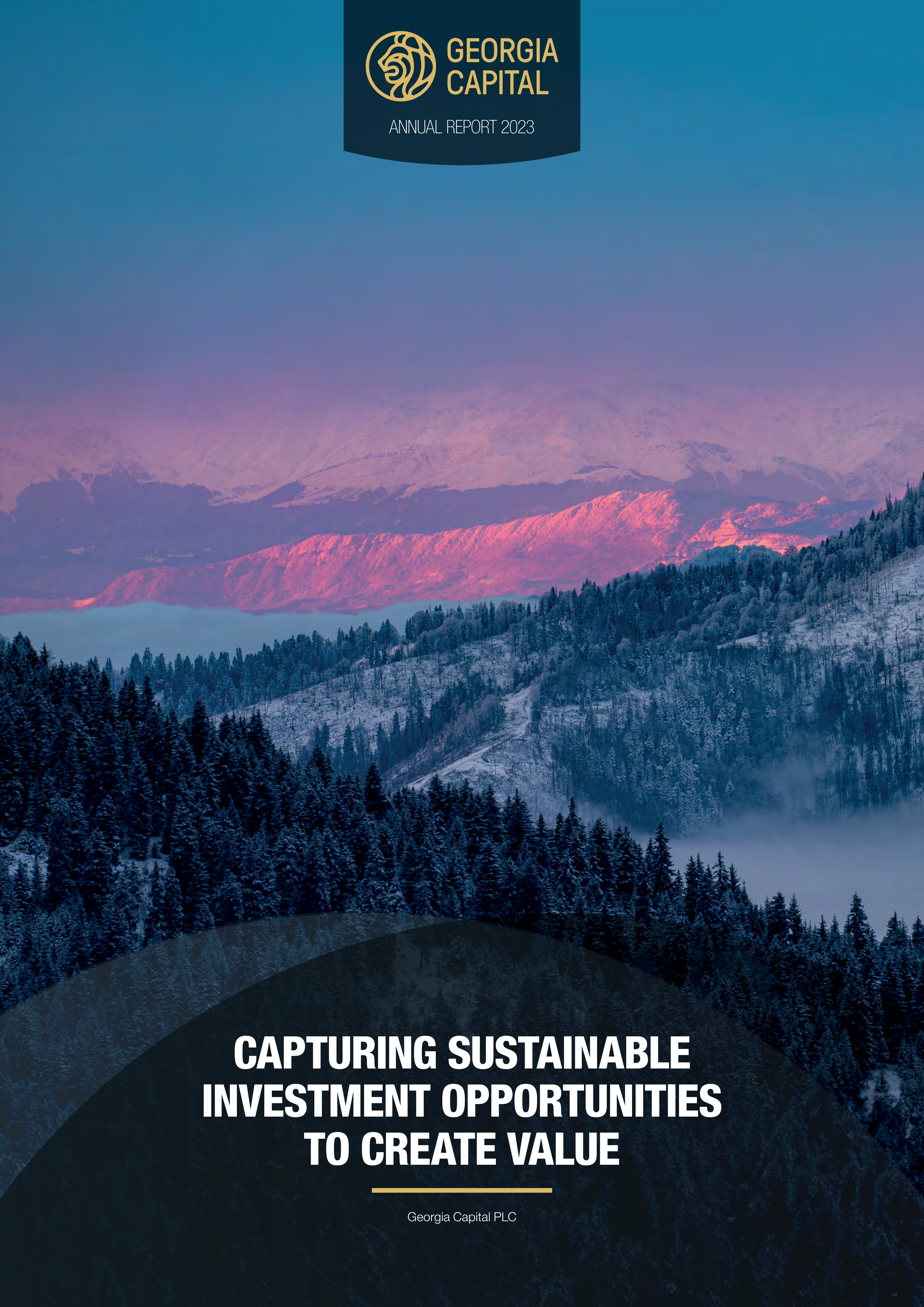
GEORGIA CAPITAL

ANNUAL REPORT 2023



CAPTURING SUSTAINABLE INVESTMENT OPPORTUNITIES TO CREATE VALUE

Georgia Capital PLC

GEORGIA CAPITAL

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

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

The Group’s primary business is to develop or buy businesses, help them develop their management and institutionalise their businesses so they can further develop mainly on their own, either with continued oversight or independently. The Group’s focus is typically on larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over three to five years from the initial investment. As investments mature, the focus shifts to monetising them through exits. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. The Group does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

CHAIRMAN AND CEO STATEMENT

Read our **Chairman and CEO Statement** on pages 14 to 16

STRATEGY

Read about **Georgia Capital Strategy** on pages 18 to 19

PORTFOLIO

Read about our **portfolio companies** on pages 34 to 60

STRATEGIC REVIEW

Overview

Our Business

Discussion of Results

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

For more information on Georgia Capital visit:

georgiacapital.ge

PERFORMANCE HIGHLIGHTS

GEORGIA CAPITAL NAV OVERVIEW

NAV per share (GEL)
82.94 +26.5% y-o-y

NAV per share (GBP)
24.23 +20.4% y-o-y

Net Asset Value (NAV) (GEL million)
3,379 +19.9% y-o-y

Total portfolio value (GEL million)
3,672 +14.8% y-o-y

Liquid assets and loans issued (GEL million)
117 -73.3% y-o-y

NCC[1] ratio
15.6% -5.5 ppts y-o-y

PORTFOLIO BREAKDOWN (GEL MILLION)

LISTED AND OBSERVABLE PORTFOLIO

Value: 1,385
37.7% of the total portfolio value

PRIVATE PORTFOLIO

Value: 2,287
62.3% of the total portfolio value

LARGE PORTFOLIO COMPANIES

Value: 1,436; 39.1% of the total portfolio value

BANK OF GEORGIA
Value: 1,226
33.4% of the total

RETAIL (PHARMACY)
Value: 714
19.4% of the total

HOSPITALS[2]
Value: 344
9.4% of the total

INSURANCE (P&C AND MEDICAL)
Value: 378
10.3% of the total

INVESTMENT STAGE PORTFOLIO COMPANIES

Value: 567, 15.5% of the total portfolio value

WATER UTILITY
Value: 159
4.3% of the total

RENEWABLE ENERGY
Value: 267
7.3% of the total

EDUCATION
Value: 189
5.2% of the total

CLINICS AND DIAGNOSTICS[2]
Value: 111
3.0% of the total

OTHER BUSINESSES
Value: 284
7.7% of the total

1 Net Capital Commitment – please see definition in glossary on page 206.
2 As presented elsewhere in this report, in December 2023, our healthcare business underwent a strategic restructuring. This restructuring resulted in the split of the hospitals business into two distinct segments: "Large and Specialty Hospitals" and "Regional and Community Hospitals". The Regional and Community Hospitals now include the community clinics that were previously managed under the clinics and diagnostics business. See page 42 for more background.

PERFORMANCE OVERVIEW (GEL MILLION)

TOTAL PORTFOLIO VALUE CREATION[1]

681 +646 y-o-y

LISTED AND OBSERVABLE PORTFOLIO

553 +347 y-o-y

Bank of Georgia	Water Utility
549	4
+359 y-o-y	-12 y-o-y

PRIVATE PORTFOLIO

127 +299 y-o-y

Large portfolio companies	Investment stage portfolio companies	Other portfolio companies
75	47	5
+146 y-o-y	+34 y-o-y	+119 y-o-y

Investments
23 -173 y-o-y

Buybacks[2]
76 -7 y-o-y

Net income
616 +614 y-o-y

Dividend income
236 +142 y-o-y

OF WHICH, RECURRING DIVIDEND INCOME[3]
180 +86 y-o-y

OF WHICH, ONE-OFF DIVIDEND INCOME[4]
56 NMF

OUR STRATEGY

Read about our **Strategy** on page 18

1 The detailed value creation drivers for each business are described on pages 101-119 in the results section of this report.
2 Includes both the buybacks under the share buyback and cancellation programme and for the management trust.
3 Includes regular cash and buyback dividends.
4 One-off dividend income includes a non-recurring GEL 27 million dividends collected from the retail (pharmacy) business and GEL 29 million buyback dividend attributable to participation in BoG's 2022 buybacks in FY23.

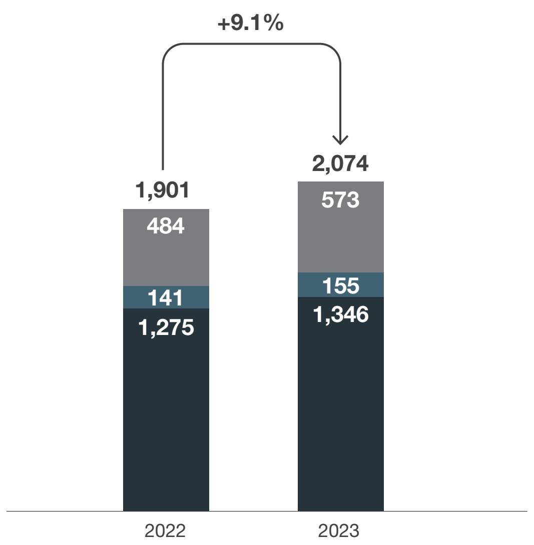
Certain financial measures presented in the Strategic Review are taken from unaudited management accounts. The figures from the management accounts are Alternative Performance Measures (APMs) and are described on page 94, and the differences from, and the reconciliation to, the IFRS audited accounts are presented on pages 97-98.

PERFORMANCE HIGHLIGHTS CONTINUED

PRIVATE PORTFOLIO COMPANIES' PERFORMANCE HIGHLIGHTS (UNAUDITED)[1]

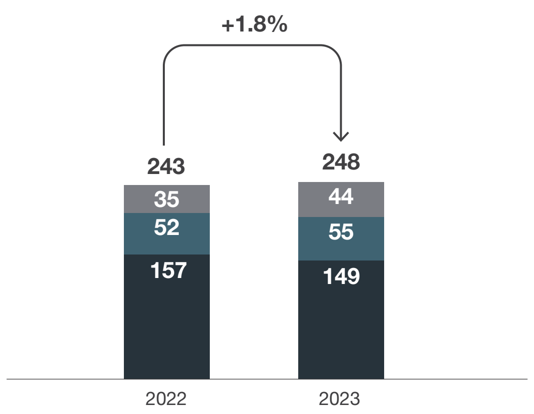
Our 2023 performance reflects the high level of resilience of our portfolio companies, bolstered by the outstanding growth of the Georgian economy, which has enabled Georgia Capital to deliver substantial progress and value creation in 2023.

