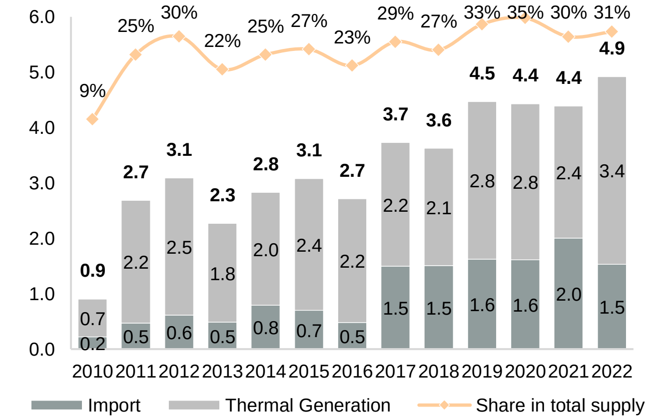
Demand for electricity in Georgia has been growing faster than supply over last decade, increasing the import dependency of the country. Electricity consumption, highly correlated with GDP growth, increased annually by an average 4.5% over 2010-2022 to 14.2TWh, while renewable energy generation over the same period increased at CAGR of 1.2% to 10.8 TWh. The country was historically a net exporter of electricity; however, due to sustained consumption growth, the trend changed and Georgia became a more import-dependent country with ten months of electricity deficit throughout the year. The low pace of development of local renewable energy sources resulted in the increase of thermal generation, working on imported natural gas and direct electricity imports. On average, c 70% of electricity demand in Georgia is satisfied by hydro generation, 0.6% by wind power plant production, 19% by thermal generation, and the remaining 10% of demand is met via electricity imports from Russia and Azerbaijan, mainly.

Electricity consumption dynamics, TWh



Source: GNERC, Galt & Taggart

Import dependency of electricity sector, TWh



Source: GNERC, Galt & Taggart

Going forward, Management expects further growth of electricity demand, driven by GDP growth expectation. Increasing penetration of domestic appliances, growing tourism, real estate and manufacturing industries are also expected to contribute to demand growth for electricity.

In Georgia the opposite seasonality of electricity consumption and hydro generation supply creates an exportable surplus during second part of the spring and summer and a deficit during winter. Due to the increased use of air-conditioning, electricity consumption is becoming less seasonal, limiting the exportable period to couple of summer months. On average, 40% of hydro generation takes place in the summer months between May and August, especially generation from the run-of-river HPPs. Due to the seasonality of hydro generation and steady growth in consumption, the country is a net exporter of electricity.

The following table sets forth certain information regarding Georgia's electricity market for the years ended 31 December 2020, 2021 and 2022 (US cents per kWh):

	Year ended 31 December		
	2022	**2021**	**2020**
		(GWh)	
Domestic consumption	14,165	13,730	12,136
Abkhazian region	3,029	2,956	2,552
Direct consumers	3,726	3,554	2,438
Distribution companies	7,411	7,219	7,146
Domestic generation	14,244	12,645	11,160
Hydro power plants (HPPs)	10,769	10,182	8,248
Thermal power plants (TPPs)	3,388	2,380	2,821
Wind power plants (WPPs)	87	83	91
Imports	1,533	2,006	1,610
Exports	971.1	391.0	153.8
Trade balance	(562)	(1,615)	(1,456)

Source: GNERC.

Year 2022 was an outstanding year for the electricity sector in Georgia, with record high export revenues of USD 84.3mn and a positive trade balance of USD 43.2mn. Growth in electricity exports revenues reflected high prices in key export destination the Republic of Türkiye, as Georgia remained net importer in kWh terms with a net import of 0.6 TWh.

Price of electricity on Turkish market almost tripled in 2022 - average monthly market clearing price (MCP) in the Republic of Türkiye went up from USc 5.6/kWh in 2021 to USc 15.1/kWh in 2022. The main drivers behind this surge were the global rise in natural gas prices amid the current energy crisis and the Republic of Türkiye's reliance on gas-fired thermal power plants. In contrast, electricity prices in Georgia saw a much smaller increase. The balancing electricity price in Georgia increased by only 5.5% to USc 5.7/kWh in 2022. Notably, balancing electricity traded via ESCO, the market operator, represented only 20% of total traded electricity in 2022, the rest was traded via bilateral agreements (most commonly traded with 3-10% discount from balancing electricity price). Georgia was not impacted by global energy crisis, due to a high share of hydro generation in the supply mix; a regulated market structure; the availability of the so-called “social gas”(for social customers such as electric generation facilities and population) for thermal power plants, and a moderate increase in import prices from Russia and Azerbaijan. Therefore Georgian power producers were eager to export to Turkish market rather than sell to local consumers. As a result, electricity exports to the Republic of Türkiye surged by 153.7% in volume to 971GWh. The average export price was USc 8.7/kWh, representing a 116.0% y/y growth.

The following table sets forth electricity prices for Georgia and the Republic of Türkiye for the years ended 31 December 2020, 2021 and 2022(US cents per kWh):

	Year ended 31 December		
	2022	**2021**	**2020**
Balancing electricity price in Georgia	5.5	4.9	5.0

Average price of electricity imports in Georgia*................	2.7	2.4	4.0
Average price of electricity exports from Georgia	8.7	4.0	3.8
Market clearing price in the Republic of Türkiye...............	15.1	5.6	4.1

Source: ESCO, Geostat, NBG, EPIAS.
* Average price of imported electricity has been lowered by high share of electricity imports made from Russia for Abkhazian region at "special price" (approximately USD c 0.1/KWh). Such share was 60% in 2022, 45% in 2021 and 12% in 2020

Energy Generation and Water Supply Regulation

Regulators

GNERC is an independent regulatory body and is not subject to direct supervision from any state authority. GNERC's independence is guaranteed by a legally mandated, self-sufficient revenue stream, funded predominantly by regulatory fees paid by all energy and water utility market participants, which are currently calculated based on a 0.003 coefficient multiplied by on the total income received (charged) from the entity's regulated activities (without VAT). This independence is a fundamental requirement for synchronisation with the E.U. energy market and is in line with best practices of energy market regulation.

GNERC carries out authorization and supervision of activities in the electric energy, natural gas and water supply sectors. Provides services to regulated enterprises in the energy and water supply sectors. GNERC regulates and controls the sales rates of regulated enterprises subject to price/tariff regulation segments, observes sales prices in the segment where price/tariff regulation does not apply of deregulated activities, and monitors service quality, coverage areas and key performance indicators of market participants. GNERC's main goal is to keep a balance between service provider companies and customers in order to maintain the financial sustainability of regulated companies, and at the same time ensure that products and services are affordable to customers. The key regulatory objectives of GNERC include increased transparency and trust among regulated companies and customers, harmonisation of Georgian laws and regulations with the E.U. norms, the enforcement of key performance indicators to measure service quality and the development of new regulations, including in relation to alignment with E.U. standards.

GNERC sets tariff for GWP's water supply and drainage activity, sets the upper limit of the tariffcap for electricity generation by GWP's Zhinvali power plant, licenses power plants with capacity over 15MW and monitors all companies operating in electricity, water supply, and drainage businesses.

Other regulatory bodies that oversee different aspects of "GGU" operations include the Ministry of Regional Development and Infrastructure of Georgia (MRDI), the Ministry of Environmental Protection and Agriculture of Georgia (MEPA), the Ministry of Economy and Sustainable Development (MoESD) and the National Food Agency (NFA). MEPA oversees environmental safety and sustainability aspects of GGU's business. MoESD oversees license-related aspects of the recovery of underground water. MRDI and the Tbilisi Municipality are responsible for channelling the funds and planning infrastructure development. The NFA is authorised to ensure standards of drinking water quality.

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 to encourage production and use. 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 2022-2023. 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 and intraday markets through the software services of consulting company "Nord Pool Consulting".

Price control – principles of the tariff-setting methodology

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 no less than 0.4GWh and with 35-110kV access lines were registered as direct consumers. Also, since May 2022, HPPs with a capacity of less than 65MW have been deregulated. This process will continue in 2024 and the following years as well, further increasing the share of the deregulated market.

In August 2017, GNERC adopted a new pricing methodology applicable to regulated utilities. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, in relation to its water supply and sanitation business, GGU's water utility business applies a WACC to its net book value, which represents its Regulated Asset Base (RAB), essentially comprising the historical book value of its existing assets plus capital expenditures it has made. RAB is then multiplied by regulated WACC, providing return on assets, to which depreciation and operating expenses are added in order to reach the allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with the GNERC's methodology, which differs from water utility business's IFRS financial statements. The methodology sets tariffs for three-year regulatory periods. The first regulatory period for which this methodology applied ran from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period for water supply sectors was 15.99%. The WACC for water supply business in the current regulatory period running from 1 January 2021 to 31 December 2023 is set at 14.98%. (Notably, for the electricity generation sector, WACC was set at 15.39% for the regulatory period from 2021 to 2025 and at 16.40% for the previous regulatory period from 2018 to 2020).

After approving this methodology, GNERC developed supplementary regulations setting forth rules and procedures for all components included in tariffs. It introduced regulatory audit rules that set forth step-by-step procedures for tariff calculations, including guidance regarding eligible and ineligible operating expenses for the purposes of the above calculation. It also introduced investment valuation rules which set out investment plan agreements and appraisal processes and set rules for eligibility of investments for tariff purposes. Finally, its service quality rules set minimum standards for utility companies' service quality. See *"—Service Quality Rules"* below. The new pricing methodology and supplementary regulations adopted by GNERC have increased clarity and transparency of tariff setting and investment returns.

On 4 January 2021, GGU announced that GNERC had approved new tariffs for GGU's water utility business for the second regulatory period of 2021-2023. The GWP's combined drinking water supply and drainage tariffs (given including VAT),were increased compared to the previous regulatory period of 2018-2020 from GEL 0.33 to GEL 0.5 (per cubic meter) for metered residential customers, from GEL 3.89 to GEL 4.5 (per capita) for unmetered residential customers, and from GEL 4.4 to GEL 6.5 (per cubic meter) for business customers. The tariff increase translates into annual growth of approximately 38% in allowed water revenues of GWP in the three-year regulatory period effective from 1 January 2021, compared to the previous regulatory period (corresponding to approximately 36.3% increase in allowed water revenues for GGU's entire water utility business).

Renewable Electricity prices and ESCO's role on the market

Historically, the Government effectively incentivized investments in the renewable energy sector via Power Purchase Agreements (PPAs) that the state-owned market operator, ESCO, granted to new HPP operators. These PPAs typically entailed a fixed contract for a specified period for the purchase of electricity during eight months in autumn, winter and early spring from newly constructed HPPs for a fixed price. This policy provided a stable and predictable cash flow for new projects (the prices set by PPAs mostly varied between USD c 5.0 to USD c 6.5 per KWh).

In December 2022, government adopted new support scheme for renewable energy developers in form of contract for differences (CFD) granted based on capacity auctions. The government plans to auction up to 3,000MW renewable energy capacity over the next 3 years in different lots. Winners of the auction will be announced based on the tariff, given that they qualify for all of the required parameters. The government of Georgia will sign a technical-economic feasibility agreement for the power plant with the winners of the capacity auction, which provides for the signing of a price difference agreement with the project implementer and the operator of the non-electric energy market of "ESCO" if the conditions stipulated in this agreement are met. A 15-year contract in which, based on a price-to-price agreement, during the first 15 years after the plant is put into operation, in a period of 8, 9 or 12 months of each year (depending on the renewable energy source), any difference between the price fixed on the market the day before the market and the contract tariff provided for in the price-to-price agreement will be guaranteed to be compensated (If the price fixed in the market the day before is lower than the contract rate, "ESCO" will pay the difference to the person who won the auction, and if the price fixed in the market the day before is higher than the contract rate, the person who won the auction will pay the difference to "ESCO"). The First capacity auction was announced in February 2023 for 300MW and bids were submitted by the end of March and it ended successfully with the announcement of the winners.

Additionally, Public Private Partnership (PPP) agency established in July 2018, addresses investors' requests for Power Purchase Agreements (PPAs) on behalf of the Government and in accordance with regulations and procedures established under the new Law of Georgia on Public and Private Partnership. The PPP agency conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the support mechanism.

Based on current market rules, electricity generated outside of PPA or CFD contracts are sold via bilateral agreements or to ESCO as balancing electricity. ESCO is state owned company who buys and sells electricity at wholesale level. ESCO buys electricity from power plants with PPA, imported electricity and some minor share of ESCO's purchase is the electricity generated by power plants which had no bilateral agreement with any counterparty. ESCO then resells all this electricity to wholesale consumers at a weighted average tariff (without any margin). The price at which ESCO sells electricity is considered as monthly wholesale market price at is frequently benchmarked by bilateral agreements. - After the opening of the new wholesale electricity market, ESCO's functions will change and accordingly its price will no longer determine the price of the bilateral contract. After the opening of the new wholesale electricity market, such a "benchmark" price may form the market price a day earlier.

In December 2019, the Georgian Parliament adopted the Energy Law, which replaced the Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law is aimed to reshape the Georgian energy market with the primary objective of achieving harmonisation with the E.U. rules. As part of these amendments, on 16 April 2020, the Government approved the Concept of Electricity Market Model. According to the Concept, the wholesale electricity market will be modified and will consist of the bilateral electricity market, the day ahead market, the intra-day market and the market for balancing and ancillary services. The Launch of these markets is planned in the third quarter of 2024. More importantly, the trading period on the organized markets will be narrowed down from one month to an hour. The prices on day-ahead market will be set for each hour rather than each month, as it is on current market. The key players in the wholesale market will include the exchange market operator, generation units, traders, suppliers and the transmission system operator. The exchange market operator will operate day ahead, intra-day and bilateral electricity (forward) markets, register exchange market participants and ensure transparent, accessible and trustworthy payment system. There is a separate operator for the balancing market, which will, among other things, define market products and calculate imbalance prices.

The market concept paper also sets additional preconditions for public service obligations, which can be imposed on, among others, generation licence holders. Such obligations should be temporary in nature and can be imposed only after proper consultations with the Government, GNERC, the Energy Community Secretariat and other competent bodies. In case of generation licence holders, a public service obligation can be imposed in the form of a contract for differences (tariffs of which are set by GNERC) in accordance with which (a) in case of a positive difference (that is, if the income received from the sale on the market exceeds the income received by the tariff established by GNERC),, the generation unit pays the wholesale public service organisation; and (b) in the case of negative difference, the wholesale public service organisation pays the generation unit.

ESCO continues to operate in its current form prior to the launch of organized markets (planned in 3rd quarter of 2024). Its role includes registering wholesale market participants, conducting balance of electricity and guaranteeing capacity trading, as well as other functions currently provided by the law. After the launch of organized markets, ESCO will become a wholesale public service operator (WPSO) and most importantly, will ensure compliance with the guaranteed PPAs executed prior to the enactment of the new Energy Law.

The new energy market model may greatly increase volatility in energy prices, especially in summer months in which the support mechanism will not be applicable and the prices will be formed based on market supply and demand. In case the electricity supply exceeds the demand, this could negatively affect the wholesale price of electricity in Georgia. Alternative market for the exportable surplus in summer is the Republic of Türkiye, export volume to which is limited with the capacity of the transmission line.

Normative losses

GNERC defines "normative loss" as the permissible loss of potable water or electricity, as the case may be. Losses are calculated in accordance with specially prescribed rules. Normative losses are determined for each utility company separately. A new methodology for calculating normative losses of potable water was adopted by GNERC in December 2017. This methodology distinguishes between production losses, technical losses and losses caused as a result of excessive consumption. When calculating normative losses, the aim is for utility companies to be compensated for any loss suffered. The distinction between types of losses and the relative weighting in compensation levels is intended to trigger incentive mechanisms available for utility companies to reduce amount of non-revenue generating water in the network.

Service Quality Rules

In July 2016, GNERC adopted commercial service quality rules containing service quality standards applicable to all utility companies. These rules were subsequently replaced with revised service quality rules adopted by GNERC in December 2018 and effective from 1 July 2019. The rules are intended to incentivise improvements in overall service quality among utility companies and include standards in relation to the response time for customer complaints, new customer registration requests and phone calls. The rules also require that subscribers are informed about planned supply interruptions through "out of service" notifications via email and/or text (sms) messages. The rules contain a clear framework for handling unplanned service interruptions and new customer connections. Planned interruptions in the case of simple maintenance works shall not exceed 6 hours. For complex maintenance works, the permissible duration of interruption of water supply services is dependent on the number of impacted subscribers and may last from 12 to 48 hours. Information on all interruptions shall be kept in physical as well as electronic form for the duration of three years thereafter. Service standards are divided into two types: (i) general standards; and (ii) guaranteed standards. Certain standards came into force in 2016, while others came into force in 2017, 2019 and 2020. In the event the general standards are breached, GNERC applies certain incentives or fines.

General standards are annual targets and relate to the service of customers as a whole. These standards, among others, include the aforementioned requirements on informing customers of service interruptions, restoring supply to customers whose service is disrupted and the time permitted to answering calls and responding to customer complaints. In relation to breaches of the general standards, each 1% increase/decrease in set milestones shall cause an increase/decrease in the regulatory cost base of 0.01% for the purposes of calculation of the applicable tariff.

Guaranteed standards apply to the service of specific customers. These standards relate, among others, to restoring water supply to customers that were disconnected due to non-payment for services, providing responses to customer applications, inspecting meters at the request of customers, connecting new customers and inspecting the technical quality of supply at the request of a customer. In relation to breaches of the guaranteed standards, the service provider is required to pay compensation to the affected customers for each breach (GEL 5 for individuals and GEL 10 for business customers). Such compensation shall be reflected as credit on the bill of the relevant customer within 10 calendar days of the breach.

In addition, the commercial service quality rules provide for an electronic journal, which is a CRM software tool that must be installed and maintained by all utility companies providing services to customers. All applications (whether in electronic or in written form) of customers and actions taken by service providers must be immediately uploaded to the electronic journal. This requirement has been in force since 1 July 2017.

Since October 2018, GNERC implements mystery customer researches from time to time in order to evaluate utility companies' compliance with the service quality rules, including compliance with certain standards described above. As a result of researches, GNERC identifies noncompliance and requires the regulated companies to provide the action plans for their remedies.

Property and Casualty Insurance Industry (P&C)

The Georgian property and casualty insurance sector has tripled over the last decade, with gross written premiums increasing from GEL 44mn in 2012 to GEL 132mn in 2022. The largest six insurance providers in Georgia account for approximately 75% of the property and casualty insurance market as of 2022. 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 461 million in 2021; an increase of 306%. The largest six insurance providers in Georgia account for approximately 80% of the market. The number of active property and casualty insurance policies also tripled, increasing from 169,000 in 2012 to 570,000 in 2022. The insurance market penetration in Georgia stands at 1.27% as of 31 December 2022. The level of insurance market penetration in Georgia amounts to 1.29% (of which 0.8% is attributable to the property and casualty insurance market) as at 31 December 2021. This was lower than insurance penetration in more developed countries such as the United Kingdom, France, Switzerland and Belgium, which had penetration rates of 11.10%, 9.50%, 7.10%, and 5.80%, respectively, and was also lower than penetration in neighbouring countries such as Slovenia, Poland, Bulgaria, the Republic of Türkiye and Russia, which had penetration rates of 5.00%, 2.50%, 2.40%, 1.30% and 1.30%, 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 51% of the total retail insurance market in Georgia, of which 14% 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.

REGULATORY FRAMEWORK

General Overview

JSC Georgia Capital, as a holding company, does not need to obtain a special license, permit, or anything similar; Therefore, holding shares in other commercial enterprises is considered an unregulated commercial activity. Any company can own the shares of another company without the supervision of a centralized regulator, so such companies are exempt from reporting obligations, etc.

Reporting Entity Requirements

Reporting and Disclosure

According to the Law of Georgia on the Securities Market (the "Law on Securities") and relevant statutory instruments, a company that has issued bonds through a public offering or whose bonds are admitted to trading on a stock exchange is a reporting entity. The National Bank of Georgia imposes several requirements on the reporting entity, including the delivery of periodic reports and statements.

Taking into account the above, the reporting entity is obliged to prepare, submit and publish the annual report and semi-annual report to the National Bank of Georgia:

The annual report must include (i) audited financial statements, (ii) management reports, and (iii) statements by the reporting entity's responsible persons (with a full and clear indication of their identity and responsibilities/authorities) that the statements prepared in accordance with the requirements of the applicable legislation are complete, correct and fair.

The semi-annual report must include (i) semi-annual financial statements, (ii) interim management reports, and (iii) a statement of the reporting entity's responsible persons (with full and clear identification of their identities and responsibilities/authorities) that the statements prepared in accordance with the requirements of the applicable legislation are complete, correct and fair.

For the avoidance of any ambiguity, the publication of these reports means publishing the reports on the website (www.reportal.ge) provided for by the Law of Georgia on Accounting, Reporting, and Auditing. Further, such information may also be published on the website of the issuer, the stock exchange, the National Bank of Georgia, the LEPL - Legislative Herald of Georgia, or other means that ensure the availability of information to investors.

In addition, the reporting entity is required to disclose, including:

1. Any changes in relation to the rights of a bondholder of a publicly traded bonds, including changes in the terms of bonds, which may indirectly affect the rights of a bondholder or which result from changes in credit terms and coupon rates;
2. Information regarding the bonds coupon rate, periodic payments, conversion/exchange, redemption or cancellation option, or maturity.

In addition, the reporting entity is obliged to ensure the creation of all conditions and the availability of information necessary for the proper exercise of the rights of holders of government securities, as well as to ensure the reliability and comparability of the data provided to them.

In addition, the National Bank of Georgia is entitled at any time to request additional information regarding the report to be submitted and published regarding the issuer on government securities.

Issues related to insider trading, insider fraud, and market manipulation

According to the order N180/04 of the President of the National Bank of Georgia dated October 7, 200, the issuer of public securities has certain obligations and restrictions regarding insider trading, improper disclosure of insider information, and market manipulation. In addition, the Order establishes (i) the requirements for the disclosure of insider information for the reporting entity and the obligation to keep records of persons in possession of insider information, and (ii) the obligation to provide information to the reporting entity to the National Bank of Georgia concerning transactions of persons performing management functions of the reporting entity. This Order additionally regulates the conditions, forms, and procedure for providing information related to insider trading and market manipulation to the National Bank of Georgia and establishes a list of actions that do not constitute insider trading, improper disclosure of insider information, and (or) market manipulation.

Obligations derived from the Association Agreement

On 27 June 2014, Georgia signed the Association Agreement with the European Union and became a party to the Deep and Comprehensive Free Trade Area Agreement with the European Union ("DCFTA").

DCFTA, at its core, is aimed at increasing freedom in the field of trade in goods and services, includes many topical issues (for example, safety standards, and environmental impact), and involves the gradual convergence of Georgian legislation with EU legislation. This allows Georgia to enjoy the following three fundamental freedoms in the EU single market: freedom of goods, freedom of services, and freedom of capital.

Several chapters of the DCFTA are devoted to changing the basic principles of trade in goods and services. Accordingly, there is a reasonable assumption that the adoption of EU standards for trade and service provision will increase the operating costs of the respective business operators.

Antitrust rules

All companies operating in Georgia are controlled by the Competition Agency established in April 2014 based on the Law of Georgia on Competition (the "Competition Law"). The Competition Law describes and defines activities that are incompatible with fair competition in the relevant market. The purpose of the law is to ensure fair competition in the relevant market, except for specially regulated sectors (the law does not apply to sectors that have their regulator, such as commercial banks). The definition of competition according to competition law is: "competition between existing and potential economic entities in the market to occupy a better position". In this regard, the Law on Competition identifies several types of actions that are considered incompatible with free competition, namely: a) abuse of dominant position; b) an agreement to restrict competition, a decision to restrict competition, concerted actions; c) restrictive concentration (merger or other association leading to restriction of competition); d) unfair competition; e) state aid.

In general, the Competition Law is developed based on the principles of fair competition defined by EU law. In addition, the Association Agreement contains a special part (Chapter 10), which is entirely devoted to competition issues. Accordingly, the approach of the Georgian legislator to the Law on Competition corresponds to the European approach.

The Competition Agency monitors private individuals' compliance with Georgian antitrust laws and has various rights to respond to violations, including the imposition of fines. The maximum amount of the fine collected cannot exceed 5% of the annual turnover of the respective company, which can increase to 10% in case of repeated violations. The relevant economic entity has the right to appeal against the decision of the competition authority in court.

Employment

As an employer, Georgia capital's companies are required to comply with the minimum standards required by local labor laws regarding the employing, firing, and hiring of employees. The main labor issues in the territory of Georgia are regulated by the Labor Code of Georgia. The current Labor Code was adopted on 17 December 2010. However, in June 2012, it was amended by a whole package of amendments adopted by the Parliament and changed its content. Given the above changes, the current Labor Code is no longer in favour of the employer, on the contrary, it includes many rights that protect the employee. Such protective mechanisms operate in favour of employees upon termination of the contract - the employer is not entitled to terminate the employment contract without elaborating on the reasons. However, any contract that lasts more than 30 months is considered a perpetual contract and therefore cannot expire (it can only be terminated). Employers are required to pay overtime. Any time exceeding 40 hours per week (in some cases 48 hours per week is allowed) is considered overtime. It shall be stressed that the Labor Code does not distinguish between employees working in the administration and the workforce, nor does it distinguish between senior officials in management positions and other employees, which can be problematic in some cases.

It shall be noted that the Labor Code does not oblige employers to provide their employees with any insurance package or any other social benefits, nor does it oblige them to provide employees with compensation for maternity leave, although both are considered the best employer practice. Otherwise, the employees must count on a one-time payment from the state for maternity leave and universal state insurance, which offers consumers a limited package.

According to the September 2020 amendment, the Labor Code re-regulates issues related to the prohibition of discrimination in the field of work and individual labor relations. Conditions awarded in favour of employees have increased even more, including, but not limited to, the obligation to pay equal pay for equal work performed by men and women, the prohibition of discrimination, the definition and regulation of the concept of internship, the obligation to conduct preliminary and periodic medical examinations of persons employed at night, and others.

In parallel with the amendments to the Labor Code, a new law on labor inspection was adopted, according to which, from 01 January 2021, the LEPL Labour Inspection Service was created and put into effect. Unlike its predecessor, the Department of Labor Inspection of the Ministry of Labour, Health and Social Disputes, the Department of Labor Inspection of IDPs from the occupied territories of Georgia, the rights of the Labour Inspection Service are practically unlimited and include the right to full control of both labor protection and labor rights with its enforcement mechanisms and the right to impose sanctions.

Labour Safety Regulations

In February 2019, the Law on Labor Safety was adopted, which regulates the rights, obligations, and responsibilities of state bodies, employers, employees, representatives of employees, and other persons in the workplace, related to the creation of a safe and healthy work environment. According to the law on labor safety, each enterprise is obliged to have a labor safety specialist. An employer with 20 or fewer employees may personally perform the professional duties of a labor safety specialist, provided that he has completed an accredited program provided for in paragraph 6 of the relevant article. If the employer has 20 to 100 employees, he is obliged to have at least 1 labor safety specialist, and in case of having 100 or more employees, the employer is obliged to create a labor safety service with at least 2 labor safety specialists. The Company, as well as its subsidiaries, are obliged to comply with the mentioned requirements of the legislation depending on the number of employees.

Liquidation Rules

The updated law “On Entrepreneurs” provides for the process of termination of the existence of an entrepreneurial company, which consists of three stages:

Winding up of the company

The basis for the winding up of the company may be the decision of the shareholder; violation of the requirements established by law regarding the mandatory number of the shareholder; the entry into force of a court verdict in a criminal case on the liquidation of a legal entity; decision made by the court based on the application/claim of the shareholder; other grounds provided by law.

The new procedure is the liquidation of an entrepreneurial company by a court decision based on a shareholder’s application/claim. To do this, it is necessary to have a sufficient basis, which must be assessed in each specific case. A sufficient ground is considered if one of the shareholders intentionally or due to gross negligence has violated a significant obligation imposed on him by law or the charter, or if the shareholder can no longer fulfil the obligation and it becomes impossible to achieve the objective of the business partnership.

At the same time, the interest of other shareholders in the continued existence of the company shall be taken into account. A business company liquidated by the decision of the shareholders may continue to exist if the general meeting decides on this by a majority of 3/4 of the votes of the shareholders with a decisive vote and the property of the business company is not distributed among the shareholders.

Liquidation of the company

After the winding up of the company, the liquidation process begins and an appropriate liquidator is appointed, who must meet the requirements for the head of a business company. In the process of liquidation, the company retains the status of a legal entity but must add the postscript "in the process of liquidation" to its company name.

The law requires liquidators to publish a statement on the unified electronic portal of the registration authority or their website and immediately notify creditors of the liquidation of the business community and invite them to satisfy their demands. The company in the process of liquidation distributes its property among the participants in proportion to their shares. For this, a specific period is set, depending on the grounds on which the company is dissolved.

Cancellation of Registration

After the complete distribution of the property of the company, the liquidation process is completed. Liquidators must apply to the registering authority with an application for registration for liquidation, based on which the registering authority will cancel the registration of the business company. The new law provides for the case when, after the cancellation of the registration of the company, it turns out that the company has some property left or it is necessary to carry out additional liquidation actions, in this case, the court appoints the same or a new liquidator to finally complete this process.

Insolvency

Deregulated legal entities, including the JSC Georgia Capital companies, are subject to the procedures provided for by the Law of Georgia on rehabilitation and collective satisfaction of creditors' claims (except for commercial banks, non-bank depository institutions, insurance companies, and other entities provided for by the legislation of Georgia, for which a special regulatory regime is established and whose insolvency procedure is regulated by the relevant regulatory body).

The assessment of the insolvency of the company is carried out according to the degree to which the legal entity can repay its overdue obligations. Insolvency proceedings may be initiated if the debtor becomes insolvent or is expected to become insolvent. Insolvency proceedings commence with the filing of an insolvency petition with a court requesting the opening of a rehabilitation or bankruptcy regime. Insolvency proceedings may be initiated by the debtor (through a person authorized to manage and represent the business), the creditor, the supervisor of the regulated contract, the rehabilitation administrator (with an application for conversion when the debtor is in readjustment), or the bankruptcy trustee (with an application for conversion when the debtor is in bankruptcy).

After the initiation of an insolvency case, taking into account the real circumstances, the following types of several scenarios are possible, according to which the insolvency process can proceed: a) bankruptcy followed by liquidation (deregistration of the enterprise); b) rehabilitation (which in other jurisdictions is equivalent to reorganization/restructuring); or c) termination of proceedings.

In the event of bankruptcy, the company's assets will be sold at an auction organized by the National Bureau of Enforcement, and creditors (which also include bondholders) will be satisfied in the manner prescribed by law:

1. First priority claims - the expenses of the bankruptcy regime. The above include a) the costs of the proceedings provided for in Chapter V of the Civil Procedure Code of Georgia; b) remuneration of the bankruptcy trustee; c) expenses related to production, including expenses arising in connection with labor relations, expenses for property management, as well as expenses for various professional services purchased at the discretion of the head;

2. Second priority claims - debts incurred by the debtor after the court decision on declaring it insolvent and on opening the bankruptcy regime, including tax liabilities that arose after the initiation of bankruptcy proceedings;
3. Third priority claims - a group of creditors - in the following order:
   3.1. Preferential requirements;
   3.2. Preferential tax requirements;
   3.3. Unsecured claims, including tax amounts incurred prior to notification of the admissibility of a declaration of insolvency, which is not subject to other subparagraphs of this paragraph;
   3.4. Claims arising in the form of interest and penalties accrued on existing liabilities prior to the declaration of insolvency, administrative fines, and other pecuniary liabilities arising from administrative offenses, fines, and penalties accrued in accordance with the Tax Code of Georgia;
   3.5. Unprivileged claims;
   3.6. Obligations arising from corporate relations (payment of dividends, redemption of shares, return of a deposit).