Aggregated revenue (GEL million)



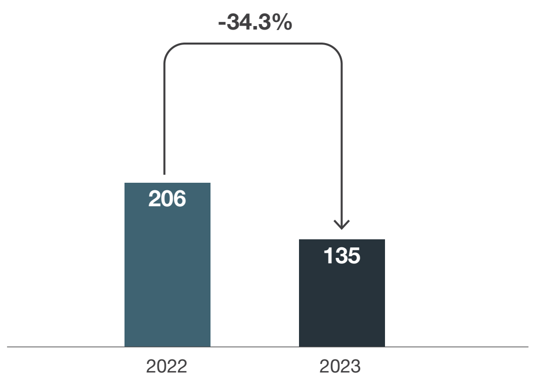
- Large portfolio companies
- Investment stage portfolio companies
- Other portfolio companies

Aggregated EBITDA (GEL million)

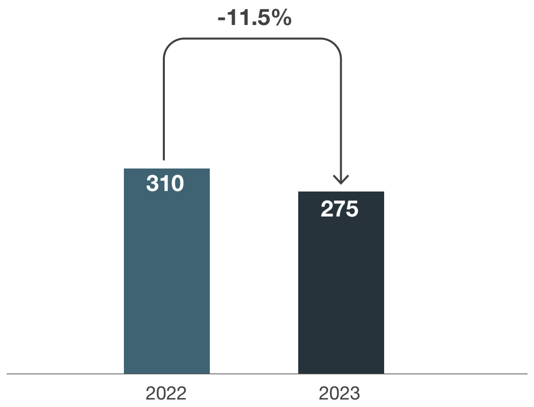


- Large portfolio companies
- Investment stage portfolio companies
- Other portfolio companies

Aggregated net operating cash flow (GEL million)



Aggregated cash balances of private businesses (GEL million)



Organic transition to revenue growth strategy

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

Listed and observable portfolio companies

Bank of Georgia

Bank of Georgia Group PLC ("Bank of Georgia" or "BoG" or "BoGG" – LSE: BGEO LN) is a UK incorporated holding company, comprising a) retail banking and payment services (Retail Banking), b) banking services for small and medium-sized businesses (SME Banking) and c) corporate and investment banking operations (Corporate and Investment Banking) in Georgia. BoG expects to benefit from superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its strategy and key medium-term objectives – at least 20% return on average equity (ROAE) and c.10% growth of its loan book. BoG targets to maintain a 30%-50% dividend/share buyback payout ratio through regular and progressive semi-annual capital distributions. BoG's Annual Report 2023, when published, will be available at https://bankofgeorgiagroup.com. As of 31 December 2023, Georgia Capital owns a 19.71% non-voting equity stake in BoG (31 December 2022: 20.6%).

Water utility

The water utility business is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.42,000 legal entities. The water utility business also operates hydro power plants (HPPs) with a total installed capacity of 149MW. In 2022, Georgia Capital completed the sale of an 80% equity interest in the business to FCC Aqualia ("Aqualia") for a cash consideration of US$ 180 million. As a consequence, GCAP owns a 20% interest in the business as of 31 December 2023, which remains subject to the ongoing put/call option structure.

Private large portfolio companies

Retail (pharmacy)

The retail (pharmacy) business is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 32% market share by 2022 revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and pharmacies. The business operates a total of 412 pharmacies (of which 397 are in Georgia and 15 are in Armenia) and 23 franchise stores. In 2023, the business signed an agreement with its minority shareholders to acquire a further 20.6% equity interest in the business. As a result of this transaction, GCAP's ownership stake in the business increased to 97.6% as of 31 December 2023 (31 December 2022: 77.0%).

Hospitals

The hospitals business, where GCAP owns 100% equity, is the largest healthcare market participant in Georgia, comprised of seven Large and Specialty Hospitals, providing secondary and tertiary level healthcare services across Georgia and 27 Regional and Community Hospitals, providing outpatient and basic inpatient services.

Insurance

The insurance business comprises a) property and casualty (P&C) insurance business, and b) a medical insurance business. GCAP owns a 100% stake in the business as of 31 December 2023 (31 December 2022: 100%).

- **The P&C insurance** business is a leading player in the local insurance market with a 30% market share in P&C insurance based on gross premiums as of 30 September 2023. The P&C insurance business also offers a variety of non-P&C products such as life insurance.
- Our **medical insurance** business is one of the country's largest private medical insurers, with a 19% market share based on 9M23 net insurance premiums. The business offers a variety of medical insurance products primarily to Georgian corporate and retail clients and (selectively) to state entities.

Private investment stage portfolio companies

Renewable energy

The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli wind farm. In addition, the business has a pipeline of renewable energy projects in varying stages of development. The renewable energy business is 100% owned by Georgia Capital as of 31 December 2023 (31 December 2022: 100%).

Education

Our education business currently combines majority stakes in four private school brands operating across seven campuses, acquired in 2019-2023: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium and international segments; Buckswood International School (80% stake), well-positioned in the midscale segment and Green School (80%-90% ownership), well-positioned in the affordable segment.

Clinics and diagnostics

The clinics and diagnostics business, where GCAP owns a 100% equity interest, is the second largest healthcare market participant in Georgia after our hospitals business. Following the strategic restructuring the business comprises of two segments: 1) 19 polyclinics (providing outpatient diagnostic and treatment services) and 14 lab retail points at GPC pharmacies; 2) Diagnostics, operating the largest laboratory in the entire Caucasus region – "Mega Lab". As of 31 December 2023, the clinics and diagnostics business is 100% owned by Georgia Capital (31 December 2022: 100%).

PORTFOLIO COMPANIES

Read more about our **portfolio companies** on pages 34-60

VALUE CREATION

DEFENSIVE, NON-CYCLICAL, HIGH-QUALITY ASSETS WITH STRONG AND GROWING CASH FLOW STREAMS
c.92% OF THE TOTAL PORTFOLIO IS VALUED EXTERNALLY AT 31-DEC-23

	AT 31-DEC-23	PORTFOLIO VALUE (GEL million)	VALUE CREATION IN 2023 (GEL million)	MULTIPLE OF INVESTED CAPITAL (MOIC) UNREALISED	OWNERSHIP		VALUATION METHODOLOGY HIGHLIGHTS[1]
LISTED AND OBSERVABLE PORTFOLIO COMPANIES	BANK OF GEORGIA	1,226	549	13.8x	Bank of Georgia	19.71%	London Stock Exchange ("LSE")
	WATER UTILITY	159	4	3.7x[2]	Water utility	20%	Pre-agreed put option multiple
PRIVATE PORTFOLIO COMPANIES	LARGE PORTFOLIO COMPANIES CLOSE TO GEL 300MLN+ IN VALUE	1,436	75	4.6x	Retail (pharmacy)	97.6%	Valued externally (combination of DCF and market approaches)
					Hospitals	100%	
					Insurance	100%	
	INVESTMENT STAGE PORTFOLIO COMPANIES WITH POTENTIAL TO BECOME GEL 300MLN+ IN VALUE	567	47	1.9x	Renewable energy	100%	Valued externally (combination of DCF and market approaches)
					Education	70%-90%	
					Clinics and diagnostics	100%	
	OTHER PORTFOLIO COMPANIES LIMITED POTENTIAL TO BECOME GEL 300MLN+ IN VALUE	284	5				
	TOTAL PORTFOLIO	3,672	681				

1 The detailed Valuation Methodology is described on pages 99-100 of this report.
2 In 2022, Georgia Capital completed the sale of an 80% equity interest in the water utility business for a cash consideration of US$ 180 million. The sale valuation translates into 2.7x MOIC in US$, of which 2.2x is realised (3.6x MOIC in GEL, of which 3.0x is realised).

Photo Road to Motsameta Monastery in Kutaisi, Georgia

2023 IN BRIEF

ISSUANCE OF US$ 150 MILLION SUSTAINABILITY-LINKED BOND

On 3 August 2023, JSC GCAP successfully issued a US$ 150 million sustainability-linked bond (SLB) on the Georgian market. The issuance of the bonds represents the largest-ever corporate bond offering in Georgia, and the first of its magnitude and kind in our region. The proceeds from the issuance, together with our existing liquid funds, were used to fully redeem US$ 300 million Eurobonds. The issuance of the SLB represents a significant strategic milestone for the Group, as it delivers on the following key objectives:

01. CONTRIBUTING TO THE DEVELOPMENT OF THE LOCAL CAPITAL MARKET
02. SUPPORTING CLIMATE-CHANGE MITIGATION
03. SUPPORTING GCAP'S DELEVERAGING STRATEGY

KEY TERMS

Annual coupon rate
8.50% (FIXED)
Semi-annual payments

Issue currency
US-DOLLAR

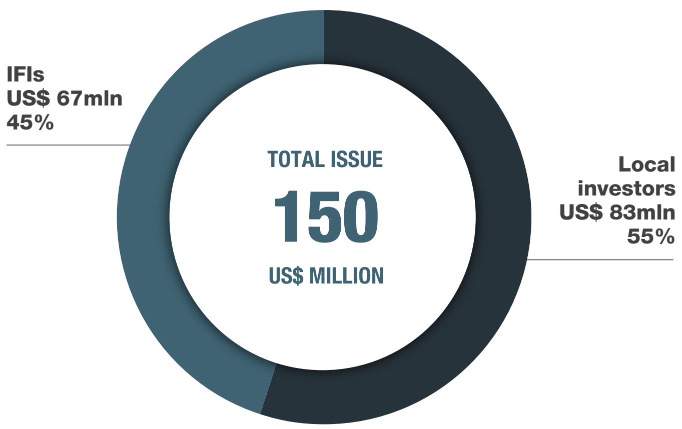
Maturity
5 YEARS
Callable after two years

Bond rating
BB- FROM S&P
A one-notch upgrade compared to the Eurobond

01. CONTRIBUTING TO THE DEVELOPMENT OF THE LOCAL CAPITAL MARKET

The issuance attracted an unprecedented level of interest in Georgia, with total demand reaching US$ 200 million and spreading across a diverse range of 275+ retail, corporate and institutional investors. The transaction was supported by Georgia Capital's longstanding partner international financial institutions (IFIs), who acquired US$ 67 million of the total issue, while the remaining US$ 83 million was allocated to local investors. Existing Eurobond investors also participated in the local bond issuance, with holders of US$ 23 million of the Eurobond transitioning their holdings into the local bonds.