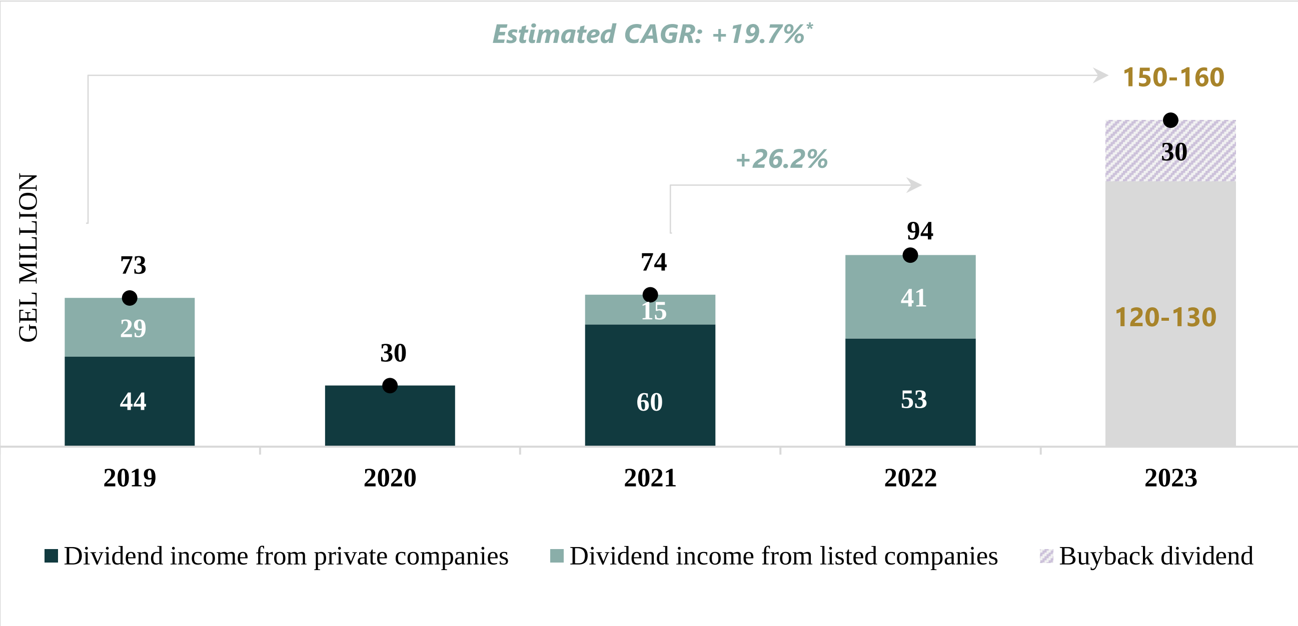
The mass of insolvency should be distributed according to the principle of proportionality. The claims of each subsequent creditor shall be satisfied after the full satisfaction of the requirements of the previous creditor, unless otherwise provided by the agreement of all creditors affected by such a change.

The above procedure does not affect financially secured claims, which will be satisfied as a matter of priority through this security in accordance with the legislation of Georgia. If in the event of the sale of an item used as security, the amount received from its sale exceeds the claim of the first priority creditor, then the claim of each secured creditor of the next priority registered in respect of the same item is satisfied in the amount of the excess amount in the manner prescribed by the Civil Code Georgia, and the remaining amount will be transferred to the bankruptcy estate. Based on the claim of the secured creditor, whose claim could not be satisfied due to insufficient funds in connection with the sale of the subject of security, the unsatisfied part of the claim is reflected in the queue of unsecured claims, therefore, it will be satisfied at the order of the group of unsecured creditors.

EXPECTED PROFITABILITY INDICATORS

The profit estimate has been compiled and prepared on a basis which is comparable with the historical financial information and is consistent with the issuer's accounting policies and estimates. For avoidance of any doubt, the following expected profitability indicators are not audited or no assurance has been performed on those by an auditor or any other third party for the consistency or comparability.

Company' historical and anticipated cash dividend income[31], GEL



By the 2023 year, the Company forecasts receiving recurring dividends of GEL 150-160 million:

- GEL 30 million – Dividends to be received from participation in BOG's 2023 stock buybacks.
- GEL 120-130 million - Funds to be received from private portfolio companies and BoG.

Of the mentioned GEL 150-160 million, the Issuer has already received a recurring dividend of GEL 112 million at the time of the preparation of the prospectus.

In addition to recurring dividends, in 2023, the Company also anticipates receiving a one-off (non-recurring) dividend of GEL 55 million:

- GEL 29 million from the participation in BOG's 2022 buybacks[32].
- GEL 26 million – One-off additional dividend from the retail (Pharmacy) business, following the minority buyout. For further details, please see section "Description of Business" and "Operating and Financial Overview, Capital Allocation Outlook, Investments"

Of the mentioned GEL 55 million, the Issuer has already received the 49 million at the time of the preparation of the prospectus.

For the estimation purposes, the key assumptions used for the forecast of 2023 are:
- Material economic indicators for the Company's activities will remain unchanged, including indicators such as key macro-economic variables, foreign exchange rate, unchanged economic activity in the

[31] Throughout 2019-2022 the Issuer only received recurring dividends.
[32] In 2023, dividend received from BOG included GEL 29 million received from the participation in bank's 2022 buybacks. Management considers that classifying this dividend as recurring would be misleading in terms of annual performance and expected Dividend estimation.

country and the sectors of the company's portfolio companies, the regulatory environment currently anticipated based on the available information to the market participants (For detailed information, please see "Industry", „Regulatory Framework”) and others.

- Additionally, one of the main factors contributing to the forecast of 2023 year is the expected income from the Listed companies. In particular, the Company expects increased incomes from the Bank of Georgia based on the Bank's 2022 results. The Company's estimate is based on the Bank's disclosed dividend issuance policy, according to which, under other equal conditions, 30-50% of the net profit is distributed by the Bank in the form of dividends. In this particular case, the Issuer takes into account the distribution rates of capital returns announced according to the 2022 results of the Bank of Georgia.

From these assumptions and factors, the realisation of the expected income and dividend indicators is directly related to the efficient operations of the Company and successful implementation of current or future plans, strongly dependent on the Company management. Other specified factors are fairly important forecasts independent of the Issuer's activities/governance and management, which may be a precondition for significant uncertainty for such a developing economy as Georgia.

GOVERNING BODY AND MANAGEMENT

Overview

The corporate entities of the Issuer comprise the General Meeting of Shareholders (GMS), the Supervisory Board, and the Directorate, each possessing distinct responsibilities and powers as per the Georgian legislation and the Issuer's Charter. The Issuer adheres to the legal framework of Georgia in its operations.
As of the issue date, the Issuer's equity share capital is entirely held by Georgia Capital PLC.

The Issuer's GMS

All shareholders registered on the share register on the record date of the GMS have the right to attend and vote (if applicable) at the meeting. Georgian law provides that holders of preferred shares are not entitled to voting rights at the GMS, unless the Charter or any relevant share issue prospectus allocates voting rights to preferred shareholders. According to the Charter, holders of preferred shares are not entitled to voting rights at the GMS. As of the date of the prospectus, the Issuer has not issued any preferred shares. Shareholders may be represented at the GMS by a proxy.

Under Georgian law and the Charter, shareholders are authorised to pass resolutions, *inter alia*, on the following issues at a GMS:

- approval of amendments to the Charter;
- change of the share capital of the Issuer;
- liquidation of the Issuer;
- any merger, division or transformation of the Issuer into another legal entity;
- full or partial cancellation of pre-emptive rights during an increase of share capital;
- distributions of profits;
- appointment and dismissal of the members of the Supervisory Board and determination of their terms of service and remuneration;
- approval of the reports of the Supervisory Board and the Directorate and control of the activities of their members;
- selection of auditors;
- approval of participation in litigation against the Supervisory Board and the Directorate members, including the appointment of a representative in such litigation;
- acquisition, sale, transfer, exchange (or such related transactions) or encumbrance of the Issuer's assets, with the value exceeding 25.0% of the total assets of the Issuer;
- approval of the annual accounts of the Issuer;
- approval of related party transactions, with a value exceeding 2% of the Issuer's assets; and
- other issues provided by Georgian law and the Charter.

According to the Charter, decisions on all other issues are made by the Supervisory Board and the Directorate within their capacities.

Supervisory Board

As per the Charter, the Supervisory Board is responsible for overseeing the Directorate's activities. The Supervisory Board comprises a minimum of three and a maximum of 15 members, who are appointed by the GMS. It is mandatory for the Supervisory Board members to act in the best interests of the Issuer and its business while executing their duties.
The Supervisory Board is responsible for various duties, which include:

- supervising the activities of the Directorate;

- appointing and dismissing the CEO and other directors, concluding and terminating service contracts with them, as well as establishing a code of conduct for the members of the Directorate;
- approving and amending the Issuer's policy and other regulatory requirements;
- inspecting the Issuer's accounts and property, including inspection of conditions of cash desk, securities and assets, personally or with the help of invited experts;
- requesting reports of the Issuer's activities from the Directorate (including information concerning associated companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- convening extraordinary general meetings, if necessary;
- reviewing annual reports and the proposals of the Directorate on profit distribution;
- representing the Issuer in proceedings against the Issuer's CEO and other directors;
- approving the annual budget; and
- making decisions in other cases provided by applicable laws.

The Supervisory Board members are listed below:

Name	**Current position**	**Date appointed**	**Termination Date of the contract**	**Other companies[33] where the person is represented**
David Morrison	Chairperson of the Supervisory Board (Senior non-executive director of Georgia Capital Plc)	7 June 2018	7 June 2024	n/a
Irakli Gilauri	Deputy Chairperson of the Supervisory Board (Chairman and Chief Executive of Georgia Capital Plc)	7 June 2018	7 June 2024	i-generation (ID: 405037507)
Massimo Gesua' sive Salvadori	Member of the Supervisory Board (Non-executive director of Georgia Capital Plc)	7 June 2018	7 June 2024	n/a
Maria Chatti-Gautier	Member of the Supervisory Board (Non-executive director of Georgia Capital Plc)	19 March 2020	19 March 2026	n/a

All non-executive Board members of Georgia Capital PLC are also members of Supervisory Board of JSC Georgia Capital. GCAP 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. 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.

[33] a) The names of all companies (excluding the issuer's subsidiaries) where the mentioned person has served or currently serves as a member of the management, board of directors, or, if applicable, the supervisory board, within the last 5 years.

It is worth noting, that on 2 August 2021, the Parliament of Georgia adopted a revamped Law on Entrepreneurs (the "Law on Entrepreneurs"), which came into force on 1 January 2022. The amended Law on Entrepreneurs introduces new requirements related to the corporate governance, amongst other. According to the Article 214 of the aforementioned law, "A member of the supervisory board of a joint-stock company may not be at the same time a member of the management body of the joint-stock company". Furthermore, Article 254 allows additional two years after the entry into force of this Law, to ensure the compliance of its registration data with the requirements of this Law, which together with the Article 255 implies a requirement for compliance by January 1st, 2024 the latest.

Based on the aforementioned law, the Issuer is liable to ensure alignment with the above noted requirement in terms of positions in its governing body prior to January 1st, 2024 in accordance with the legislation. In case of a non-compliance with the said commitment, the registration authority may determine Issuer additional timeframe of three months to remedy the non-compliance, otherwise, the Company may become subject to mandatory liquidation. Furthermore, it is worth noting, that aforementioned Prospectus itself imposes relevant covenant of compliance with applicable laws, in all material respects (Please, refer to the "Terms and Conditions, Covenant 5m" for further details).

Irakli Gilauri is the Deputy Chairman of the Supervisory Board of the Issuer, Georgia Capital JSC and a member of the Nominations Committee. He was appointed as the CEO and Chairman of Georgia Capital PLC on 24th February 2018. Mr Gilauri served as the CEO of BGEO Group from 2011 until May 2018. He started his career with Bank of Georgia as CFO in 2004 and later served as its CEO from May 2006 until September 2015, when he was appointed as the Chairman of the Bank. Prior to that, he worked as a banker at the European Bank for Reconstruction and Development (EBRD) and has around two decades of experience in finance, banking, and investment. In addition, he also served as a Director of Georgia Healthcare Group PLC (now Georgia Healthcare Group Limited) from August 2015 and currently sits on the Supervisory Board of JSC Georgia Capital and also serves as a general director. Mr Gilauri earned his undergraduate degree in Business Studies, Economics, and Finance from the University of Limerick, Ireland, in 1998. Later, he received the Chevening Scholarship from the British Council and completed his MSc in Banking and International Finance from Cass Business School at City University, London.

David Morrison is the Chairman of the Supervisory Board of the Issuer, Georgia Capital JSC and the Chairman of the Audit and Valuation Committee and also is a member of the Remuneration Committee. Mr Morrison is a highly experienced legal professional, was appointed as the Senior Independent Non-Executive Director of Georgia Capital PLC on 24 February 2018. Mr Morrison spent the majority of his career, spanning 28 years, at Sullivan & Cromwell LLP, where he served as Managing Partner of the firm's Continental European offices. His area of expertise focused on advising public companies in various transactional contexts, such as capital raisings, IPOs, and mergers and acquisitions. Mr Morrison is a published author of several works on securities law-related topics, and he has been 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, where he held various Committee roles, including Chairman of the Audit Committee. In 2008, Mr Morrison shifted his focus to conservation finance, founding the Caucasus Nature Fund (CNF), a charitable trust dedicated to wilderness protection in Georgia, Armenia, and Azerbaijan. He now serves as Chair of CNF's supervisory board and is also a board member of three other conservation trusts he helped to establish. As part of his role for these charities, he oversees the investment of a portfolio of over USD 500 million in endowment capital. From 2019 to 2020, David Morrison served as Georgia's first Environmental Ombudsman. Mr Morrison received his undergraduate degree from Yale College and his law degree from the University of California, Los Angeles. He was also a Fulbright scholar at the University of Frankfurt.

Massimo Gesua' sive Salvadori is the member of the Supervisory Board of the Issuer, Georgia Capital JSC and at the same time he is the member of the Nominations and Audit and Valuation Committees. Mr Salvadori was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 24 February 2018. Dr. Gesua' sive Salvadori is a globally-recognized bank analyst, specializing in banking and other financial stocks. He is presently employed at Brook Asset Management, a London-based hedge fund, where he has been since 2011. As part of his role, Dr. Gesua' sive Salvadori generates investment ideas and comprehends global financial trends. Previously, he worked as a management consultant at the London office of McKinsey and Co. between

2002 and 2011, where he specialized in financial services and served clients in developed and emerging markets as part of the banking strategy practice. Dr. Gesua' sive Salvadori, a native of Venice, earned an MPhil and a PhD from Oxford University, where he attended St. Antony's College. He also obtained a BSc in Economics from Warwick University. Dr. Gesua' sive Salvadori received a scholarship from the Foreign and Commonwealth Office, the Economic Research Council, the Fondazione Einaudi, and the Ente Einaudi, which funded his postgraduate studies. He attended the United World College of the Adriatic in Duino.

Maria Chatti-Gautier is the member of the Supervisory Board of the Issuer, Georgia Capital JSC and at the same time she is the member of the Remuneration and Audit and Valuation Committees. Ms Chatti-Gautier is a professional investment manager with over 25 years of experience in private equity at leading financial institutions, was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 19 March 2020. Ms Chatti-Gautier is presently the 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. She has sat on the Boards of over 30 companies and has advised several investment and fund raising programs in Europe, Lebanon, and the MENA region, including Drake Star Partners (formerly known as LDA Jupiter). Ms Chatti-Gautier began her career at Chase Manhattan Bank in Paris before joining BAII (Banque Arabe et Internationale d'Ivestissement). She spent most of her career (15 years) at Natixis Private Equity, before moving to Oddo Private Equity. Her activities included sourcing, analyzing, managing and monitoring a large number of investments and exits. Ms Chatti-Gautier is a board member and a member of the Audit Committee of Groupe Pizzorno Environnement, a leading French operator in the waste management business listed on Euronext. She is also a director of Buffet Crampon Group, a major producer of wind musical instruments. Ms Chatti-Gautier holds an MBA with a major in Finance from Ecole des Hautes Etudes Commerciales-HEC, with joint MBA programs from London Business School and NYU Stern.

Neil Janin is not currently a member of the Supervisory Board of the Issuer, Georgia Capital JSC. However, he is expected to be elected as a member of the Supervisory Board in 2023. He currently serves as a member of the Remuneration, Nomination and investment Committees. The Issuer follows the Supervisory Board's structure of its parent company – Georgia Capital PLC, where Mr Janin was appointed as an independent non-executive director of the board in May 2023. With his extensive experience as a Non-Executive Director of Georgian groups, he was Chair and Non-Executive Director of BGEO Group PLC from October 2011 until 21 May 2018, and of Bank of Georgia Group PLC from February 2018 until 10 March 2022. He also served as Non-Executive Director of Georgia Capital PLC's subsidiary, Georgia Healthcare Group PLC, from September 2015 until 30 April 2018. Mr Janin provides counsel to CEOs of both for-profit and non-profit organizations and continues to provide consulting services to McKinsey & Company. He was a Director of McKinsey & Company, based in its Paris office, for over 27 years, from 1982 until his retirement. During his time at McKinsey & Company, he conducted engagements in the retail, asset management, and corporate banking sectors and was actively involved in every aspect of organizational practice, including design, leadership, governance, performance enhancement, and transformation. Before joining McKinsey & Company, Mr Janin worked for Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris, and Procter & Gamble in Toronto. He has practised in Europe, Asia, and North America. Mr Janin is also a Director of Neil Janin Limited, a company through which he provides his ongoing consulting services. Mr Janin holds an MBA from York University, Toronto, and a joint honours degree in Economics and Accounting from McGill University, Montreal.

Directorate

The Directorate is an executive body that is responsible for the day-to-day management of the Issuer (with the exception of those functions reserved to the GMS and the Supervisory Board) and consists of the CEO and not less than two directors. The Directorate is accountable to the shareholders and the Supervisory Board and its members are appointed and dismissed by the Supervisory Board. The Supervisory Board approves the remuneration and other conditions of employment for each member of the Directorate. Certain resolutions of the Directorate are subject to the prior approval of the Supervisory Board.

The Directorate is managed by the CEO, who, together with the Supervisory Board, allocates the responsibilities of the Directorate among its members.

The responsibilities of the Directorate include:

- conducting the Issuer's day-to-day activities;
- reviewing agenda items for the Issuer's GMS or Supervisory Board meetings, obtaining all the necessary information, preparing proposals and draft resolutions;
- drafting and presenting to the Supervisory Board for approval the business plan for the following year (such business plan to include the budget, profit and loss forecast and the Issuer's investments plan);
- ensuring the fulfilment of resolutions passed at the Issuer's GMS and the Supervisory Board;
- developing policies, by-laws and other regulatory documents which are approved by the Supervisory Board and ensure compliance with such policies, by-laws and regulatory documents;
- deciding on the appointment, dismissal, training and remuneration of staff;
- convening extraordinary general meetings; and
- any other issues which may be assigned by the Supervisory Board and/or the Issuer's GMS.

The following activities may be carried out by the Directorate only with the approval of the Supervisory Board:

- the acquisition and disposal of shares in other companies (other than in the companies at least 50% of which is directly or indirectly by the Issuer (the Subsidiary)) if value of the transaction exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- except for the transactions with the Subsidiaries, the acquisition, transfer and encumbrance of real estate and related ownership rights, if such transaction falls outside the scope of routine economic activity of the Issuer and the value of such transaction exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- except for the investments in the Subsidiaries, investments, the partial or total amount of which exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- securing credits and loans, if they fall outside the scope of routine economic activity and are in excess of 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- borrowing funds in excess of 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- the establishment and liquidation of branches;
- launching a new type of activity or terminating or suspending the existing type of activity;
- adopting general principles of business strategy and the business plan of the Issuer and approving the annual budget and incurrence of long-term liabilities;
- determination of the remuneration and/or additional benefits for the Issuer's senior management (CEO, other members of the Directorate and any other senior managers so selected by the Supervisory Board);
- the appointment and dismissal of trade representatives;
- except for the contracts and agreements with the Subsidiaries) the approval of an agreement or contract pursuant to which the expenditure of the Issuer (payable by single or several tranches) exceeds 1.0% of the Issuer's equity value as at the end of the previous calendar month; and
- other activities that may be prescribed by applicable laws.

The Directorate currently consists of the members below:

Name	**Current Position**	**Date Appointed**	**Termination Date of the contract**	**Other companies[34] where the person is represented**
Irakli Gilauri	General Director	22 December 2017	31 December 2025	i-generation (ID: 405037507)

[34] a) The names of all companies (excluding the issuer's subsidiaries) where the mentioned person has served or currently serves as a member of the management, board of directors, or, if applicable, the supervisory board, within the last 5 years.

Avto Namicheishvili	Deputy CEO	22 December 2017	29 May 2024	
Giorgi Alpaidze	Chief Financial Officer	22 December 2017	30 April 2028	AnGi Property (ID: 405475935)

For details regarding Irakli Gilauri, see *"—Supervisory Board"* above.

Avto Namicheishvili is the Deputy CEO of the Issuer. He also serves as a chairman of the Group's water utility, renewable energy and beverages 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 to that, he was a Partner at a leading Georgian law firm. Mr. Namicheishvili has undergraduate degrees in law and international economic relations from Tbilisi State University and holds an LLM in international business law from Central European University, Hungary.

Giorgi Alpaidze is the Chief Financial Officer of the Issuer. He was formerly the CFO of BGEO Group. Mr. Alpaidze joined BGEO as Head of the 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. Mr. Alpaidze holds a BBA from the European School of Management in Georgia. He is a Certified Public Accountant in the United States.

Other Key Management Personnel

Irakli Gogia. CEO at Retail (pharmacy), Hospitals, Medical Insurance, and Clinics and Diagnostics businesses. Formerly Deputy CEO, Finance at GHG. Prior to that Irakli was a deputy chairman of the supervisory board of Evex Medical Corporation and Insurance Company Imedi L. He has ten years of experience in the financial industry. Previously, he served as CFO of Insurance Company Aldagi and Liberty Consumer, prior to which he was a senior auditor at Ernst & Young and Deloitte. Holds a Bachelor of Business Administration degree from the European School of Management in Tbilisi.

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

Giorgi Ketiladze. 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. Mr Ketiladze holds a master's degree from London Business School.

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

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

Committees

All non-executive Board members of Georgia Capital PLC are also members of Supervisory Board of JSC Georgia Capital. JSC Georgia Capital established Audit and Valuation, Investment and Remuneration

Committees with the same terms of reference and the same members as those of Georgia Capital PLC. As such, all relevant decisions of Audit and Valuation, Investment and Remuneration Committees of Georgia Capital PLC apply to the Group.

Audit and Valuation committee

The Audit and Valuation Committee of Georgia Capital JSC provides assistance to the Directorate of Georgia Capital concerning the oversight of the Group's financial and reporting processes. Its responsibilities include monitoring the financial statements' integrity, overseeing the Internal Audit function and external auditor, and reporting its findings to the Board. The Committee conducts regular reviews of the effectiveness of the policies, procedures, and systems related to operational risks, including compliance, IT and IS (including cyber-security), and assesses the risk management and internal control framework's effectiveness.
Additionally, the Committee is responsible for reviewing and approving the half-yearly and annual valuations of the Group's portfolio investments that are presented to it by the Directorate. It ensures that the Valuation Policy complies with the Company's obligations under applicable agreements, legislation, regulations, guidance, and other policies.

The members of the Audit and Valuation Committee are: David Morrison (Chairman), Massimo Gesua' sive Salvadori and Maria Chatti-Gautier.

Remunerations committee

The Remuneration Committee plays an integral role in promoting the long-term success of Georgia Capital by reviewing and recommending the Directors' Remuneration Policy to the Board. The Committee ensures that the remuneration structure is designed to incentivize management to contribute to the Group's performance within the context of wider market conditions and shareholder views. Additionally, the Committee approves variable compensation schemes for investment professionals to attract and retain top talent in line with market practices. The Committee also ensures that remuneration aligns with shareholder returns, thus creating a balanced approach to rewarding management and driving the Group's long-term growth.

The Company also had "the Investment Committee, which has been disbanded after the AGM held on May 17th 2023, with its responsibilities merged into those of the Board.

The members of the Remuneration Committee: Maria Chatti-Gautier and David Morrison.

Remuneration and benefits

The combined compensation (inclusive of benefits) granted to the members of the Supervisory Board and Directorate amounted to GEL 18.6 million for the fiscal year concluded on December 31st, 2022, whereas the combined compensation for fiscal year concluded on December 31st, 2021 amounted to GEL 13.7 million.

Loans to management
As of December 31st, 2022, there were no outstanding net loans issued to any member of the Supervisory Board.

Conflicts of interest

There exist no possible conflicts of interest between the members of the elected Supervisory Board and/ or members of the Issuer's executive management.

Litigation Statement

As of the date of this Bond Prospectus, none of the members of the Supervisory Board or executive officers, for the past five years, has:

- been convicted of any fraudulent offenses;

- served as a senior manager or held an executive function in the administrative management or supervisory bodies of any company during or prior to any bankruptcy, receivership, or liquidation; or
- faced any official public incrimination or sanction by any statutory or regulatory authority (including designated professional bodies), nor have they ever been disqualified by a court from serving as a member of the administrative, management or supervisory bodies of a company or from managing or conducting the affairs of a company.

Employees

On December 31st, 2022 and 2021, the Group's total employee count was 19,114 and 21,549 respectively.

Pension

The group of companies are enrolled in a compulsory pension program as per the regulations of Georgia. The program requires the group company, employee, and government to allocate a portion of the employee's salary, up to 2% (subject to a maximum limit), for the said scheme. The Executive Director of the group, Mr. Gilauri, has voluntarily waived his contribution towards the pension scheme.

Corporate Governance

On December 7, 2021, the National Bank of Georgia published the Corporate Governance Code, which entered into force in January 2022, but the aforementioned Code requires issuers to submit reports for the first time by the annual reporting date of 2023. This Code is based on the approach: "implement or explain and present an alternative", which is aimed at promoting the widespread use of best corporate governance practices.

Dividends Policy

The Issuer has no declared and written dividend policy. With regard to the payment of dividends, the processes and certain restrictions are set out in the Company charter and the covenants in the Terms & Conditions of the Bonds.

SHAREHOLDERS

As at the date of the prospectus, the Issuer is wholly owned by Georgia Capital PLC.

The following table sets forth the top 10 shareholders of Georgia Capital PLC:

	As at 31-Dec-22
	%
Management & Management Trust	12.51%
Gemsstock Ltd	10.67%
Allan Gray Ltd	6.63%
Coeli Frontier Markets AB	4.65%
Lazard Asset Management LLC	4.07%
BlackRock Investment Management (UK)	3.43%
RWC	3.09%
GLG Partners LP	2.83%
Firebird Management LLC	2.76%
Schroder Investment Management Ltd	2.69%
Others	46.67%
Total	**100.00%**

None of the Georgia Capital PLC's shareholders have voting rights different from any other holders of such shares. Each shareholder has one voting right.

RELATED PARTY TRANSACTIONS

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 affected 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.

The volumes of related party transactions, outstanding balances year end, and related expenses and income for the period are as follows:

	31-Dec-22		***31-Dec-21***	
	Management[35]	***Equity Investments***[36]	***Management***	***Equity Investments***
Assets				
Marketable securities	-	3,194	-	18,499
Investment in redeemable securities	-	12,631	-	17,849
Prepayments	-	484	-	563
Loans issued	-	26,830	-	154,214
Other assets	-	369	-	6,268
	-	**43,508**	**-**	**197,393**
Liabilities				
Debt securities issued	4,053	-	5,272	-
Financial guarantees provided (notional value)	-	18,460	-	55,297
Other liabilities	-	350	-	699

[35] Management of JSC Georgia Capital consist of 5 executives and 6 members of supervisory board (2021: 4 executives and 6 members of supervisory board)
[36] Equity investments comprise of investees of JSC Georgia Capital. Private portfolio companies as at 31 December 2022 and 31 December 2021 also represent balances with related parties.

	4,053	**18,810**	**5,272**	**55,996**

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.

	31-Dec-22		***31-Dec-21***	
	Management	***Equity Investments***	***Management***	***Equity Investments***
Income and expenses				
Dividend income..	-	52,977	-	59,881
Administrative expenses..............................	-	(1,240)	-	(1,286)
Interest income at EIR method	-	11,342	-	12,956
Other interest income...................................	-	899	-	1,356
Interest expense..	(287)	(35)	(336)	(43)
	(287)	**63,943**	**(336)**	**72,864**

A list of documents mentioned/indicated in the registration document

The following documents are mentioned in the registration documents:

- Charter of the Company (Uploaded on the Public Registry portal Napr.gov.ge, Registration Number: B23086488);
- Sustainability-Linked bonds framework of the Issuer (published by the Issuer's web-page: https://georgiacapital.ge/ir/sustainability-linked-bonds);
- Sustainability-Linked bonds Second Party Opinion (SPO), by Sustainalytics, of the Issuer (published by the Issuer's web-page: https://georgiacapital.ge/ir/sustainability-linked-bonds);
- Financial statements of the Issuer (published by the relevant sections of the Issuer's web-page: https://georgiacapital.ge/ir/; Additionally, year-end and interim financial reports, including in Georgian are published on the reporting portal: https://reportal.ge/en)
- Agreement between placement agents and the Issuer;
- Agreement between the Calculation and Payment Agent and the Issuer;
- Agreement between the bondholders representative and the Issuer;

The above documents, with the exception of the published information and documentation (identified as such), are confidential and the Issuer does not plan on making them public. The documents can be viewed by existing and potential investors in the physical form at the address of the Issuer as disclosed in the Prospectus of as well as in electronic form, in case requested from the issuer via email disclosed in the Prospectus. The last available version of mentioned documents should be provided to existing investors by email no later than 10 working days after receiving such request.

OVERVIEW OF THE SECURITIES

Important information

Statement about working Capital

The Company's working capital (current assets less current liabilities) as at 31 December 2022 was positive GEL 275.9 million, and as at 31 December 2021 was GEL 352.8 million.

Description of Interest of the parties involved in the Offering

The Issuer and the Placement Agent 1 (Galt & Taggert JSC) are indirectly related to the Issuer; as of the date of the prospectus, the Issuer held a 19.8% non-voting equity interest in the Bank of Georgia Group PLC, the ultimate sole owner of Galt & Taggart JSC. Although, such connection could be potentially considered as certain risk factor from the potential investors' perspective, the Issuer considers this to be non-material given the non-voting nature of the Issuer's equity interest in Bank of Georgia Group PLC, the fact that members of governing bodies of these companies are fully and completely segregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

TBC Capital LLC is the Placement Agent 2 for the bonds and has an interest in placing the bond and receiving a fee for it. It is possible that TBC Bank JSC, which is an affiliate of Placement Agent 2 and one of the largest commercial banks in Georgia, may invest in the bonds. Therefore, there is a risk of a conflict of interest due to the aforementioned relationship.