Investor base



Georgia Capital's partner IFIs

European Bank for Reconstruction and Development

Asian Infrastructure Investment Bank

International Finance Corporation

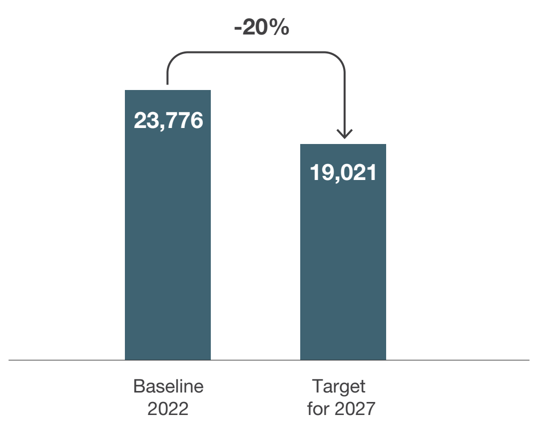
Asian Development Bank

02. SUPPORTING CLIMATE-CHANGE MITIGATION

Georgia Capital has established a SLB Framework, under which GCAP intends to decrease its greenhouse gas (GHG) emissions by 20% by 2027 compared to a 2022 baseline. Through this target, GCAP will support climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower carbon economy in Georgia.

- The SLB target is in line with GCAP's overarching commitment to reaching Net-Zero across the Group by 2050.
- GCAP's sustainability performance target contributes to the United Nation's ("UN") Sustainable Development Goals (SDGs) 7 (Affordable and Clean Energy) and 9 (Industry, Innovation and Infrastructure).
- GCAP has obtained a second-party opinion from Sustainalytics on its SLB Framework, affirming the alignment with the five core components of the SLB Principles.
- Georgia Capital is committed to having external limited assurance conducted against the SLB target on an annual basis until bond maturity. The first limited assurance report is available in the Group's 2023 Sustainability Report: **https://georgiacapital.ge/ir/sustainability-reports**

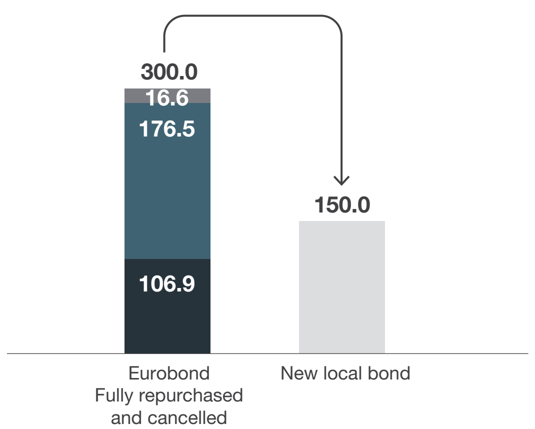
GCAP's sustainability performance target[1]
Greenhouse gas emissions (tCO_2e)



03. SUPPORTING GCAP'S DELEVERAGING STRATEGY

In 2023, we made significant progress on our key strategic priority of deleveraging GCAP's balance sheet, reducing the gross debt balance from US$ 300 million to US$ 150 million. Alongside the SLB issuance, GCAP initiated a Eurobond tender offer. This resulted in the repurchase of US$ 176.5 million in Eurobonds, which, combined with the US$ 106.9 million in Eurobonds already held in GCAP's treasury, have been fully cancelled. Regarding the remaining US$ 16.6 million in Eurobonds, we exercised the right of optional redemption at a "make-whole" price, which was completed in September 2023.

Gross debt development overview (US$ million)



1 Represents GCAP's absolute Scope 1, 2 and 3 emissions (the latter representing the aggregated Scope 1 and 2 emissions of the portfolio companies). The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.

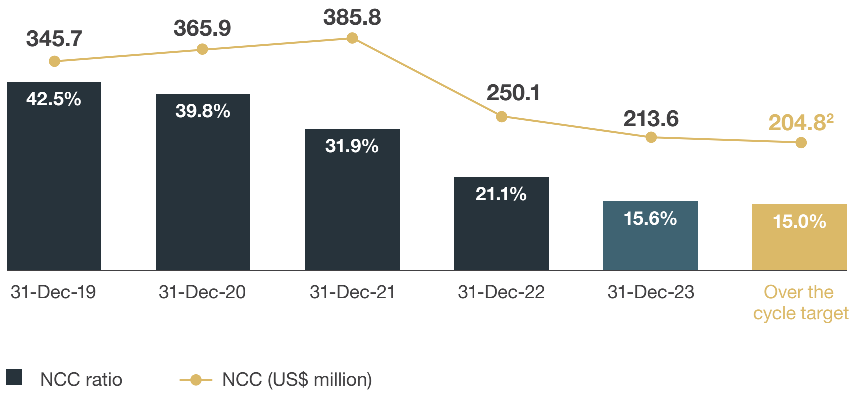
Georgia Capital PLC Annual Report 2023

2023 IN BRIEF CONTINUED

SIGNIFICANT IMPROVEMENT IN THE NET CAPITAL COMMITMENT RATIO

In 2023, the NCC ratio improved by 5.5 ppts y-o-y to 15.6% driven by a) a significant decrease in gross debt, b) GEL 235.9 million dividend income from the portfolio companies (up 2.5x y-o-y), c) a 14.8% growth in the total portfolio value, d) a GEL 17.6 million decrease in loans issued mainly due to the loan repayments from our hospitality and auto services businesses, and e) GEL 18.5 million decrease in GCAP's bank guarantee on the borrowings of the beer business, following which the guarantees issued balance was reduced to zero.

NCC AND NCC RATIO DEVELOPMENT OVERVIEW[1]



NCC represents an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP HoldCo level

NCC OVERVIEW

US$ million	31-Dec-22	Change (y-o-y)	31-Dec-23
Cash and liquid funds	152.4	*-73.7%*	40.1
Loans issued	9.9	*-65.5%*	3.4
Gross debt	(303.3)	*-49.3%*	(153.9)
Net debt (1)	**(141.0)**	***-21.7%***	**(110.4)**
Guarantees issued (2)	**(6.8)**	***NMF***	**–**
Net debt and guarantees issued (3) = (1) + (2)	***(147.8)***	***-25.3%***	***(110.4)***
Planned investments (4)	**(52.3)**	***-11.1%***	**(46.5)**
of which, planned investments in renewable energy	*(30.1)*	*-3.9%*	*(28.9)*
of which, planned investments in education	*(22.3)*	*-20.7%*	*(17.7)*
Announced buybacks (5)	**–**	***NMF***	**(6.7)**
Contingency/liquidity buffer (6)	**(50.0)**	***NMF***	**(50.0)**
Total planned investments, announced buybacks and contingency/liquidity buffer (7) = (4) + (5) + (6)	***(102.3)***	***0.9%***	***(103.3)***
NCC (3) + (7)	**(250.1)**	***-14.6%***	**(213.6)**
Portfolio value	**1,183.8**	***15.3%***	**1,365.3**
NCC ratio	**21.1%**	***-5.5 ppts***	**15.6%**

Strong progress on deleveraging also resulted in an upgrade in our corporate credit rating from "B+" to "BB-" by S&P on 26 October 2023

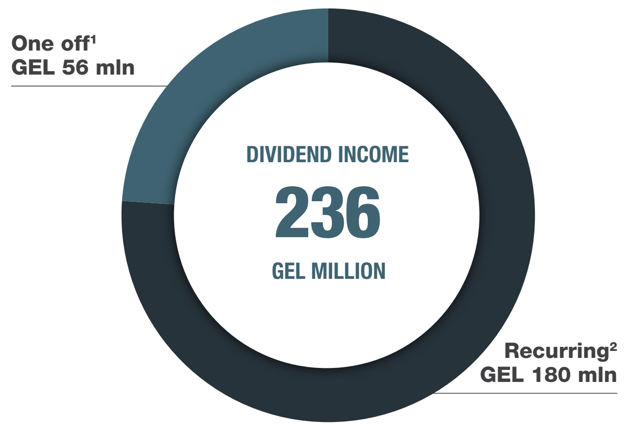
We are targeting to reduce the balance of "net debt and guarantees issued" close to zero over the short to medium term

1 Reflects the retrospective conversion of the loans issued to our real estate and beverages businesses into equity.
2 Assuming the application of the 15% NCC ratio target to the total portfolio value as at 31 December 2023.

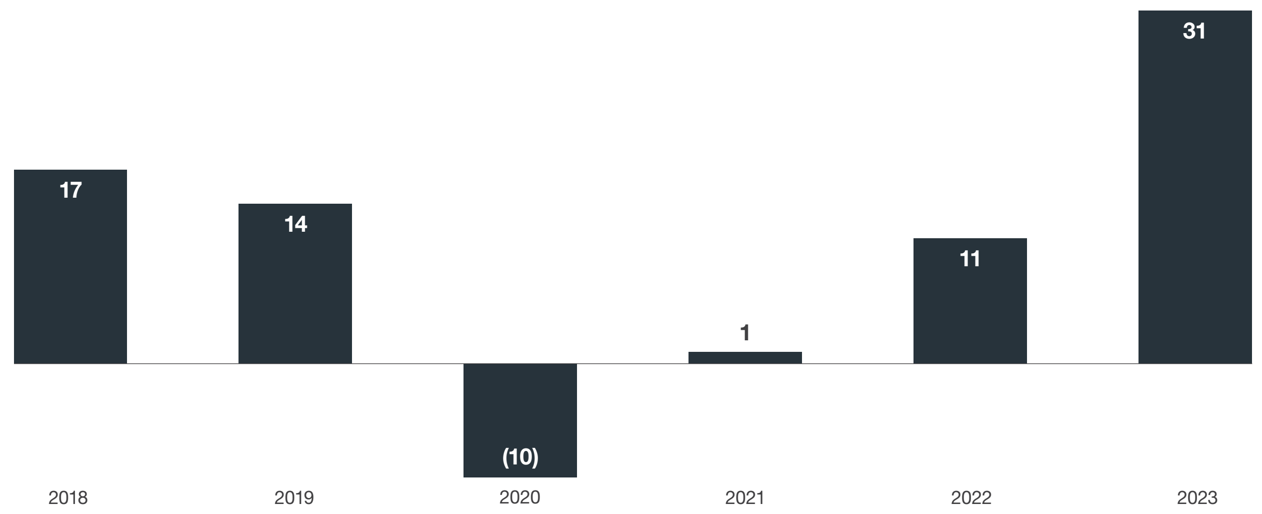
STRONG DIVIDEND INCOME IN 2023

In 2023, the Group recorded GEL 235.9 million dividend income from its portfolio companies (up by 2.5x compared to the dividend income recorded in 2022). Robust dividend inflows, reduced interest expenses in line with our deleveraging progress, and well-managed operating expenses significantly increased the Group's free cash flow in 2023.