The Issuer is not aware of any other existing or potential conflicts of interest related to the offering.

Information about the ranking of securities in the capital structure in case of insolvency/bankruptcy:

The Company's liabilities under the bonds constitute senior unsecured liabilities of the Company. Accordingly, any claims against the Company under the bonds would be unsecured claims.

TERMS AND CONDITIONS OF THE BONDS

The issue of up to USD 150,000,000 Bonds (the "**Bonds**") is authorised on the basis of the Decisions of the Supervisory Board, Shareholder and Directorate of the Issuer dated July 6, 2023. The applicable interest rate (subject to Condition 6(b) (*Interest Rate Adjustment Upon Occurrence of Trigger Event*)) and the Maturity Date of the Bonds shall be set forth under the Final Term Sheet Document of the Bonds (the "**Offering Document**").

The terms and conditions of the Bonds and the Bondholders' rights are governed (i) by the Prospectus, including without limitation the "*Terms and Conditions of the Bonds*" (the "**Terms and Conditions**" or the "**Conditions**") and the Offering Document, and (ii) by the Agreement on Terms and Conditions of the Bonds between the Issuer and Nodia, Urumashvili and Partners LLC (ID: 204484628) (the "**Bondholders' Representative**"), which includes certain additional terms and conditions (the **"Agreement"**). The Agreement is signed in English but the Issuer shall ensure the availability of Georgian version before the Issue Date. In case of any conflict between the information presented in the Prospectus and the Agreement, the relevant provisions of the Prospectus shall prevail. The Agreement is available for inspection electronically, upon request sent to the Issuer's or the Bondholders' Representatives' e-mail address, as well as at the principal offices of the Bondholders' Representative and the Issuer, indicated in the Prospectus.

In addition to the Prospectus, including these Terms and Conditions, the Bondholders and/or the Nominal Holders (as the case may be) are entitled to the benefit of, are bound by, and are deemed to be subject to, the relevant terms of the Agreement and such terms apply to them.

Payments of principal and interest in respect of the Bonds will be made in accordance with a Calculation and Paying Agency Agreement (the "**Agency Agreement**") between the Issuer and the Calculation and Paying Agent (as defined in the Offering Document). Each Bondholder is entitled to inspect a copy of the Agency Agreement, which will be available at the specified office of the Calculation and Paying Agent (also in electronic form, in case requested from Calculation and Paying Agent and Issuer from indicated emails, as specified in the section "*A list of documents mentioned/indicated in the registration document*" of the Prospectus) and is deemed to have notice of, and be bound by, all the provisions of the Agency Agreement applicable to them.

1. FORM, SPECIFIED DENOMINATION AND TITLE

(a) **Form and Specified Denomination:** The Bonds are issued as dematerialised book-entry bonds, in registered form, in denomination of USD 1,000 each.

(b) **Title:** Title to the Bonds shall be evidenced by registration of ownership rights in (i) the register of securities (the "**Register**") that the Issuer shall procure to be kept by the registrar indicated in the Offering Document (the "**Registrar**") in accordance with the provisions of the agreement between the Issuer, on the one hand, and the Registrar, on the other hand; and/or (ii) such other registries/records as shall be maintained by any Nominal Holder of the Bonds. The Register and such other registries/records as referred to in the foregoing clause (ii) are hereinafter a "**Registry**".

2. OFFERING AND PLACEMENT OF BONDS, CHANGES TO THE OFFERING AND DISPOSAL OF BONDS

(a) **Bond Offering Process**

The Placement Agents (as defined in the Offering Document) carry out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement Agents and/or their authorised intermediary/intermediaries are entitled to send the approved Prospectus to potential investors.

Following approval of the Prospectus by the NBG, the Issuer carries out the public offering of the Bonds in accordance with Georgian law. The Issuer will publish a notice on offering of Bonds on its web-site. The Issuer, the Placement Agents and/or the financial intermediary(ies) involved in the placement process will provide to potential investors, in accordance with their preference, an electronic link to the Prospectus, its scanned or printed version. The final Prospectus will be provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

Potential investors may express interest in purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agents. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

Final interest (coupon) rate to be accrued on the Bonds is fixed in the process of offering of the Bonds to potential investors (book-building). Generally, such final interest rate falls within the range of interest rate included in the approved preliminary Offering Document and is reflected in the final Offering Document. Fixing the final interest (coupon) rate is not considered a material (significant) change and only requires being reflected in the final Offering Document.

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing the Bonds. The Placement Agents must be notified of such decision immediately (no later than 14:00 Tbilisi time of the Business Day following the day when the investor was informed of correction of its application (with respect to the number of the Bonds). Failure to notify the Placement Agents of such decision entitles the Placement Agents, at their discretion, to continue to consider the initial application of the investor (with respect to full number of Bonds requested), or refuse the application.

Following completion of the book-building process, the Placement Agents will make an announcement on determination of the final size of the offering and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the number of the Bonds in relation to which the purchase orders (applications) of potential investors have been satisfied. Upon announcement of final size of the offering, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors (the "**Subscribing Investors**"). The Issuer and/or the Placement Agents are entitled to make a placement of the Bonds with the Deferred Placement Price from the Issue Date till the completion of the Offering Period (including the last date), which shall be set forth under the Offering Document. The deferred placement of the Bonds will be conducted with the Deferred Placement Price. Potential investors may express interest of purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents.

Subscribing Investors and investors who purchase the Bonds prior to the Deferred Placement Date must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or Deferred Placement Date. Subscribing Investors shall open such brokerage accounts with any of the Placement Agents. The Issuer delivers the purchased Bonds to the same brokerage account on the Issue Date or Deferred Placement Date. In exceptional cases, the Placement Agents may at their discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agents (instead of the Subscribing Investor's brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorised Nominal Holder.

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

(b) **Purchase of Bonds by IFIs**

At the time of preparing the Prospectus, the Issuer is in discussions with certain development financial institutions and multi-lateral development banks (jointly, “**IFI**”) with a view to entering into framework (investment) agreements pursuant to which each IFI may purchase Bonds, subject to certain conditions as described in each framework agreement. Among other things, the framework agreements will include the Issuer's undertaking to comply with each IFI's policy requirements relating to matters including, but not limited to, environmental and social matters, sanctions, anti-money laundering, anti-corruption and fraud. Even if such framework agreements are entered into, none of IFIs shall have any obligation to acquire any Bonds.

At the time of preparing the Prospectus, mentioned IFIs are:

- European Bank for Reconstruction and Development (EBRD)
- International Finance Corporation (IFC)
- Asian Infrastructure Investment Bank (AIIB)
- Asian Development Bank (ADB)

(c) **Changes during Public Offering**

If the Issuer decides to change information about the Bonds during public offering (period between the approval of the Offering Document until the expiry of application of the final Prospectus), the Issuer shall take necessary steps set out by the Securities Law and the applicable securities market regulations.

(d) **Disposal of the Bonds**

The Bonds may be disposed of in accordance with Georgian legislation (including Securities Law) within the jurisdiction of Georgia. Disposal of and transfer of title to Bonds shall be valid only if the title change is registered in the relevant Registry in accordance with Condition 1(b) (*Title*). As soon as possible after placement of Bonds, the Issuer will submit an application to the GSE for the Bonds to be admitted to the trading system and listing of the GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

(e) **Price Setting**

Final volume of offering (i.e. number of the Bonds being issued and the total issue price) is determined in the process of offering of the Bonds to prospective investors in the light of the expressed demand for purchase of Bonds (as a result of book-building).

Final allocation to the potential investors is determined based on the interest expressed/demand for purchasing the Bonds (as a result of book-building) in accordance with the procedure set-out in Condition 2(a) (*Bond Offering Process*).

(f) **Placement**

The Issuer and/or the Placement Agents are authorised to place the Bonds at the Deferred Placement Price after the Issue Date till the date of the expiry of the offer (including the end of the aforementioned date). The deferred placement of the Bonds will take place at the Deferred Placement Price. The investors are allowed to express interest to acquire the deferred Bonds by providing application/notice to the Placement Agents. Notifying the agent about the willingness to purchase the Bonds is possible over electronic means of communication and/or by any other means allowed by the Placement Agents.

Subscribing Investors and those investors who acquire the Bonds on the Deferred Placement Date (collectively the "**Investors**") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or before the Deferred Placement Date. The Investor shall open such brokerage accounts with any of the Placement Agents. The Issuer delivers the Bonds, purchased by the Investor, to the same brokerage account either on the Issue Date or the Deferred Placement Date. In exceptional cases, the Placement Agents may at their discretion allow the Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agents instead of the

Investor's brokerage account with the relevant Placement Agent. In such cases, the Bonds are delivered to the account of the Investor held with the Registrar or with the relevant authorised Nominal Holder.

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

If the aggregate number of the Bonds, defined in the final Prospectus, is not placed by the end of the Offering Period, unplaced Bonds shall be annulled (cancelled). Within 1 month from the end of public offering of the Bonds, the Issuer will submit a placement report to the NBG in accordance with Georgian law.

(g) **Admission of Securities to Trading on the Stock Exchange**

As soon as possible after placement of Bonds, the Issuer will submit an application to the GSE for the Bonds to be admitted to the trading system and listing of the GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

The Bonds constitute senior unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Issuer shall ensure that at all times the claims against it under the Bonds rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of the Issuer (subject to Condition 5(a)), save for those claims that are preferred by mandatory provisions of applicable law.

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

(a) By purchasing the Bonds (whether upon initial placement or on secondary market), each Bondholder and/or Nominal Holder appoints the Bondholders' Representative to act as its agent in all matters relating to the Bonds and in particular those regulated by Condition 5 (*Covenants*) below and the Agreement, and authorises the Bondholders' Representative to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions, the Agreement and/or applicable laws, and subject to Condition 4(c)) in any legal proceedings relating to the Bonds held by such Bondholder and/or such Nominal Holder.

(b) Each Bondholder and/or Nominal Holder shall immediately upon request provide the Bondholders' Representative with any such documents, including a written power of attorney (in form and substance satisfactory to the Bondholders' Representative), that the Bondholders' Representative deems necessary for the purpose of exercising its rights and/or carrying out its duties under, and protecting the Bondholders' interest pursuant to, these Terms and Conditions and the Agreement. The Bondholders' Representative is under no obligation to represent a Bondholder which does not, or whose Nominal Holder does not, comply with such request.

(c) A Bondholder (or a Nominal Holder on behalf of a Bondholder) may act directly, and enforce these Conditions, against the Issuer in accordance with the Conditions. This shall not affect or cancel the ability of the Bondholders’ Representative to receive any information hereunder and issue consents/refusals in relation to rights hereunder in consideration of the fact that should the Event of Default occur, the Bondholders’ Representative shall act only on the basis of an Extraordinary Resolution or if so requested in writing by Bondholder or Bondholders holding at least one-fifth in principal amount of the Bonds then Outstanding, and within the authorisation granted thereunder, if any, in accordance with these Conditions.

5. COVENANTS

(a) **Negative Pledge**: So long as any Bond remains Outstanding, the Issuer shall not directly or indirectly, create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on or over any of its assets, now owned or hereafter acquired, securing any Indebtedness or any Guarantee of any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds are secured equally and rateably with such other Indebtedness or Guarantee of Indebtedness or have the benefit of such security or other arrangements, as the case may be, as are satisfactory to the Bondholders' Representative or are approved by an Extraordinary Resolution of the Bondholders.

(b) **Continuance of Business, Maintenance of Authorisations and Legal Validity**:

(i) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its or their respective corporate existence (except as otherwise permitted by Condition 5(c) (*Mergers and Consolidations*)), and its or their respective business, and the use of all material intellectual property relating to its or their respective business and the Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of all consents, licences, approvals and authorisations necessary in that regard.

(ii) The Issuer shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the laws and regulations of Georgia to enable it lawfully to perform its obligations under the Bonds and the Agreement and ensure the legality, validity, enforceability and admissibility in evidence in Georgia of the Bonds and the Agreement.

(c) **Mergers and Consolidations**:

(i) The Issuer, without the prior written consent of the Bondholders who own, individually or collectively, directly or through Nominal Holders, at least 67% (sixty-seven percent) of Outstanding Bonds, shall not (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(x) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume in form and substance satisfactory to the Bondholders' Representative all the rights and obligations of the Issuer under the Bonds and the Agreement; and

(y) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(C) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(ii) The Issuer shall procure that no Material Subsidiary shall, without the prior written consent of the Bondholders who own, individually or collectively, directly or through Nominal Holders, at least 67% (sixty-seven percent) of Outstanding Bonds, (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries' properties or assets, unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(x) such Material Subsidiary shall be the Successor Entity; or

(y) the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(C) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(iii) Notwithstanding the foregoing, any Material Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of related transactions, all or substantially all of its assets to the Issuer or another Subsidiary of the Issuer (which after such transaction will be deemed to be a Material Subsidiary for purposes hereof).

(d) **Disposals**:

(i) Except as otherwise permitted by these Conditions and without prejudice to the provisions of Condition 5(c) (*Mergers and Consolidations*), Condition 5(e) (*Transactions with Affiliates*) and Condition 5(g) (*Restricted Payments*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or assets, unless:

(A) each such transaction is on arm's-length terms for Fair Market Value;

(B) with respect to any such transaction providing for a disposal of revenues or assets for a consideration which is more than 20% of Total Equity, the Issuer shall, prior to the disposal, provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value and fair, from a financial point of view, to the Issuer and/or the relevant Subsidiary, as the case may be (such written opinion not being required for any disposal concluded through an initial public offering on a recognised international stock exchange); and

(C) the proceeds thereof are used either (i) to acquire or invest in a business or entity with substantially all of its operations in Georgia; and/or (ii) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital; and/or (iii) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any Capital Stock of the Issuer or, prior to its scheduled maturity or scheduled repayment, any subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time), in the case of (ii) and (iii) above, provided that such action would otherwise comply with Condition 5(g) (*Restricted Payments*).

(ii) Condition 5(d)(i)(A) and Condition 5(d)(i)(B) shall not apply to (A) any transaction between the Issuer and any of its wholly-owned Subsidiaries; (B) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; or (C) any disposal of any assets or property for a consideration which is more than the reported value of such asset or property in the Group Financial Information for the last IFRS Fiscal Period (either semi-annual or annual).

(e) **Transactions with Affiliates**:

(i) The Issuer shall not, and shall ensure that none of its Material Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including inter-company loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or any of its Material Subsidiaries and such terms are in compliance with all applicable laws and regulations.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 2% of Total Equity, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Bondholders' Representative a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer or the relevant Material Subsidiary, as the case may be.

(iii) The following items, so long as they are in compliance with all applicable laws and regulations, shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:

(A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;

(B) transactions between or among the Issuer and its Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Issuer;

(D) a Restricted Payment permitted to be made pursuant to Condition 5(g) (*Restricted Payments*);

(E) any non-interest bearing loans from any member of the Group to the Holding Company, provided that the aggregate amount outstanding under all such non-interest bearing loans shall not, at any time, exceed the greater of U.S.$20,000,000 or 2.0% of Total Equity; and

(F) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Material Subsidiaries and the unwinding of any Hedging Obligations;

(f) **Payment of Taxes and Other Claims**: The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue, all Tax, assessments and governmental charges levied or imposed upon or upon the income, profits or property of the Issuer and/or its Material Subsidiaries, provided that neither the Issuer nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such Tax, assessment, charge or claim (a) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (b) the amount of which, together with all such other unpaid or undischarged Tax, assessments, charges and claims, does not in the aggregate exceed the greater of U.S.$3,000,000 or 0.2% of the Total Equity.