SOLID RECURRING DIVIDEND INCOME OF GEL 180 MILLION IN 2023, UP 92% Y-O-Y



GCAP'S FREE CASH FLOW DEVELOPMENT (US$ MILLION)



- **2023 free cash flow is determined by subtracting interest and operating expenses from dividend and interest income.**
- **The 2023 free cash flow excludes US$ 22 million one-off dividends and US$ 17 million buyback dividend from the participation in BoG's 2023 buybacks.**

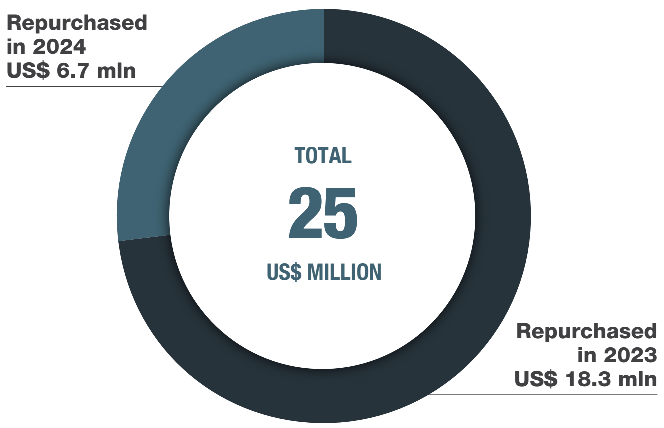
1 One-off dividend income includes non-recurring GEL 27 million dividends collected from the retail (pharmacy) business and GEL 29 million buyback dividend attributable to participation in BoG's 2022 buybacks.
2 Includes regular cash and buyback dividends.

2023 IN BRIEF CONTINUED

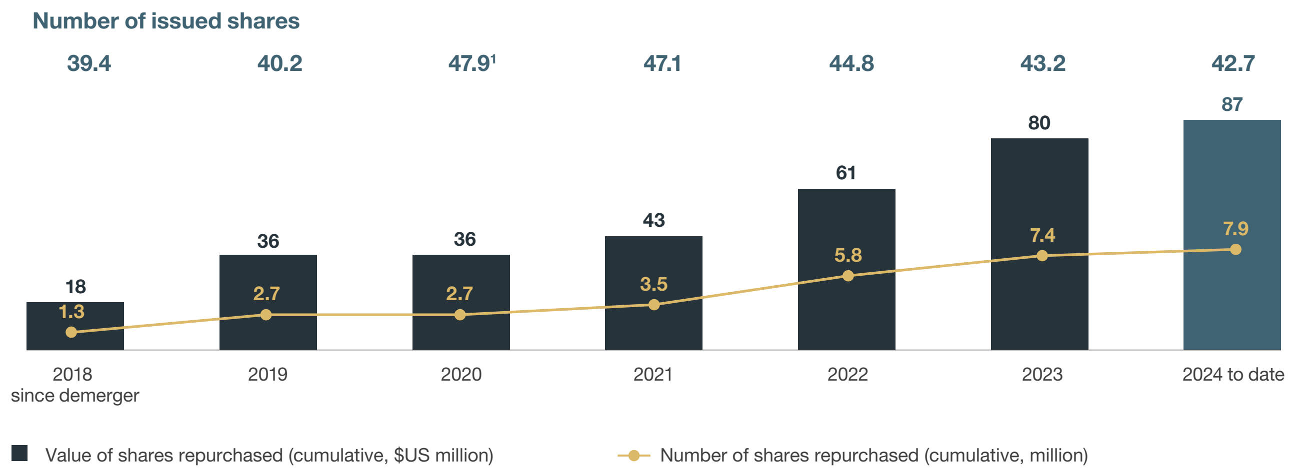
THE SHARE BUYBACK AND CANCELLATION PROGRAMME IN 2023

In April 2023, Georgia Capital commenced a US$ 10 million share buyback and cancellation programme, over a three-month period. Under the programme, 1 million shares were repurchased and cancelled. While our share price has continued to recover, the strong growth in our NAV has meant that the discount to our NAV per share has remained elevated, at approximately 60%. This provided an attractive opportunity to create significant value for our shareholders through accretive tactical share buybacks. As a result, we launched an additional US$ 15 million share buyback and cancellation programme in October 2023, effective over a six-month period. Overall, throughout 2023, a total of 1,665,222 shares were repurchased under the buyback programmes, amounting to a total value of US$ 18.3 million. An additional 488,642 shares with the value of US$ 6.7 million were repurchased in 1Q24 to date.

PROGRESS ON THE SHARE BUYBACK AND CANCELLATION PROGRAMMES ANNOUNCED IN 2023



DEVELOPMENT OF GCAP'S SHARE BUYBACK PROGRAMMES SINCE DEMERGER IN 2018



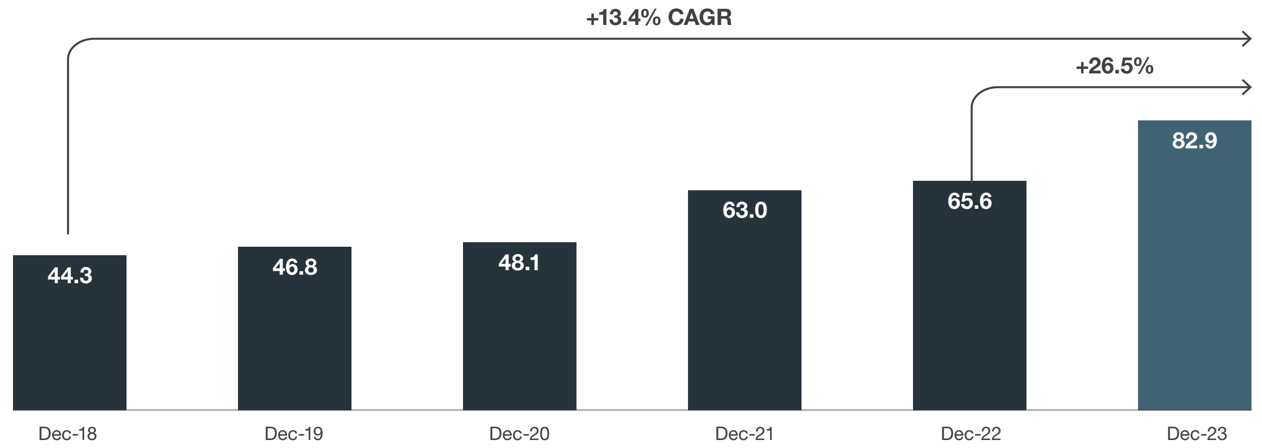
7.9 million shares (US$ 87 million in value) repurchased and cancelled since demerger in 2018, representing 16.5%[2] of the issued share capital at its peak

1 Represents shares issued during Georgia Healthcare Group ("GHG") share exchange facility.
2 Determined by taking into account the peak number of 47.9 million shares issued as of 31-Dec-20.

STRONG NAV PER SHARE GROWTH

NAV per share (GEL) increased by 26.5% in 2023, reflecting a) GEL 680.5 million value creation across our portfolio companies with a positive 24.2 ppts impact, b) share buybacks (+4.1 ppts impact) and c) GEL's appreciation against US$, resulting in a foreign currency gain of GEL 6.5 million on GCAP net debt (+0.2 ppts impact). The NAV per share growth was slightly offset by management platform-related costs and net interest expense with a negative 2.4 ppts impact in total. In GBP terms, the NAV per share growth in 2023 was 20.4%, reflecting GEL's slight depreciation against GBP during the year.

NAV PER SHARE (GEL) DEVELOPMENT OVERVIEW



Since December 2018, NAV per share (GEL) grew at 13.4% CAGR. In US$ and GBP terms, NAV per share CAGR stands at 13.2%

CHAIRMAN AND CEO STATEMENT

"OUR AIM HAS ALWAYS BEEN TO INVEST IN HIGH-QUALITY BUSINESSES WITH GREAT MARKET POSITIONS, HIGH RETURNS AND THE ABILITY TO DELIVER SUSTAINABLE EARNINGS GROWTH THROUGH THE CYCLE. THIS AIM CONTINUED TO GUIDE US IN 2023 AND WILL CONTINUE TO DO SO IN THE FUTURE."

Irakli Gilauri
Chairman and
Chief Executive Officer

Dear Fellow Shareholders,

In this, my sixth annual letter to Georgia Capital shareholders, I want to focus on the fundamental drivers that have led to what, in many aspects, has been an unexpectedly strong year against the backdrop of the ongoing global geopolitical challenges. These fundamental drivers – strong corporate governance; access to management; and access to capital – have stood us in good stead since the Company started in 2018, and they remain the foundations on which our NAV increased by 26.5% to GEL 82.94 (GBP 24.23) per share during 2023, and by a compound 13.4% per annum over the last five years. I am particularly pleased that we achieved this level of NAV growth, as a number of our portfolio businesses had to cope with, and respond to, significant changes in their specific market dynamics. I am delighted with the resilience of Georgia Capital and our businesses – a resilience underpinned by our high-quality investments in a portfolio of conservative businesses in relatively defensive sectors.

Our aim has always been to invest in high-quality businesses with great market positions, high returns and the ability to deliver sustainable earnings growth through the cycle. This aim continued to guide us in 2023 and will continue to do so in the future. As Georgia Capital has evolved as an investment business during the last few years of significant geopolitical challenge, the Board has kept a vigilant watch on ensuring that we maintain strong conservative management of our portfolio companies, and a very strong balance sheet.

The discount of our share price to our NAV per share has remained too wide, despite our share price increasing by 40% during 2023, and we responded to this by buying back more of our shares (perhaps the best investment we can be making at the current levels of NAV discount), and reducing leverage in the business. I will talk more about this later.

Our strategy during 2024 is to reduce leverage faster than our originally planned NCC ratio target of 15% by 2025, deliver our targeted reduction in the management expense ratio, ensure we focus on the opportunities to sell businesses in our "Other" portfolio, and maintain our policy of opportunistic share buybacks. Over time, we aim to develop into a sustainable permanent capital vehicle, investing mainly in capital efficient/capital-light sectors and opportunities, in association with the regular return of capital to shareholders. Our ongoing development will also be supported by Georgia's EU candidacy status being confirmed in December 2023. This is important for Georgia, both politically and economically, and significantly underpins the country's macroeconomic growth prospects and attractiveness for foreign investment.

Our macroeconomic environment
Georgia is in great shape economically. From a macroeconomic perspective, Georgia has maintained its recent track record on expanding in 2023, proving yet again that the macroeconomic environment remains flexible and resilient against exogenous shocks. Real GDP expanded by an estimated 7.5% in 2023, after 11.0% growth in 2022, driven by strong foreign currency inflows building upon strong aggregate demand. Despite tightening financial conditions and the ongoing substantial uncertainty in the global economy, the medium-term outlook for Georgia remains strong. Economic activity and macroeconomic environment have enabled effective adjustments in fiscal and monetary policies. The Government balance sheet has returned to pre-COVID levels, while the National Bank of Georgia ("NBG") has started to gradually exit from its tightened monetary policy. In December 2023, the European Council granted candidate status to Georgia, further improving Georgia's economic outlook and prospects.

Surging foreign currency inflows resulted in a significantly improved current account deficit which narrowed to 2.6% of GDP in 9M23, Georgia's lowest on record. This positive shift was supported by strong growth in the services balance, mainly in tourism and ICT services. The tourism sector continues to recover and income from international travel reached US$ 4.1 billion in 2023, representing 126% of 2019 levels. However, the number of international visitors showed only a partial recovery in 2023, standing at 80% of 2019 number, indicating that significant further growth potential remains. The good news is that Georgia's tourist infrastructure (hotels, roads, etc.) continue to be developed throughout the country. On the domestic side, credit expansion has also been robust despite rising interest rates, as the commercial bank loan portfolio grew by 17.1% y-o-y as of December 2023 (on a constant currency basis). Additionally, while fiscal support has moderated, Georgia's fiscal stance remains expansionary, with current expenditures growing by 10.7% and capital expenditures expanding by 22.3% y-o-y in 2023. The Georgian Lari (GEL) has appreciated since mid-2021, strengthening above pre-pandemic levels against the US Dollar (US$), and remained broadly stable in 2023.

The Government projects the fiscal deficit to have shrunk to around 2.8% of GDP in 2023, as a result of the higher-than-expected growth, and expects it to reduce further to 2.5% of GDP in 2024, while general government debt is projected to have fallen to 38.2% of GDP, way below pre-pandemic levels, by the end of 2023. Inflation, like elsewhere around the world, was elevated during 2021-2022, however, it sharply reduced in 2023 falling below the 3% target since April 2023, with annual average inflation standing at 2.5% in 2023. Considering this lower inflation, the NBG started to exit from its tightened monetary policy in 2023 and reduced the refinancing rate by 275 bps between May 2023 and March 2024, to 8.25%.

As the length and the outcome of the war in Ukraine remain uncertain, and the new conflict in the Middle East creates additional uncertainty, the medium to long-term effects on global and regional macroeconomic developments remain unclear. Despite substantial uncertainty enduring, Georgia's medium-term growth is projected to remain close to its potential level of 5%, according to the International Monetary Fund ("IMF"), positioning the country as one of the top performers in the region. In the short run, Georgia's external position is strong, as foreign currency inflows have been surging from multiple sources, resulting in a record-low current account deficit, and official reserve assets reached record-high levels in 2023, amounting to US$ 5.0 billion by the end of December 2023, providing ample cover. In the long run, Georgia's EU candidacy is expected to bring additional economic benefits. Furthermore, the candidacy significantly enhances Georgia's geopolitical standing in the region, positioning it as an important bridge between Europe and Asia.

Delivering on our strategic priorities
This Annual Report will go into greater detail later, but let me highlight here how we delivered on our key strategic priorities in 2023.

Looking back, 2023 was an eventful year for the Group.

1) At the beginning of the year, our shareholders overwhelmingly approved a proposal to transfer GCAP to an LSE Standard listing, a move we believe is more suited to the Company's size and strategy and will help create greater value for shareholders.
2) We achieved significant deleveraging progress through the successful issuance of a US$ 150 million SLB on the Georgian market. This issuance, combined with GCAP's existing liquid funds, was utilised to fully redeem our US$ 300 million Eurobond.
3) We launched two share buyback programmes totalling US$ 25 million, under which 2,153,864 shares (4.8% of the issued capital) have been repurchased from January 2023 to date.
4) Our retail (pharmacy) business completed the buyout of the minority shareholders to increase GCAP's stake to 97.6%.
5) Our hospitality business successfully completed the sale of two operational hotels, two under-construction properties, and a vacant land plot for a total consideration of US$ 38.6 million. The proceeds from these sales were utilised for deleveraging the hospitality business's balance sheet. These transactions marked further substantial progress towards two of our core strategic priorities: to divest, over the next few years, subscale portfolio companies, and to significantly reduce leverage in the Group's balance sheet.

Capital allocation, share buybacks and dividends
During 2023, we allocated capital in a number of key capital-light areas, with an investment of GEL 22.6 million in our private portfolio companies. This included:

- GEL 12.2 million allocated to the education business, mainly for the acquisition of a new campus in the affordable segment and the development of a new campus in the mid-scale segment; and
- GEL 6.2 million allocated to the renewable energy business for the ongoing development of pipeline projects.

In addition, to these investments in our private portfolio companies, we also continued to invest in Georgia Capital shares to take advantage of the discount to NAV at which the shares currently trade. During 2023, 1,665,222 shares with a total value of GEL 47.9 million were bought back under our buyback and cancellation programmes, and a further 1,151,848 shares, with a total value of GEL 28.6 million, were repurchased for the management trust, fully securing the shares required for the expected management trust requirements for the next three years. In addition, we have continued our buyback and cancellation programme into 2024 and, in the first quarter of 2024 to date, an additional 488,642 shares, at a cost of GEL 18.0 million, have been repurchased for cancellation.

During 2023, Georgia Capital collected a record amount of GEL 235.9 million in dividends (2022: GEL 93.9 million), of which GEL 56.1 million reflected one-off dividends during the year from Bank of Georgia and the retail (pharmacy) business. Excluding the one-off dividends, GEL 124.5 million was received from Bank of Georgia, reflecting a combination of regular cash dividends and our participation in their share buybacks, GEL 24.2 million from retail (pharmacy), GEL 19.9 million from our insurance businesses (P&C insurance GEL 14.9 million; medical insurance GEL 5.0 million), GEL 6.0 million from hospitals, and GEL 5.2 million from renewable energy businesses. Looking forward to 2024, we currently expect approximately GEL 180-190 million in dividends from our portfolio companies.

Value creation
Our portfolio value increased by GEL 473.3 million, or 14.8%, to GEL 3.7 billion during the year, particularly reflecting strong growth in the value of our investment in Bank of Georgia.

Our listed investment – Bank of Georgia – continued to deliver strong growth and high profitability, with an annualised ROAE of 29.9%, underpinned by its continued focus on digital transformation, and delivering strong growth in the payments business. The Bank is clearly making significant progress, which has led to sustainable customer franchise and revenue generation growth. Reflecting the strong performance, BoG's share price increased by 52.6% in 2023, strongly supporting our NAV growth with GEL 549.3 million value creation. In addition, the Bank has a robust capital distribution policy, including share buybacks and regular dividends and, on 15 March 2024, the Bank announced its board's intention to recommend a final dividend for 2023 of GEL 4.94 per ordinary share at the Bank's 2024 Annual General Meeting. This will make a total dividend paid in respect of the Bank's 2023 earnings of GEL 8.00 per share. In addition, in March 2024, the Bank announced an extension of the buyback and cancellation programme by an additional GEL 100 million. Overall, the Bank's dividend and share buyback pay-out ratio for 2023 was 37% of total earnings.

On 19 February 2024, Bank of Georgia announced the proposed acquisition of 100% of Ameriabank CJSC a leading universal bank in Armenia with an attractive franchise. The transaction price is approximately US$ 303.6 million, which will be fully financed by the Bank's surplus capital at an attractive valuation of 0.65x NAV as at 31 October 2023 and 2.6x price to earnings (P/E) 2023. The acquisition is expected to be EPS and ROE accretive, and represents a significant catalyst for the Bank and its shareholders. The Bank has confirmed that it intends to keep the targeted pay-out ratio unchanged in the range of 30%-50% of annual profits, potentially enabling increased capital distributions for the Bank's shareholders, from the enlarged group. We like the transaction as Armenia's leading banking franchise has been acquired at attractive valuation with immediate EPS enhancement expected. In addition, Bank of Georgia is well-positioned to export its superior digital banking capabilities in the underpenetrated and growing Armenian economy. We expect this acquisition will further enhance shareholder value, and it has been encouraging to see the positive stock market reaction to the acquisition.

The value creation of the water utility business amounted to GEL 4.0 million in 2023, reflecting the application of the put option valuation to GCAP's 20% holding in the business.

Georgia Capital PLC Annual Report 2023

CHAIRMAN AND CEO STATEMENT CONTINUED

The operating performance of our various **private portfolio investments** was robust against the backdrop of significant regulatory changes and pricing dynamics in a number of markets, and this created overall value creation in these businesses of GEL 127.3 million. Strong performances in the non-healthcare portfolio companies offset the temporary negative impact of recent regulatory changes in the management of hospitals facilities throughout Georgia.

The individual performances of our private businesses are described in greater detail later in this report.