(g) **Restricted Payments**: The Issuer shall not, (a) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a *pro rata* basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any Capital Stock of the Issuer or, prior to its scheduled maturity or scheduled repayment, any subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if:

(A) at the time of such payment an Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom;

(B) such Restricted Payment, exceeds the sum of (a) 50% of the retained earnings balance as of 31 December 2022 and (b) 50% of the consolidated net profit of the Issuer for the semi-annual periods recorded after 31 December 2022 determined by reference to the most recent Group Financial Information (either semi-annual or annual); provided, however, that immediately after making such Restricted Payment Net Debt is no greater than 45% of Total Equity; or

(C) such Restricted Payment would cause or result in a breach of one or more of the covenants contained in Condition 5(n) (*Financial and Regulatory Covenants*) or otherwise result in a Material Adverse Effect,

save that the payment of Permitted Share Plan Contributions (as defined below) shall not be considered to be a Restricted Payment for the purposes of this Condition 5(g).

"**Permitted Share Plan Contributions**" means payment of contributions to acquire shares to satisfy existing and future awards under employee share plans to members of the Group's management and employees (including members of the board of directors and employees of the Group's ultimate parent company) in the amount of up to greater of U.S.$20,000,000 or 2% of Total Equity in any given calendar year (the "**Maximum Permitted Annual Share Plan Contribution**") plus, to the extent that the Issuer makes contributions below the Maximum Permitted Annual Share Plan Contribution in any year from 1 January 2023 (a "**Shortfall Amount**"), the aggregate amount of all such Shortfall Amounts (if any) on a cumulative basis. For the avoidance of doubt, the Issuer shall not be permitted to apply the Shortfall Amount in respect of any year more than once.

(h) **No Limitations on Dividends from Material Subsidiaries**:

(i) The Issuer shall procure and ensure that none of its Material Subsidiaries (for the avoidance of doubt, for the purposes of this Condition 5(h) (*No Limitations on Dividends from Material Subsidiaries*) only, as defined in paragraph (b) of the definition thereof) shall create, assume or otherwise permit to subsist or become effective any encumbrance or restriction on the ability of such Subsidiaries to:

(A) pay any dividends or make any other payment or distribution on or in respect of its shares; or

(B) make payments in respect of any Indebtedness owed to the Issuer or any other Subsidiary.

(ii) The provisions of this Condition 5(h) (*No Limitations on Dividends from Material Subsidiaries*) will not prohibit:

(A) solely with respect to Condition 5(h)(i)(A), any such encumbrance or restriction, which is limited to the payment of dividends or other payments or distributions in any period in an amount up to 50% of the relevant Material Subsidiary's net profit determined by reference to the most recent Group Financial Information for such period; or

(B) any such encumbrance or restriction with respect to an entity that becomes a Material Subsidiary after the Issue Date pursuant to an agreement, which was entered into prior to the date on which such Subsidiary becomes a Material Subsidiary (to the extent such encumbrance or restriction was not put in place in anticipation of such entity becoming a Material Subsidiary) and which remains in effect on such date;

(C) any such encumbrance or restriction that is as a result of applicable law or regulation; or

(D) any such encumbrance or restriction that is already in existence as at the Issue Date.

(i) **Limitation on Indebtedness**:

The Issuer will not create, incur, assume or otherwise become liable in respect of any Indebtedness, unless, after giving effect to the incurrence of such Indebtedness and the application of the proceeds thereof:

(A) Net Debt is no greater than 45% of Total Equity; and

(B) no Event of Default or Potential Event of Default would occur or be continuing.

(j) **Financial Information:**

(i) The Issuer hereby undertakes that:

(A) in accordance with the Securities Law, after the end of the financial year, but not later than the 15th of May, it will disclose the Issuer's audited financial statements for such financial year, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the audit report of the auditors thereon.

(B) in accordance with the Securities Law, after the end of the second quarter of each financial year, but not later than the 15th of August, it will disclose the Issuer's unaudited financial statements for the six-month period then ended, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the review report of the auditors thereon (if any).

(C) it will comply with information transparency and reporting requirements set forth under the Securities Law and applicable securities market regulations.

(ii) The Issuer hereby undertakes that it will make publicly available on its website, at the same time as it delivers the financial information required under paragraph (i) above, a Net Debt Covenant Compliance Certificate.

(iii) For the purposes of Condition 5(j)(i), the Issuer will be considered to have delivered information to the Bondholders, if such information has been made publicly available in accordance with applicable legislation;

(iv) If the Bondholders' Representative or Bondholders, who own (directly or through Nominal Holders) 20% or more (twenty percent) of the Outstanding Bonds, shall assume, that the Event of Default or the Potential Event of Default has occurred, they can demand written information regarding the purported Event of Default or Potential Event of Default from the Issuer and the Issuer is obligated to disclose this information to these Bondholders or the Bondholders' Representative. The written demand can be presented as one document signed by Bondholders or Nominal Holders or as many documents with the same contents. This type of demand can also be received through the decision of the Bondholders' meeting.

(k) **Maintenance of Property:** The Issuer will, and shall procure that its Material Subsidiaries will, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgement of the Issuer or any such Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times.

(l) **Maintenance of Insurance**: The Issuer shall, and shall procure that its Material Subsidiaries shall, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Material Subsidiary to be of good standing, against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated and owning like properties in the same jurisdiction.

(m) **Compliance with Applicable Laws**: The Issuer shall, and shall procure that each of its Material Subsidiaries shall, at all times comply, in all material respects, with all provisions of applicable laws, including directives of governmental authorities and regulations.

(n) **Financial and Regulatory Covenants**:

(i) The Issuer shall, and shall procure that each Material Subsidiary shall at all times comply with any and all prudential norms or other regulations applicable to it under relevant industry regulations and standards, except to the extent that failure to comply could not be reasonably expected to have a Material Adverse Effect.

(ii) The Issuer shall, at all times, maintain an amount in cash and Temporary Investments at least equal to the Interest Coverage Amount.

(o) **Change of Business**: The Issuer shall not, and shall procure that no Material Subsidiary shall, make any material change to the general nature of the business of the Issuer, the relevant Material Subsidiary or the Group, as the case may be, from that carried on at the Issue Date.

6. INTEREST

(a) **Interest:** Unless the Issuer redeems or repurchases the Bonds prior to the Maturity Date in accordance with Condition 7 (*Redemption and Purchase*), each Bond shall accrue interest semi-annually from and including the Issue Date until the Maturity Date at the rate within the range indicated in the Preliminary Offering Document. The final interest rate will be determined pursuant to Condition 2(a) (*Bond Offering Process*) and will be reflected in the Final Offering Document. The interest is payable semi-annually in arrears based on the relevant Interest Payment Dates. Each Bond will bear interest until the Maturity Date unless payment of principal is improperly withheld or refused. In such event each Bond shall continue to bear interest at a relevant applicable rate until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

If interest is required to be calculated for a period of less than one Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 365-day year.

The period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

(b) **Interest Rate Adjustment Upon Occurrence of Trigger Event:** Upon the occurrence of a Trigger Event, the interest rate in respect of the last Interest Period shall increase by 0.3 per cent. For the avoidance of any doubt, such increase shall result in a one-off step-up payment by the Issuer in the amount of not more than USD 450,000 at the Maturity Date. If a Trigger Event has occurred, the Issuer shall give notice of such Trigger Event and the related increase in the rate of interest to the Bondholders in accordance with Condition 14 (*Notices*) as soon as reasonably practicable following the publication of the SPT Limited Assurance Report for the year ending on the Target Observation Date in accordance with Condition 6(c) (*Reporting of Sustainability Performance Target*), if applicable.

(c) **Reporting of Sustainability Performance Target:** For each fiscal year ending on 31 December from and including 31 December 2023 up to and including 31 December 2027, the Issuer will publish on its website a Sustainability Report or other document (each such report or other document, a "**Sustainability Report**"), which shall disclose the progress against the SPT of the Group as of 31 December in each year as determined by the Issuer in accordance with these Conditions. Each such Sustainability Report shall include or be accompanied by a limited assurance report issued by the External Verifier (the "**SPT Limited Assurance Report**"). Each Sustainability Report and related SPT Limited Assurance Report will be published no later than 120 calendar days after the relevant fiscal year.

7. REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount, together with any accrued and unpaid interest, on the Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for Taxation and Other Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the to the Bondholders and Nominal Holders who are registered at the Register (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Bondholders' Representative immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts of Tax related to the Bonds as a result of any change in, or amendment to, the laws or regulations of Georgia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Bondholders' Representative a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Bondholders' Representative shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Bondholders.

(c) **Optional Redemption at Make Whole**: At any time prior to the expiry of two calendar years after the Issue Date (same day of the month, excluding this date), the Issuer may, at its option, on giving not less than 15 (fifteen) nor more than 60 (sixty) days' irrevocable notice (the "**Call Option Notice**") to the Bondholders, redeem the Bonds in whole but not in part, at the price which shall be the following:

(i) the aggregate principal amount of the Outstanding Bonds; ***plus***

(ii) interest and any additional amounts or other amounts that may be due thereon (if any) accrued but unpaid to but excluding the date on which the call option is to be settled (the "**Call Settlement Date**"); ***plus***

(iii) the Make Whole Premium; ***plus***

(iv) 0.30% of principal amount if the Issuer fails to provide the SPT Limited Assurance Report for the most recent fiscal year ending on 31 December prior to the "Call Option Notice" confirming that the Sustainability Performance Target has been met in full for such fiscal year.

The Call Option Notice shall specify the Call Settlement Date.

(d) **Optional Redemption after Non-Call Period:** On or after the expiry of two calendar years after the Issue date (same day of the month, including this date), the Issuer may on any one or more occasions redeem all or a part of the Bonds upon not less than 15 (fifteen) nor more than 60 (sixty) days' prior written notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Bonds redeemed, to the applicable date of redemption, if redeemed on or after the dates indicated below, subject to the rights of Bondholders on the relevant Record Date to receive interest on the relevant Interest Payment Date:

Dates	**Redemption Price**
From the expiry of two calendar years after the Issue date (same day of the month, including this date) to the expiry of the third calendar year after the Issue Date (same day of the month, excluding this date)	101.70%
From the expiry of three calendar years after the Issue date (same day of the month, including this date) to the expiry of the fourth calendar year after the Issue Date (same day of the month, excluding this date)	100.70%
From the expiry of four calendar years after the Issue date (same day of the month, including this date) to the expiry of the fifth calendar year after the Issue Date (same day of the month, excluding this date)	100.00%

In each case, the Redemption Price shall increase by 0.30% if the Issuer fails to provide the SPT Limited Assurance Report for the most recent fiscal year ending on 31 December prior to the notice of Optional

Redemption after Non-Call Period confirming that the Sustainability Performance Target has been met in full for such fiscal year.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Bonds or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, the incurrence of Indebtedness, the proceeds of which will be used to redeem the Bonds). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

(e) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be Outstanding for the purposes of calculating quorums at meetings of the Bondholders or whether any required threshold for Bondholder directions or instructions has been met for the purposes of Condition 11(a) (*Meetings of Bondholders*) or the relevant provisions of the Agreement.

8. PAYMENTS

(a) Method of Payment:

(i) Principal and interest on each Bond shall be paid to the Bondholders and/or Nominal Holders as recorded in the Register at the close of business (18:00) 3 Business Days before the due date for payment thereof (the "**Record Date**"). Payments shall be made by transfer in United States dollars to the brokerage accounts opened with the Placement Agents of Bondholders and Nominal Holders as recorded in the Register on the Record Date. The Bondholders and/or Nominal Holders recorded in the Register shall procure that the Registrar has updated, complete and correct information regarding their respective brokerage account details where any payments pertaining to the Bonds shall be made. None of the Issuer, the Registrar nor the Calculation and Paying Agent shall be responsible for non-payment of any amount due if the Bondholder and/or Nominal Holder (as the case may be) has failed to provide its brokerage account details to the Registrar, or to update its brokerage account details as of the Record Date, as requested by the Issuer or the Registrar for its receipt of payments.

(ii) If the brokerage account of a Bondholder and/or Nominal Holder referred to in the previous paragraph is at any bank other than the Calculation and Paying Agent, then any bank transaction fees assessed on the payment (transfer) may be deducted from the payment. If the brokerage account of the Bondholder and/or Nominal Holder referred to in the previous paragraph is in any currency other than United States dollars, then the payment may be made to the Bondholder and/or Nominal Holder (as the case may be) net of currency conversion fees.

(iii) Without prejudice to the Bondholders' rights under these Terms and Conditions to receive full payments of interest and principal when due, if the amount of interest or principal being paid on any due date is less than the amount then due, then the Issuer shall pay or cause to be paid to all Bondholders and/or Nominal Holders their respective pro rata shares of the funds available for payment on such date.

(iv) Processes and limitations with respect to payments are additionally established by legislation, as well as rules of Registrar and other relevant capital market participants and based on the Agency Agreement.

(b) **Appointment of Agents:** The Calculation and Paying Agent, the Placement Agents and the Registrar and their respective specified offices are listed in the Offering Document. The Calculation and Paying Agent, the Placement Agents, and the Registrar act solely as agents of the Issuer and for the purposes of this Prospectus and offering do not assume any obligation or relationship of agency or trust for or with any Bondholder and/or Nominal Holder. The Issuer reserves the right at any time with the approval of the Bondholders' Representative to vary or terminate the appointment/agreement of Calculation and Paying Agent, Placement Agents or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agents or the Registrar, provided that the Issuer shall at all times maintain (i) a Calculation and Paying Agent, and (ii) a Registrar, in each case, as approved by the Bondholders' Representative.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders in accordance with Condition 14 *(Notices)*.

(c) **Calculation and Payment:** Any payment to be made in relation to Bonds (including interest) shall be calculated and paid in accordance with the terms of this Prospectus and Georgian law by the Calculation and Paying Agent. Furthermore, the amount(s) due as calculated by the Calculation and Paying Agent, except for manifest error, shall be binding on the Issuer. The Calculation and Paying Agent shall calculate the amounts at least 3 Business Days before the relevant payment date and notify the Issuer. At least 1 Business Day before the relevant payment date, the Issuer must place relevant funds in United States dollars on its brokerage account (which is set up with a brokerage for clients and includes the bank account as well) maintained with the Calculation and Paying Agent and instruct the latter to transfer such funds. If there are sufficient funds on the Issuer's account, the Calculation and Paying Agent is entitled, but not obliged, to transfer payments due on Bonds without relevant instructions from the Issuer and in case the funds on the Issuer's account are not sufficient - notify the Issuer and Bondholders' Representative accordingly.

If an amount of interest payable in respect of any Bond, as calculated in accordance with these Conditions does not constitute an integral multiple of 0.01 USD, such amount shall be rounded down to the nearest integral multiple of 0.01 USD(with 0.005 – 0.009 USD being rounded up).

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives of Georgia.

(e) **Delay in Payment / Non-Business Days:** Bondholders will not be entitled to any interest, penalty or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day. The due payment will be made on the following Business Day.