Environmental, social and governance
We have continued to focus on reducing our impact on the environment, with environmental, social and governance (ESG) issues remaining at the forefront of our thinking and business operations. Our progress in this regard during 2023 was excellent and, while there is significantly more detail in this report and in our Sustainability Report, I want to draw out a few particularly noteworthy aspects of our ESG commitment.

- In August 2023, we successfully issued a US$ 150 SLB on the Georgian market. This is the first of its magnitude and kind in Georgia supporting our deleveraging strategic priority, whilst also assisting both our climate-change mitigation efforts and the development of the local capital market.
- Under the SLB Framework, we committed to decrease our GHG emissions by 20% by 2027, in line with our commitment to reach Net-Zero by 2050.
- We invest in capital-light businesses and industries that have a positive impact on people and our planet.
- We have a strong track record on governance issues and this track record has continued with our move to the LSE Standard listing, which was supported by 99.9% of our voting shareholders.

The strength of our people
Our people remain critical to our ongoing success and we have excellent people throughout the business, at both the holding company level and in all of our portfolio businesses. This is evident in the progress we continue to make both building our businesses to deliver sustainable profitability and growth, and adapting to challenges and changes in the various external environments in which our businesses operate.

The majority of my time continues to be focused on mentoring our talented team, and developing new managers to ensure we have the appropriate succession plans in place when change is required. This has continued to be the case over the last 12 months and, as always, I deeply appreciate the considerable efforts that our management teams and employees bring to the continuing success of Georgia Capital.

Outlook
I mentioned earlier that Georgia is in great shape. So is Georgia Capital. At the holding company level, we are delivering on our key priorities and expect to further enhance our performance in 2024 by continuing to improve our balance sheet strength by reducing leverage in the business, focusing on reducing our management expense ratio, and investing in our capital-light business opportunities and in Georgia Capital shares via our ongoing share buyback and cancellation programme. Bank of Georgia is delivering sustainable strong growth with high profitability, and a progressive dividend and capital return policy. In addition, we expect the Bank's acquisition of Ameriabank in Armenia to significantly enhance earnings for the Bank. Our private portfolio businesses are all well-positioned to either continue developing profitably, or to respond to the significant changes in their markets during 2023, to deliver a recovery in their 2024 performance.

Geopolitically, the world continues to have significant challenges, and we very much focus on managing and investing with a conservative approach and a strong balance sheet as a result. This focus will not change. The Georgian economy has grown particularly strongly over the last few years, and we expect to see further robust levels of economic growth over the next few years, which can only be enhanced following Georgia's achievement of EU candidacy status in December 2023. Against this background, I am confident that Georgia Capital is extremely well-positioned to deliver consistent and sustainable NAV per share growth.

The Strategic Report as set out on pages 2 to 119 was approved by the Board of Directors on 21 March 2024 and signed on behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Irakli Gilauri
Chairman and CEO
21 March 2024

Photo Zhinvali Water Reservoir, Georgia

Georgia Capital PLC Annual Report 2023

GEORGIA CAPITAL STRATEGY

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

- Developing and growing businesses to the equity value of GEL 300 million to realise proceeds through an exit, as investments mature.
- LSE listed, with more than 90% institutional shareholder base.
- Running an efficient cost structure with no management or success fees.

GEORGIA CAPITAL STRATEGY IS BASED ON THREE FUNDAMENTAL ENABLERS:

1 SUPERIOR ACCESS TO CAPITAL[1]

- Only Group of its size and scale focused on investing in and developing businesses in Georgia.
- Uniquely positioned given access to capital in a small frontier economy:
  - c.US$ 500 million raised in equity at LSE.
  - Issued seven bonds totalling c.US$ 2.0 billion.
  - US$ 3 billion+ raised from IFIs (EBRD, IFC, ADB, AIIB, etc.).

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

2 ACCESS TO GOOD MANAGEMENT

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

3 COMMITMENT TO ACHIEVING THE HIGHEST LEVEL OF CORPORATE GOVERNANCE

- Strong Board comprised mainly of independent Directors with extensive international experience.
- Outstanding track record in institutionalising businesses and creating independently run/managed institutions.
- Approximately 45 employees at the holding company level.
- Highly experienced management team in each portfolio company with a strong measure of independence.
- Aligned shareholders' and management's interests by share compensation:
  - The Executive Director is solely remunerated by way of long-term deferred shares (six-year vesting) and receives no cash compensation.
  - Salaries of the Company's senior managers are heavily weighted towards deferred share remuneration, and bonuses for senior managers are paid in deferred shares rather than cash.
- High level of transparent reporting.
- Strong ESG practices.

STRATEGIC PRIORITIES ANNOUNCED IN 2022

DELEVERAGING GCAP HOLDCO BY BRINGING DOWN THE NCC RATIO BELOW 15%.

REDUCE AND MAINTAIN PORTFOLIO COMPANIES' LEVERAGE TO RESPECTIVE TARGETED LEVELS.

ESG

ACHIEVE ESG TARGETS AT BOTH GCAP HOLDCO AND PORTFOLIO COMPANY LEVELS.

CONTINUED PROGRESS ON THE DIVESTMENT OF "OTHER" PORTFOLIO COMPANIES.

- "Other" portfolio companies comprise 7.7% of the total portfolio value and include four subscale private businesses, being the auto service, beverages, housing development and hospitality businesses.
- While a number of these businesses have interesting potential, the Group currently believes that most will not offer the scalable growth potential we seek. Absent a change in that assessment, the Group is targeting to exit "Other" assets in a two to three-year period.
- In 2023, the hospitality business successfully concluded the sale of two operational hotels, a vacant land plot, and two under-construction hotels for a total consideration of US$ 39 million. These transactions demonstrate steady progress on our strategic priorities.

OUR LONG-TERM ASPIRATION

ACHIEVEMENT OF OUR STRATEGIC PRIORITIES WILL ENABLE GCAP TO GRADUALLY TRANSFORM INTO A SUSTAINABLE PERMANENT CAPITAL VEHICLE.

- Significantly reduced leverage at the GCAP HoldCo level.
- Capacity to redeploy our existing capital without the need for new equity share issuance/raise.
- Consistent NAV per share growth on the back of resilient, capital-light investments.
- Opportunity to return a significant portion of GCAP's cash inflows to our shareholders.

Photo Shaori Reservoir, Georgia

MARKET AND INDUSTRY OVERVIEW

GEORGIA'S ECONOMY CONTINUES ITS EXPANSION, GROWING BY 7.5% IN 2023

Preliminary estimates of economic growth show the real economy expanding by 7.5% y-o-y in 2023, following up on two consecutive years of double-digit growth. Growth has been supported by macroeconomic developments on both the external and domestic sides, with strong foreign currency inflows building upon strong aggregate demand. Despite tightening financial conditions and enduring substantial uncertainty in the global economy, the medium-term outlook for Georgia remains strong. Economic activity and macroeconomic environment have enabled effective adjustments in fiscal and monetary policies. Government balance sheet has improved to pre-COVID levels, while the NBG has started to gradually exit from the tightened monetary policy.

Georgia is favourably placed among peers

Country	Country rating	Fitch rating outlook
Armenia	BB-	Stable
Azerbaijan	BB+	Positive
Czech Republic	AA-	Stable
Georgia	BB	Positive
Kazakhstan	BBB	Stable
Türkiye	B	Stable
Uzbekistan	BB-	Stable

Macroeconomic overview and outlook
In 2023, Georgia continued to expand, proving yet again that the macroeconomic environment remains flexible and resilient against exogenous shocks. In 2022, growth was predominantly fueled by the positive impact of net exports and investments, with investments continuing to contribute mostly to the growth in 9M23. As for the production side, the information and communication (ICT) sector emerged as a leading force for growth in both years. The ICT sector witnessed substantial growth of 58% in 2022 (1.8% contribution in total GDP growth), with 28% growth y-o-y in 9M23, despite the high base of the previous year. Preliminary estimates show annual GDP growth reaching 7.5% in 2023 after 11.0% growth in 2022, driven by macroeconomic developments on both the external and domestic sides.

High economic growth in 2023 of 7.5% following a 11.0% growth in 2022.

On the external side, recent monthly data shows that remittances are normalising, mainly due to the remittances from Russia declining relatively and the migration effect fading out gradually. However, remittances from EU countries and the US continue to show an increasing trend with 21% and 40% y-o-y growth, respectively, in 2023. As for foreign trade, export experienced a moderate 9.1% annual growth in 2023, driven by substantial increase in the export/re-export of motor cars, surging to more than 2.1 billion dollars with 135% growth y-o-y. Georgia's potential to become a logistic hub has strengthened since sanctions on Russia, with robust demand observed from Kyrgyzstan, Kazakhstan, Azerbaijan and Armenia. The tourism sector continues to recover and income from international travel reached US$ 4.1 billion in 2023, representing 126% of 2019 levels, reflecting the global resumption of travel. However, the number of international visitors shows only a partial recovery in 2023, standing at 80% against 2019, highlighting that significant further growth potential remains.

On the domestic side, growth was aided by continued credit expansion in local and foreign currencies across both retail and business sectors, as the commercial bank loan portfolio grew by 17.1% y-o-y as of December 2023 (without the exchange rate effect), despite the still tight monetary stance and globally rising foreign currency interest rates. Additionally, while fiscal support has moderated, the fiscal stance remains expansionary with current expenditures growing by 10.7% y-o-y and capital expenditures increasing by 22.3% y-o-y in 2023, facilitated by a 16.1% surge in fiscal revenues.

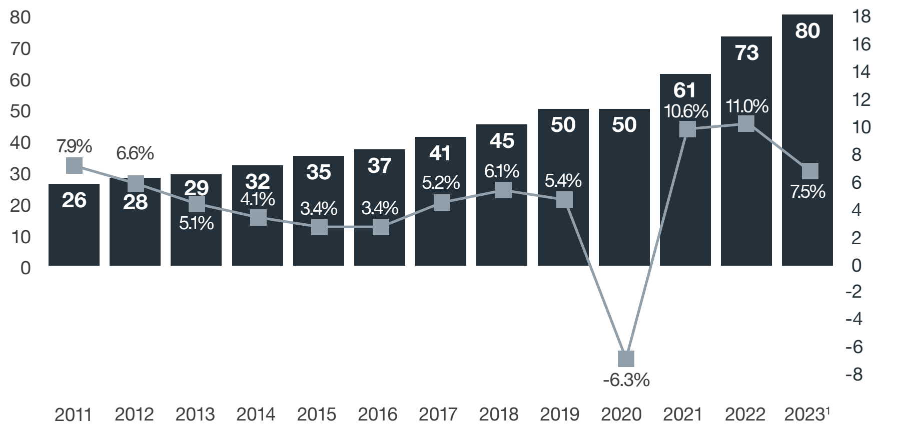
As aggregate demand strengthened, imports also accelerated in 2023, growing by 14.5% y-o-y with investment and consumer goods contributing most. Trade deficit reached US$ 9.4 billion in 2023, up by 18.3% y-o-y. Importantly, re-exports reached a record high of US$ 3.3 billion in 2023, accounting for 54.2% of total exports and growing by 74.5% y-o-y, the first time ever exceeding domestic exports since March 2023. Current account deficit improved significantly to 2.6% of GDP, from 3.2% in 9M22. This positive shift was supported by strong growth in the services balance (+36.9% y-o-y), mainly in tourism (+29.2% y-o-y) and ICT services (+95.7% y-o-y), as well as a 6.4% y-o-y increase in the current transfer's balance. Net FDI reached US$ 1.2 billion (5.2% of GDP), and fully financed current account deficit in 9M23. FDI reached US$ 1.6 billion in 2023, down by 24% y-o-y following a record high FDI number in 2022 (US$ 2.1 billion, 67% y-o-y). Strong external inflows and the reduced current account deficit supported growth in reserves. NBG used this time to rebuild the buffers and bought net US$ 1.3 billion throughout 2023. As a result, official reserve assets reached record-high levels in 2023 (recorded high of US$ 5.4 billion in July 2023) and amounted to US$ 5.0 billion at the end of December 2023, up 2.2% y-o-y.

Throughout 2022 and 2023 years "middle corridor" has gained significant importance, enhancing Georgia's role to become a regional hub. Revenue generated from the road usage charge (RUC) reached US$ 188 million in 2023, increased by 42% y-o-y and by 174% compared to 2021. The number of freight vehicles paying RUC amounted to 520 thousand in 2023, 78 thousand more compared to the last year (188 thousand more than in 2021).

Strong rebound in tourism revenues in 2023 126% compared to 2019.

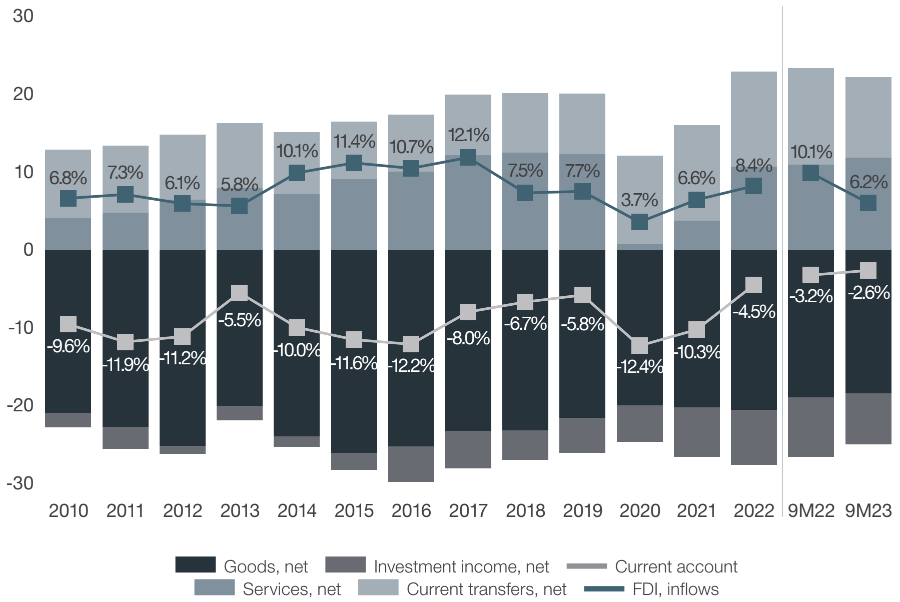
The unemployment rate reached 16.4% in 2023, the lowest since at least 2010 (most up-to-date data begins from 2010 due to switching to a new methodology). Moreover, the labour force participation rate increased above pre-

Real GDP growth

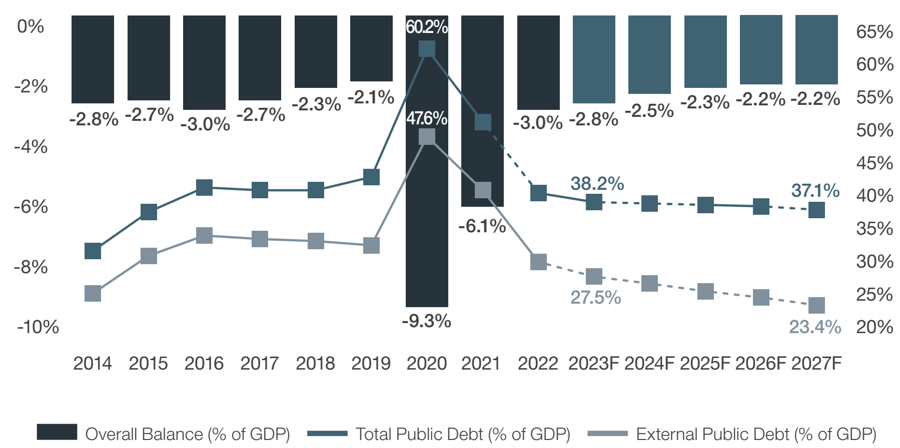


1 Preliminary estimate.

Current account balance (% of nominal GDP)



Public finances (% of GDP)



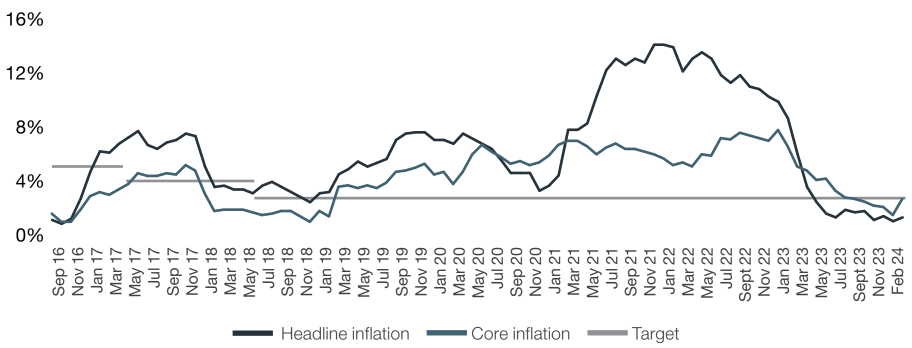
pandemic levels and stood at 54.3% in 4Q23. It is noteworthy that a significant increase was observed in wages in the first nine months of 2023, average monthly nominal earnings increased by 17% annually and amounted to GEL 1,792 on average in 9M23. Particularly, with the highest salaries in ICT and financial sector with GEL 3,796 and GEL 3,250, respectively.

The consolidated budget overall deficit was GEL (1.9) million in 2023, with the annual deficit (IMF modified) planned at -2.8% of GDP, down from -3.0% in 2022. The operating balance also improved substantially with 36% growth y-o-y, growing from GEL 2.6 billion in 2022 to GEL 3.6 billion in 2023. Consolidated budget revenues grew by 14% y-o-y, including a 13.5% y-o-y growth in tax revenues. The general Government gross debt decreased to pre-COVID levels from 49.7% to 39.5% of GDP by the end of 2022 and is expected to be standing at 38.2% of GDP by the end of 2023 as GEL has strengthened and the economy keeps its expanding trend. The improvement in the Government balance sheet has thus appropriately aided disinflation on the domestic side and reduced vulnerabilities on the external side. The external debt service to budget revenues ratio fell to 6.3% in 2022 from 19.4% in 2021 and a pre-crisis level of 9.6% in 2019. In line with the Economic Liberty Act of Georgia, which sets ceilings of 3% for the fiscal deficit and 60% for debt while allowing for a three-year grace period, the fiscal deficit and debt, based on Government's preliminary data, are within these ceilings as of 2023. The Ministry of Finance projects 2024 fiscal deficit and Government debt to be 2.5% and 38.0% of GDP, respectively.

As an established tourism destination, tourism has been an increasingly important sector of the Georgian economy and a major source of FX inflows during the past few years, significantly contributing to improving the current account balance and driving rising service exports. In 2023, tourism has continued its revival trend, witnessing a 31% y-o-y increase in the number of international visitors, reaching 6.2 million in 2023 with recovery level 80% of 2019 level. Total tourism revenues in 2023 are reported at US$ 4.1 billion, reflecting a 17% y-o-y growth that surpasses pre-pandemic figures, making up 126% of 2019 level. It should be noted that, in comparison to 2022, around 38% Russian visitors were categorised as residents in the estimation of tourism revenues in 2023. Their expenses were no longer accounted for as tourism revenues. Tourism revenues from Türkiye, Iran, Russia, Israel and the EU surpassed 2019 levels in 2023. Particularly notable was the substantial increase in revenues from Türkiye, 1.6 times more compared to the previous year. Additionally, there was a noteworthy and significant increase in visitor numbers from Central Asian countries. Travel receipts rebounding to over 100% of 2019 level despite the number of travellers only recovering to 80% suggests that significant growth potential remains.

MARKET AND INDUSTRY OVERVIEW CONTINUED

Inflation vs inflation target



The GEL has appreciated since mid-2021, strengthening above pre-pandemic levels against the US Dollar (US$) and remained stable in 2023. Compared to the beginning of 2023, GEL has appreciated by 1.0% against the US Dollar as of 15 March 2024. The Georgian Lari remains above the pre-pandemic levels on the back of strong external inflows, ample FX liquidity, a tight monetary policy stance, increased lending in foreign currency and the overall positive economic growth. Additionally, the Georgian Lari also appreciated against the entire basket of trading partner countries' currencies, with the nominal effective exchange rate up by 15% y-o-y and the real effective exchange rate up 2.1% y-o-y by the end of 2023.