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the Bondholders may, by an Extraordinary Resolution or a resolution passed by the holders of at least one-fifth in principal amount of the Bonds then Outstanding, directly or through issuance of a respective instruction to the Bondholders' Representative, give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100% of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer fails to pay the principal of, any interest or any other sum due on any of the Bonds or due pursuant to the Agreement when due and such failure to pay is not remedied within five Business Days of the due date for payment; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations (other than those in Condition 10(a)) in the Prospectus or the Agreement which default is incapable of remedy or, in the opinion of the Bondholders' Representative, if it is capable of remedy, it is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Bondholders' Representative; or

(c) **Cross-Default**: (i) any other present or future Indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any present or future Guarantee for, or in respect of, any Indebtedness; ***provided that*** the aggregate amount of the relevant Indebtedness and Guarantees in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent in any other currency; or

(d) **Insolvency**:

(i) the occurrence of any of the following events: (A) the Issuer or any Material Subsidiary seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidation commission, temporary administration or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer or any Material Subsidiary in any court or arbitration forum or before any Agency alleging its bankruptcy, insolvency, dissolution or liquidation or adoption of any resolution by any Agency in respect of any of the foregoing, except, in the case of any presentation or filing of a petition, where such presentation or filing is (x) initiated by any Person which is not a member of the Group or a Holding Company of any member of the Group; and (y) discharged or dismissed within 60 days from the date of presentation or filing; (C) the institution of supervision, temporary administration, external management, liquidation, rehabilitation or bankruptcy management to the Issuer or any Material Subsidiary; (D) the convening of a meeting of creditors of the Issuer or any Material Subsidiary for the purposes of considering an amicable settlement; or (E) any extra-judicial liquidation or analogous act in respect of the Issuer or any Material Subsidiary by any Agency in or of Georgia; or

(ii) the Issuer or any Material Subsidiary: (A) fails or is unable to pay its debts generally as they become due; or (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property; or (C) an Agency or court of competent jurisdiction declares the Issuer to be insolvent or bankrupt or enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer or any Material Subsidiary or any part of their respective property; or

(iii) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer; or

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer or any Material Subsidiary exceeds U.S.$25,000,000 or the equivalent thereof in any other currency or currencies, or any such unsatisfied judgment, decree or order results in (a) the management of the Issuer or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer or any Material Subsidiary in the conduct of its business being wholly or partially curtailed or (b) all or a majority of the issued shares of the Issuer or any Material Subsidiary or the whole or any part (the book value of which is 20% or more of the Total Equity) of the revenues or assets of the Issuer or such Material

Subsidiary, as the case may be, which are being seized, nationalised, expropriated or compulsorily acquired; or

(f) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 10(d) (*Insolvency*) or Condition 10(e) (*Unsatisfied Judgments, Governmental or Court Actions*); or

(g) **Enforcement Proceedings**: any enforcement is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, undertaking, revenues or assets of the Issuer or any Material Subsidiary; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its material rights and perform and comply with its payment obligations under the Bonds and the Agreement, its obligations under Condition 5 (*Covenants*) and its other material obligations under the Bonds or the Agreement, and (ii) to ensure that those obligations are legally binding and enforceable; or

(i) **Validity and Illegality**: the validity of the Bonds, the Prospectus, the Agreement or the Agency Agreement is contested by the Issuer or the Issuer denies any of its obligations under the Bonds, the Prospectus, the Agreement or the Agency Agreement or it is, or will become, unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Prospectus, the Agreement or the Agency Agreement or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

The Issuer has undertaken in the Agreement that it will promptly upon becoming aware of the same inform the Bondholders' Representative of the occurrence of any Event of Default or event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default (a "**Potential Event of Default**").

The Issuer has also undertaken in the Agreement that it shall, within 14 days of publication of its annual audited financial statements in accordance with Condition 5(j)(j)(A), within 14 days of each Interest Payment Date and also within 14 days of any request by the Bondholders' Representative, send to the Bondholders' Representative a certificate of the Issuer signed by any two of its directors confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Agreement or, if such an event has occurred, giving details of it and that, during the period from and including the Certification Date of the last such certificate or (if none) the date of the Agreement, the Issuer has complied with all its obligations contained in these Conditions and the Agreement (including Condition 5 (*Covenants*) or (if such is not the case) specifying the respects in which it has not complied.

The Bondholders' Representative shall be entitled to rely conclusively upon such certificates and shall not be liable to any person by reason thereof. The Bondholders' Representative is, on its own behalf, obliged to inform the Bondholders of any occurrence of Event of Default and explain to them their rights upon the occurrence of such Event of Default.

11. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Bondholders**: The Agreement and Terms and Conditions contain provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by the resolution passed at a meeting duly convened and held in accordance with this Prospectus and the Agreement by a majority of at least 75 per cent. of the votes cast (an "**Extraordinary Resolution**") of a modification or abrogation of any of these Conditions or any provisions of the Agreement. A meeting of Bondholders may be convened by the Issuer, the Bondholders' Representative and the Bondholders (and/or Nominal Holders acting on their behalf) holding not less than 10% in principal amount of the Bonds for the time being Outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Bonds for the time being Outstanding, or at any Adjourned Meeting person(s) being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes, inter alia, consideration of the following proposals: (i) to change any date fixed for payment of principal or interest in respect of the Bonds; (ii) to reduce the amount of principal or interest payable on any date in respect of the Bonds; (iii) to alter the method of calculating the amount of any payment in respect of the Bonds (except where such alteration is, in the opinion of the Bondholders' Representative, bound to result in an increase) or the date for any such payment; (iv) to change the amount of principal and interest payable in respect of the Bonds (except for adjustment of interest in accordance with Condition 6(b) (*Interest Rate Adjustment Upon Occurrence of Trigger Event*); (v) to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other entity; (vi) to change the currency of payments under the Bonds; (vii) to change the quorum requirements relating to Bondholders' meetings or the majority required to pass an Extraordinary Resolution; (viii) to alter the governing law of the Conditions or the Agreement; or, (ix) without prejudice to the rights under Condition 11(b) (*Modification of the Agreement, Waiver and Determination*) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be person(s) holding or representing not less than two-thirds, or at any Adjourned Meeting not less than one-third, in principal amount of the Bonds for the time being Outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

A resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Bonds for the time being Outstanding will for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

Without prejudice to provisions of Condition 10 (*Events of Default*), all resolutions to be made by the Bondholders, not qualifying for passing as an Extraordinary Resolution, shall be adopted by Bondholders by a majority of at least 51% (fifty-one percent) of the votes cast ("**Ordinary Resolution**"). Such a meeting may be convened by the Issuer and/or by the Bondholders (or Nominal Holders acting on their behalf) holding not less than 10% (ten percent) in principal amount of the Bonds for the time being Outstanding. The quorum for any meeting convened to consider an Ordinary Resolution (including a resolution to declare the Bonds immediately due and payable upon the occurrence of the Event of Default as set forth under Condition 10 (*Events of Default*) will be person(s) holding or representing 20% (twenty percent) of the aggregate principal amount of the Bonds for the time being Outstanding, , or at any Adjourned Meeting person(s) being or representing Bondholders whatever the principal amount of the Outstanding Bonds held or represented.

A resolution in writing signed by or on behalf of the Bondholder or Bondholders who for the time being hold (x) in respect of a resolution to declare the Bonds immediately due and payable upon the occurrence of the Event of Default as set forth under Condition 10 (*Events of Default*), 20% (twenty percent) or more of the principal amount of Outstanding Bonds and (y) in all other cases, 51% (fifty-one percent) or more of the principal amount of Outstanding Bonds will, in each case, take effect as if it were an Ordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of the Agreement, Waiver and Determination**: The Bondholders' Representative may agree with the Issuer, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Agreement, that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Conditions or the Agreement), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Agreement or the Agency Agreement, or may determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such provided that, in any such case, it is, in the opinion of the Bondholders' Representative, not prejudicial to the interests of the Bondholders. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and, if the Bondholders' Representative so requires, such modification, authorisation, waiver or determination shall be notified to the Bondholders as soon as practicable.

(c) **Entitlement of the Bondholders' Representative**: In connection with the exercise of its trusts, powers, authorities, discretions and other functions (including but not limited to those referred to in this Condition) the Bondholders' Representative shall have regard to the general interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) and, in particular but without limitation, the Bondholders' Representative shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bondholders' Representative shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 (*Taxation*).

(d) **Convening of Bondholders' Meeting:** The Issuer, the Bondholders' Representative and/or the Bondholders, who collectively own no less than 10% (ten percent) of the Outstanding Bonds, (the "**Initiator of the Meeting**") can at any time convene a meeting. The Initiator of the Meeting needs to give notice to the Bondholders, the Bondholders' Representative and/or the Issuer (as applicable) at least 14 (fourteen) days before the date of the meeting. The notice must be sent according to Condition 14 (*Notices*). The notice of a meeting shall contain information about the date, time and place of the meeting. The Issuer and/or its representative has the right to attend the meeting.

The Bondholders and/or the Nominal Holders (as the case may be) and/or their representatives, who are present at the meeting, shall elect a chairperson among themselves; if unavailable, the Issuer shall choose the chairperson. The chairperson can, but does not have to be, a Bondholder and/or a Nominal Holder (as the case may be) or their agent. In case a third party is chosen as the chairperson, that third party must be independent. The chairperson of an Adjourned Meeting need not be the same person as the chairperson of the original meeting.

No issue shall be discussed (except electing the chairperson) unless there is a quorum. If there is no quorum for 45 (forty-five) minutes from the start of the meeting, the meeting must disband and it shall be adjourned until the chairperson decides such date no less than 14 (fourteen) nor more than 42 (forty-two) days after the first meeting.

(e) **Voting:** All the issues set forth at the meeting must be decided by a show of hands, unless a secret ballot is demanded (before the show of hands or disclosing results) by the chairperson, the Issuer or the Bondholder(s) and/or the Nominal Holder(s) (as the case may be), who represent 2% (two percent) of the Outstanding Bonds. In case of a secret ballot, the results shall be announced by the chairperson.

If a secret ballot is demanded, it must be conducted in a manner (and according to the conditions described below) and either immediately or after such adjournment, as the chairperson decides. The results of a secret ballot shall be deemed to be a decision of the meeting, at which the secret ballot was demanded. The demand for the secret ballot shall not prevent the meeting from continuing for the discussion of other topics.

A secret ballot that is demanded on a question of adjournment of the first meeting or on the election of a chairperson shall be held at once.

At the meeting, each Bondholder and/or Nominal Holder (as the case may be) has 1 (one) vote for every USD 1,000 in principal amount of Bonds that it holds or represents (as the case may be). A person who has more than 1 (one) vote is not obliged to use or cast all the votes uniformly. In the event of an equal number of votes, both in the event of a show of hands and a secret ballot, the chairperson shall have a casting vote in addition to the other votes he or she may have.

Minutes shall be made of all resolutions and proceedings at every meeting and such minutes shall be made not later than on the first Business Day following the date of the relevant Bondholders' meeting. If required to be signed by the chairperson of that meeting, such minutes shall be considered as conclusive evidence in relation to the matters under consideration. Until the contrary is proved, each meeting for which the minutes have been so made and signed shall be deemed to have been duly convened and conducted, and all resolutions passed or proceedings transacted at it to have been properly passed and transacted. Any resolution passed at the meeting of the Bondholders shall enter into force upon the relevant decision being duly adopted and signed by its chairperson.

The Issuer is obliged to notify the Bondholders of any resolution passed at the meeting of the Bondholders pursuant to Condition 14 (*Notices*) within 14 (fourteen) days (except in case of any change in the terms of the Bonds and/or any rights related to the Bonds), but failure to comply with such obligations shall not invalidate the resolution. In the event of any change in the terms of the Bonds and/or the rights relating to the Bonds, the Issuer shall promptly disclose such information to the public, but failure to comply with such obligations shall not invalidate the decision.

(f) **Resolution upon the Occurrence of the Event of Default:** Any resolution passed by the Bondholders with the aim of declaring the Bonds immediately due and payable upon the occurrence of the Event of Default as set forth under Condition 10 (*Events of Default*), and commencement of the relevant enforcement proceedings, should be passed in accordance with the above described procedures. Such resolution should *inter alia* cover: (a) decision on the method of enforcement to be utilised by the Bondholders, the Nominal Holders and/or the Bondholders' Representative (as applicable); (b) designation of the relevant person authorised/responsible for enforcement against the Issuer; and (c) any other issue that the Bondholders and/or the Nominal Holders deem necessary for administrative purposes upon the occurrence of the Event of Default.

12. ENFORCEMENT

Upon the occurrence of the Event of Default as set forth under Condition 10 (*Events of Default*), the Bondholders' Representative may, at any time, at its discretion and without further notice, institute such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against the Issuer as it may think fit to enforce these Conditions and the terms of the Agreement, but it need not take any such proceedings and/or other steps or action unless (a) it shall have been so (x) directed by an Extraordinary Resolution or a resolution at the Bondholders' meeting by holder or holders holding at least one-fifth in principal amount of the Bonds then Outstanding, or (y) requested in writing by Bondholder or Bondholders holding at least one-fifth in principal amount of the Bonds then Outstanding, and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction.

Without prejudice to any other provision of these Conditions, each Bondholder and/or Nominal Holder (as the case may be) acknowledges that declaring the Bonds due and payable upon the occurrence of an Event of Default as set forth under Condition 10 (*Events of Default*) is an exclusive right of the Bondholders' meeting and they individually are not authorised to initiate any proceedings and/or any enforcement procedures against the Issuer. Furthermore, the relevant proceedings shall not commence within 30 Business Days from the passing of the relevant resolution, during which period the Issuer can challenge the said resolution in the dispute resolution body defined in Condition 0(b) (*Jurisdiction*).

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

The Agreement contains provisions for the indemnification of the Bondholders' Representative and for its relief from responsibility.

The Bondholders' Representative may rely without liability to the Issuer, the Bondholders and/or the Nominal Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Bondholders' Representative or in any other manner) by reference to a monetary cap, methodology or otherwise.

14. NOTICES

The Issuer's notice to the Bondholders and/or the Nominal Holders shall be made by either publication (including without limitation on the Issuer's web-site) or by sending it to the Bondholders' Representative and the Registrar.

In case the Issuer's notice is made by publication or by sending it via e-mail, any such notice shall be deemed to have been given on the date of publication or at the date when the respective email was sent. If published or sent more than once, the notice shall be deemed to have been duly given on the first date on which publication is made (or e-mail is sent). In case the Issuer's notice is made by physical mailing, any such notice shall be deemed to have been given on the 4th Business Day after the date of mailing.

For the avoidance of any doubt, in case of sending the notice provided for in this Condition 14 (*Notices*) in the material form to the appropriate address, the notice shall be deemed to have been duly sent and it shall not require additional mailing. The Issuer will provide the Bondholders' Representative with information on convening the meeting of the Bondholders and/or will publish a notice through the webpage of the Issuer or any other means permitted under applicable legislation.

For the purpose of disclosing regulated information, any public source defined by law (https://reportal.ge/; https://gse.ge/; Legislative Herald of Georgia, Issuer's website) will be used to publish regulated information, including the fulfillment of the obligations set forth in Article 9 of the Transparency Rule, inter alia:

(a) Any changes in the public securities holder's rights, including changes in the terms of the securities that may have an indirect impact on the public securities owner's rights or that result from changes in loan terms and interest rates;
(b) Information on interest rates on loan securities, periodic payments, conversion/exchange, purchase or cancellation rights, or repayment;
(c) Information required for the proper exercise of the rights of holders of public securities;
(d) Information on the place, time, agenda and right to participate in the Issuer's shareholders' meeting.

The Issuer plans to use the following sources for different types of information, in case of changes of which it will inform the Bondholders accordingly:

i. Periodic financial statements: https://reportal.ge;
ii. Information on meetings / decisions and other similar issues to the extent possible: website of the Issuer or National Agency of Public Registry;
iii. Other information listed above or current reports required by the rules of the GSE, the Transparency Rule or the applicable legislation: webpages of the Issuer or GSE;
iv. SLB Framework or the corresponding second party opinion: https://georgiacapital.ge/ir/sustainability-linked-bonds.

All of the above information will be disclosed in English, and periodic financial reports will be published in Georgian as well.

15. DEFINITIONS

Expressions used in these Conditions shall have the following meanings:

"**Adjourned Meeting**" means a meeting of the Bondholders which continues a prior meeting at which a quorum was not present for the conduct of business;

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, Controlling or Controlled by or under direct or indirect common Control with such specified Person or (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any other Person described in (a);

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Bondholder**" means the registered owner (the "Registered Owner", as such term is defined in the Securities Law) of the Bonds;

"**Business Day**" means any day (other than a Saturday, Sunday or statutory holiday) on which commercial banks settle payments and are open for general business (including in foreign exchange) in Tbilisi;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or other interests in the nature of any equity interest (or any equivalent of any of the foregoing (however designated)) of, in or in relation to the share capital, equity and/or corporate stock of a Person, in each of the foregoing cases whether now outstanding or hereafter issued;

"**Control**", means the power to direct the management and the policies of a Person, whether through the ownership of Capital Stock, by contract or otherwise;

"**Deferred Placement Date**" means any date after the Issue Date until the end of the Offering Period when the Bond is placed at the Deferred Placement Price;

"**Deferred Placement Price**" means nominal value of the Bond plus interest accrued thereon from the Issue Date to the Deferred Placement Date;

"**External Verifier**" means any independent accounting or appraisal firm or other independent expert of internationally recognised standing appointed by the Issuer, in each case with the expertise necessary to perform the functions required to be performed by the External Verifier under these Conditions, as determined by the Issuer;

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's-length commercial transaction between an informed and willing seller (under no undue pressure or compulsion to sell) and an informed and willing buyer (under no undue pressure or compulsion to buy). A report of the Independent Appraiser of the Fair Market Value of a transaction may be relied upon by the Bondholders' Representative without further enquiry or evidence and, if relied upon by the Bondholders' Representative, shall be conclusive and binding on the Bondholders;

"**Group**" means the Issuer and its Subsidiaries, from time to time, taken as a whole;

"**Group Financial Information**" means the consolidated financial statements of the Group prepared in accordance with IFRS;

"**GSE**" means the Georgian Stock Exchange;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(a) currency exchange, interest rate or commodity swap agreements, currency swap, interest rate or commodity cap agreements, currency exchange, interest rate or commodity collar agreements and foreign exchange contracts or futures contracts;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices;

"**Holding Company**" means any Person who (a) directly or indirectly Controls the affairs and policies of the Issuer or (b) owns directly or indirectly more than 50% of the capital, Voting Stock or other right of ownership of the Issuer;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**IFRS Fiscal Period**" means any fiscal period for which the Issuer or a Material Subsidiary, as the case may be, has produced Group Financial Information, which have either been audited or reviewed by the auditors;

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, Bonds or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), excluding any letters of credit, guarantees, or other similar instruments issued in the ordinary course of its insurance business;

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services;

(e) all capitalised lease obligations of such Person;

(f) all indebtedness of other Persons secured by Security Interests granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest annual financial statements (calculated in accordance with IFRS) of the Person granting the Security Interest) of such Person, whether or not such indebtedness is assumed by such Person;

(g) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;

(h) any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable;

(i) any amount raised by acceptance under any acceptance credit facility;

(j) to the extent not otherwise included in the foregoing, net obligations under any currency or interest rate hedging agreements; and

(k) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing,

and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

"**Independent Appraiser**" means an investment banking firm or third party expert in the matter to be determined of international standing selected by the Issuer and approved by the Bondholders' Representative, provided that the Issuer has confirmed to the Bondholders' Representative in writing that such firm or third party appraiser is not an Affiliate of the Issuer;

"**Interest Coverage Amount**" means, as at any date, the amount of interest accrued and due and payable on the Bonds on the next Interest Payment Date;

"**Interest Payment Date**" means the date when interest is payable on the Bonds as indicated in the Offering Document;

"**Interest Period**" has the meaning given to it in Condition 6(a) (*Interest*);

"**Issue Date**" means the date when the Bonds are issued as indicated in the Offering Document;

"**Issuer**" means JSC Georgia Capital, a joint stock company incorporated under the laws of Georgia with identification number: 404549690;

"**Listed Subsidiary**" means a Subsidiary the shares of which are, as at the end of the most recent IFRS Fiscal Period, listed and/or admitted to trading on a recognised international stock exchange or the GSE;

"**Make Whole Premium**" means, with respect to any Bond redeemed pursuant to Condition 7(c) (*Optional Redemption at Make Whole*) on any redemption date, the excess of: (i) the present value at such redemption date of the redemption price of such Bond at the expiry of two calendar years after the Issue date (same day of the month) (such redemption price being set forth in the table appearing in Condition 7(d) (*Optional Redemption after Non-Call Period*), plus any required interest payments that would otherwise be due to be paid on such Bond from the Call Settlement Date through the expiry of two calendar years after the Issue date (same day of the month) (excluding accrued but unpaid interest to the redemption date), calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (ii) the aggregate principal amount of the Outstanding Bond at the Call Settlement Date, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Premium will be equal to zero. For the avoidance of doubt, the calculation of the Make Whole Premium shall not be a duty or obligation of the Registrar or any Calculation and Paying Agent;

"**Material Adverse Effect**" means a material adverse change in, or material adverse effect on, (a) the business, properties, condition (financial or otherwise), *results* of operations or prospects of the Issuer or the Group, (b) the Issuer's ability to perform its obligations under the Bonds or the Agreement or (c) the validity or enforceability of Bonds or the Agreement;

"**Material Subsidiary**" means, other than any Listed Subsidiary, any Subsidiary of the Issuer:

(a) the Issuer's investments in which determined by reference to the most recent Group Financial Information comprise more than 20% of Total Equity; or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

other than, for purposes of Condition 5 (*Covenants*) only (irrespective of the revenues or assets of such Subsidiary, respectively, as a percentage of consolidated revenues or total consolidated assets of the Group), but not otherwise, any Listed Subsidiary;

"**Maturity Date**" means the date of final redemption set forth under the Offering Document when the Issuer shall redeem the Bonds at their principal amount together with any accrued and unpaid interest;

"**NBG**" means the National Bank of Georgia;

"**Net Debt**" means the resulting amount calculated (without duplication) as follows:

(a) amounts owed to credit institutions, ***plus***

(b) debt securities issued, ***less***

(c) cash and cash equivalents, ***less***

(d) amounts due from credit institutions, ***less***

(e) debt investment securities to the extent comprising Temporary Investments,

in each case, of the Issuer on a stand-alone basis determined by reference to the Issuer's most recent Group Financial Information;

"Net Debt Covenant Compliance Certificate" means a certificate of the Issuer, signed by a director of the Issuer, setting out the Issuer's calculation of the amounts of Total Equity and Net Debt and the required ratio, and showing, in each case, the component parts thereof.

"**Nominal Holder**" means the nominal holder of the securities as such term is defined in the Securities Law;

"**Offering Period**" has the meaning given to it in the Offering Document;

"**Outstanding**" means, in relation to the Bonds, all Bonds issued *except*:

(a) those which have been redeemed on the Maturity Date in accordance with Condition 7(a) (*Final Redemption*),

(b) those which have been redeemed prior to the Maturity Date in accordance with Condition 7(b) through 7(d) and the redemption moneys (including all accrued and interest on such Bonds to the date for such extraordinary redemption, and any interest payable under the Conditions after such date, and applicable premium (if any)) have been duly paid to the Bondholders and/or to the Nominal Holders (as the case may be) or such moneys are available for payment in accordance with the Conditions,

(c) those which have become void,

(d) those which have been purchased in accordance with Condition 7(e) (*Purchase*), and

(i) those Bonds which are beneficially held by or on behalf of the Issuer and/or any of its Subsidiaries (and have not been cancelled) for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Bondholders, (ii) the determination of how many Bonds are outstanding for the purposes of Condition 11 (*Meetings of Bondholders, Modification, Waiver and Substitution*), and (iii) the exercise of any discretion, power or authority whether contained in the Conditions, the Agreement or provided by law which the Bondholders' Representative is required, expressly or impliedly, to exercise in or by reference to the interests of the Bondholders;

"**Permitted Security Interests**" means:

(a) Security Interests in existence on the Issue Date;

(b) Security Interests granted by any Subsidiary in favour of the Issuer or any wholly-owned Subsidiary of the Issuer;

(c) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary of the Issuer or becomes a Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Subsidiary of the Issuer (other than those of the Person acquired and its Subsidiaries (if any));

(d) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(e) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(f) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to the establishment of margin deposits and similar arrangements in connection with interest rate and foreign currency hedging operations;

(g) any Security Interests arising by operation of law and in the ordinary course of business including tax and other non-consensual Security Interests; and

(h) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (g), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of U.S.$60,000,000 or 2% of Total Equity, determined by reference to the most recent Group Financial Information;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, become an Event of Default;

"**Restricted Payment**" has the meaning given to it in Condition 5(g) (*Restricted Payments*);

"**Securities Law**" means the Law of Georgia on Securities Market, adopted on 24 December 1998, as amended from time to time;

"**Security Interest**" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

"SLB Framework" means the Issuer's Sustainability-Linked Bond Framework dated April 2023;

"**SPT Limited Assurance Report**" has the meaning given to it in Condition 6(c) (*Reporting of Sustainability Performance Target*);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (a) whose affairs and policies the first Person directly or indirectly Controls or (b) of which the first Person owns directly or indirectly more than 50% of the capital, Voting Stock or other right of ownership;

"**Sustainability Performance Target**" or “**SPT**” means a key performance indicator (KPI) set by SLB Framework to reduce the Issuer’s absolute scope 1, 2 and 3 (the latter representing aggregated scope 1 and 2 emissions of the portfolio companies) GHG emissions by 20% by 2027 compared to a 2022 baseline;

"**Target Observation Date**" means 31 December 2027;

"**Tax**" means any tax, levy, duty, impost or other charge or withholding of a similar nature, no matter where arising (including interest and penalties thereon and additions thereto) and no matter how levied or determined;

"**Temporary Investments**" means any of the following:

(a) any investment in direct obligations of a member of the European Union, the United States or any agency thereof or obligations guaranteed by a member of the European Union or the United States or any agency thereof;

(b) any investment in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by a bank or trust company which is organised under the laws of a member of the European Union or the United States or any state thereof and outstanding debt rated "A" (or such similar equivalent rating) or higher by at least one internationally recognised rating agency;

(c) any investment in repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraph (a) above entered into with a bank meeting the qualifications described in paragraph (b) above;

(d) any investment in commercial paper issued by a corporation (other than an Affiliate of the Issuer) organised and in existence under the laws of a member of the European Union or the United States with a rating at the time as at which any investment therein is made of "P1" / "A1" (or such similar equivalent rating or higher) by at least one internationally recognised rating agency;

(e) any investment in securities issued or fully guaranteed by any state, commonwealth or territory of a member of the European Union or the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" (or such similar equivalent rating) or higher by at least one internationally recognised rating agency;

(f) any investment in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by any Georgian bank;

(g) any investment in internationally issued and placed securities issued by or guaranteed by the government of Georgia or the NBG up to a limit of U.S.$50,000,000 at any time;

(h) any investment in commercial paper issued by a corporation organised and in existence under the laws of Georgia up to a limit of U.S.$10,000,000 at any time; and

(i) any investment in money market funds that invest substantially all their assets in securities of the types described in paragraphs (a) through (g) above;

"**Total Equity**" means (A) at all relevant times and for all accounting periods total assets less total liabilities as presented in the Issuer's financial statements prepared in accordance with IFRS;

"**Transparency Rule**" means Order No. 181/04 of the President of the NBG, dated 7 October 2020, on the Adoption of Rules for the Information Transparency of Issuers and Appointment of the Securities Registrar for Issuers, as amended from time to time;

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the

Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used; and

"**Trigger Event**" means an event when (i) the Group does not achieve the Sustainability Performance Target on the Target Observation Date as determined by the External Verifier and confirmed in the SPT Limited Assurance Report, or (ii) the Issuer has not published the SPT Limited Assurance Report within 120 calendar days after the end of the relevant fiscal year;

"**Voting Stock**" means, in relation to any Person, Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or Bondholders' Representatives thereof.

GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Prospectus and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Georgian law.

(b) **Jurisdiction**: Any dispute, controversy or claim arising out of or relating to this Prospectus and/or the Bonds (including any claim, dispute or difference regarding their issuance, existence, termination or validity or any non-contractual obligations arising out of or in connection with the Prospectus or the Bonds) shall be referred to and finally settled by arbitration in accordance with the effective UNCITRAL Arbitration Rules, by one arbitrator appointed by LCIA (London Court of International Arbitration). The seat and place of arbitration shall be London, England and the English language shall be used throughout the arbitral proceedings.

(c) **Waiver of immunity**: To the extent that the Issuer or any of its assets has (on the date of issue of the Bonds), or thereafter may acquire, any right to immunity from set-off, legal proceedings, attachment prior to judgement, other attachment or execution of judgement on the grounds of sovereignty or otherwise, the Issuer hereby irrevocably waives any such right to immunity and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any proceedings.

(d) **Agent for Service of Process:** The Issuer irrevocably appoints Georgia Capital PLC, at 42 Brook Street, London, W1K 5DB, United Kingdom as its agent in England to receive service of process in any proceedings in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer shall appoint a new agent for service of process in England and deliver to the Bondholders' Representative a copy of the new agent's acceptance of that appointment within 30 days.

TAXATION OF BONDS IN GEORGIA

The following is a general description of certain material Georgian tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers as to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Bonds.

Tax on payment of interest on Bonds

The interest paid on Bonds to resident individuals and non-residents (whether legal entities or physical persons) (unless it is linked to a non-resident's permanent establishment in Georgia) is exempt from income and profit tax, provided that Bonds are debt security issued by the Georgian resident through a public offering in Georgia before January 1, 2026, and traded on a recognized organized market recognised by the National Bank.

As of the date of this Prospectus, the JSC Georgian Stock Exchange is acknowledged as a recognized organized market.

Interest received by a residence legal entity (excluding banking institutions, credit unions, microfinance organizations, loan provider, and insurance organizations) will be included in the entity's profit and will be subject to a 15% profit tax after the distribution of the profit.

Interest earned by a banking institution, credit union, microfinance organization, and loan provider will be included in the gross taxable income and after the permitted deductions will be subject to profit tax at the rate of 20%.

Until January 1, 2024, the interest received by an insurance organization will be will be included in the gross taxable income of the organization and after the permitted deductions will be subject to profit tax at the rate of 15%.

Taxation of sale of Bonds

The income (in general, positive difference between the initial purchase and subsequent sale price excluding interest accrued and unpaid before the supply of the Bonds in cases envisaged by the tax legislation) received by resident individuals and non-residents (whether legal entities or physical persons) from the sale of Bonds is exempt from income and profit tax (unless it is linked to a non-resident's permanent establishment in Georgia), provided that Bonds are debt security issued by the Georgian resident through a public offering in Georgia and traded on a recognized organized market recognised by the National Bank.

Georgian resident legal entity (excluding banking institutions, credit unions, microfinance organizations, loan provider, and insurance organizations) is required to pay a profit tax at a rate of 15% on the profit realized from the sale of Bonds subsequent to the distribution of the profit.

The income received by a banking institution, credit union, microfinance organization, and loan provider from the sale of Bonds will be included in the gross taxable income and after the permitted deductions will be subject to profit tax at the rate of 20%.

Until January 1, 2024, the income received by an insurance organization from the sale of Bonds will be included in the gross taxable income of the organization and after the permitted deductions will be subject to profit tax at the rate of 15%.

Tax on Payment of Principal

The principal amount received by the Bondholders on redemption of the Bonds shall not be treated as their taxable income and, therefore, shall not be subject to taxation in Georgia provided that the redemption price at maturity does not exceed the original issue price.

Value Added Tax

Sales (supply) of the Bonds are exempt from Value Added Tax in Georgia.