GEL stabilised above pre-pandemic levels.

Inflation, like elsewhere around the world, was elevated during 2021-2022, however, it has sharply reduced in 2023, falling below the 3% target since April 2023, with annual average inflation standing at 2.5% in 2023. In February 2024, headline inflation printed at 0.3%. All major components contributed to falling inflation in 2023, with food and transport prices the largest contributors. Imported inflation, which was by far the most significant driver of increasing prices in 2022, has turned negative in 2023, whilst inflation on locally produced goods has begun decelerating as well. Strong foreign currency inflow that supported the appreciation of the Georgian Lari, has been an important factor in the slowdown of inflation. Continued fiscal consolidation, and a tight monetary policy have also contributed to the disinflation. Considering the latest inflation trend NBG has begun a gradual exit from tight monetary policy and reduced the policy rate by 275 bps during May 2023 to March 2024 to 8.25%. NBG remains committed to adjusting the policy rate depending on the macroeconomic developments.

Inflation reduced sharply during 2023, standing at 0.3% in February 2024.

As a result of the improved macroeconomic environment, Fitch Ratings revised Georgia's sovereign credit rating outlook to positive from stable in January 2023 and reaffirmed the positive outlook in July 2023 and In January 2024, citing "solid economic growth prospects, credible macroeconomic and fiscal policy framework and sound banking sector". In May 2023, a staff-level agreement was reached on the second review for Georgia's three-year stand-by arrangement with the IMF. The arrangement, worth US$ 280 million was approved with the IMF in June 2022, focusing on structural reforms and anchoring macroeconomic policy. Since May 2023, the review remains on hold as IMF staff are examining the implications recent amendments to NBG law will have on achieving the objectives of the programme. They discussed these with the authorities and acknowledged their commitment to upholding the independence and credibility of NBG and to continued strong programme engagement with the Fund. The programme is designed to maintain macroeconomic stability and anchor policy decisions by addressing fiscal and external deficits, achieving the target inflation rate. Additionally, it aims to strengthen the resilience of the financial sector and promote agreed-upon reforms in the governance of state-owned enterprises, public financial management, as well as tax and customs administrations. Although the Government doesn't intend to use the allocated US$ 280 million as part of the new arrangement (according to the IMF's reviews under the SBAs), the purpose of the programme is to strengthen the agenda for structural reforms and underscore confidence in macroeconomic policymaking.

The IMF revised upward Georgia's GDP growth forecast from 4.0% (World Economic Outlook ("WEO" – April 2023) to 6.2% in 2023 (WEO – October 2023), while the medium-term growth (2024-2028) projection stands at 5.1%, one of the highest in the region. The IMF expects headline inflation, which has fallen sharply in 2023, to be below the 3% target in 2024.

Medium-term (2024-2028) economic growth rate 5.1%, one of the highest in the region (IMF, October 2023).

Reform-driven success

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

Georgia is ranked as a top performer in governance and doing business indicators. With a ranking of 7th in Ease of Doing Business according to the latest report (World Bank, Doing Business – 2020), Georgia has implemented an array of reforms and is characterised as a top-performing economy in the region in which to start a business. Furthermore, Georgia is ranked 1st out of 120 countries in the International Budget Partnership's 2021 Open Budget Index, as well as 35th out of 184 countries by the Index of Economic Freedom measured by the Heritage Foundation in 2023 and 35th out of 194 countries in Trace International's 2023 Matrix of Business Bribery Risk. Georgia is on a par with the European Union (EU) member states and top in the Eastern Europe and Central Asia Region in the 2023 Corruption Perception Index by Transparency International.

The Economic Liberty Act, effective since January 2014, ensures the continuation of a credible fiscal framework for Georgia by capping the fiscal deficit at 3% of GDP and public debt at 60% of GDP. However, the emergency escape clause allowed the Government to surpass the thresholds temporarily in order to manage the pandemic, with the law requiring a return to the bounds within three years. The fiscal deficit and debt, based on Government's preliminary data, have now returned within these ceilings as of 2023. The Economic Liberty Act also requires electorates' approval through a nationwide referendum for imposing new taxes and raising existing taxes, subject to certain exceptions. Furthermore, as of January 2017, corporate income tax for non-banking and non-insurance corporations is now only applicable to distributed profits; undistributed profits, which are reinvested or retained, are exempted. Georgia has one of the friendliest tax regimes according to World Bank's Doing Business 2020 report, having slashed the number of taxes from 21 in 2004 to just six currently. Commitment towards structural reforms ensures constant effort for improving the business environment, the latest examples being the VAT reform (adopted in July 2020) and the new insolvency framework (adopted in September 2020 and into force since April 2021).

Public debt down to 39% of GDP by the end of 2023, below pre-COVID levels.

Despite challenges arising from the pandemic, structural reforms and large infrastructure projects to promote Georgia as a transit and tourism hub and enhance long-term growth are still underway. A new pension law was adopted in 2018, enhancing long-term fiscal sustainability, supporting capital market development, increasing the replacement rate, narrowing the current account deficit and boosting potential output. A new bill on investment funds was adopted in 2020, in line with international practice and harmonisation obligations with EU law, providing an up-to-date regulatory framework for investment activity. The Government focuses on addressing the shortcomings in employee benefit schemes, further cutting non-essential expenditures, consolidating public sector institutions, making social and healthcare spending more targeted, privatisation schemes and increasing capital expenditure efficiency. Within the responsible lending framework, NBG took macroprudential measures to decrease household indebtedness, enhance financial stability and strengthen regulation, supporting the financial system's resilience to currency fluctuations and FX-induced credit risks. A new important reform adopting the framework for issuing mortgage covered bonds was adopted by the parliament in 2022, aiming to provide an additional source for a relatively cheap and stable source of financing for credit institutions.

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

The Government's ongoing infrastructure investments and increased spending on roads, energy, tourism and municipal infrastructure will also reinforce the potential. To enhance Georgia's competitiveness, the Government continues to strengthen integration in existing international systems as well as new transit routes. Georgia is a regional energy corridor. In November 2019, the Georgian PM, alongside the Turkish and Azerbaijani presidents, opened the Trans-Anatolian Pipeline, allowing natural gas from Azerbaijan to be exported to Europe through Georgia. In December 2022, leaders of Azerbaijan, Georgia, Hungary and Romania signed an agreement to build an underwater electric cable in the Black Sea, further positioning Georgia as an important player in the EU energy policy.

Following the Russia-Ukraine conflict, and the subsequent Western sanctions imposed on Russia, the Government of Georgia has revived plans to build a deep-sea port at Anaklia, which would be located in the so-called Middle Corridor, which connects China and the countries of Central Asia to Europe through Georgia and Azerbaijan. The port is expected to be built with the co-participation of the state and international investors.

Georgia's business-friendly environment, coupled with its sustainable growth prospects, attracted FDI on average 8.4% of GDP over the past decade. These capital flows boosted productivity and accelerated growth. Public infrastructure projects were also instrumental in driving growth, as well as better realising the country's potential in logistics, transport and tourism. Faced with low domestic savings, FDI is an important source of financing growth in Georgia, as well as a reliable source of current account deficit funding. Total FDI amounted to US$ 1.6 billion, down 24% y-o-y in 2023, following a record high FDI number in 2022 (US$ 2.1 billion, 67% y-o-y). Major sectors attracting FDI were: financial and insurance activities (40% of the total), manufacturing (18% of the total) and trade (7% of the total). The share of reinvestment by foreign companies in total FDI was 80% in 2023, more than 2019's 47%. The increasing share of reinvestment indicates investors trust in Georgia's growth model and the success of the profit tax reform introduced in 2017. Planned investment and infrastructure programmes, a rising number of free trade agreements (FTAs) and a business-supportive environment will support further FDI inflows in the medium term.

Free trade agreements

There have been significant changes in Georgia's export structure and destination markets in recent years; however, Georgia has not yet fully tapped into international markets. One of the biggest changes in destination markets has been a reorientation from the Russian market after the 2005 embargo, as the embargo forced Georgian producers to redirect exports to other Commonwealth of Independent States (CIS) countries, the EU and the Middle East. Exports to Russia picked up again in 2013 as Russia reopened its borders to Georgian products. Another significant change concerns the growing importance of China as a Georgian export market, as the FTA effective from January 2018 has brought a major acceleration of exports to China. Since 2013, Georgia's developed logistics and transport infrastructure has helped shore up opportunities for new re-export commodities, including copper and pharmaceuticals. Georgia's potential to become a logistic hub has strengthened since sanctions on Russia, with robust demand observed from Kyrgyzstan, Kazakhstan, Azerbaijan and Armenia in 2023. Importantly, re-exports reached a record high of US$ 3.3 billion in 2023, accounting for 54.2% of total exports and growing by 74.5% y-o-y, first time ever exceeding domestic exports since March 2023.

Together with established destinations, improved access to large new markets, such as the EU, China and Hong Kong, could increase market penetration. There is also scope for diversifying agricultural exports. Georgia's existing FTAs (with the EU, CIS, EFTA, Türkiye, China and Hong Kong) and the prospective FTA with India, as well as an agreement with Israel and talks with South Korea, offer significant upside potential for Georgia's exports.

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

Following Ukraine's plea to join the EU as it battles Russia's invasion, Georgia and Moldova on 3 March 2022 submitted their applications to join the EU. Georgia previously planned to apply to join the EU in 2024. The European Council granted a conditional European perspective to all three countries, with Ukraine and Moldova receiving the candidate status pre-emptively. For Georgia, however, candidate status was made subject to meeting a list of 12 conditions.

On 8 November 2023, the European Commission adopted the 2023 Enlargement Package – a set of documents explaining its policy on EU enlargement. The final decision was made on 14 December 2023 and the European Council granted the status to Georgia and called on Georgia to demonstrate a clear commitment to EU values, continue progress on its reform agenda and fulfil the conditions specified in the Commission's report meaningfully and irreversibly. Granting candidate status to Georgia is a significant acknowledgment by the EU of the progress made in recent years.

Although the specific advantages of EU candidacy status for Georgia would depend on the country's specific circumstances, in general, the attainment of EU candidacy status, based on the other countries' experiences will have a positive impact in multiple ways, specifically on economic growth, foreign investment, and trade.

MARKET AND INDUSTRY OVERVIEW CONTINUED

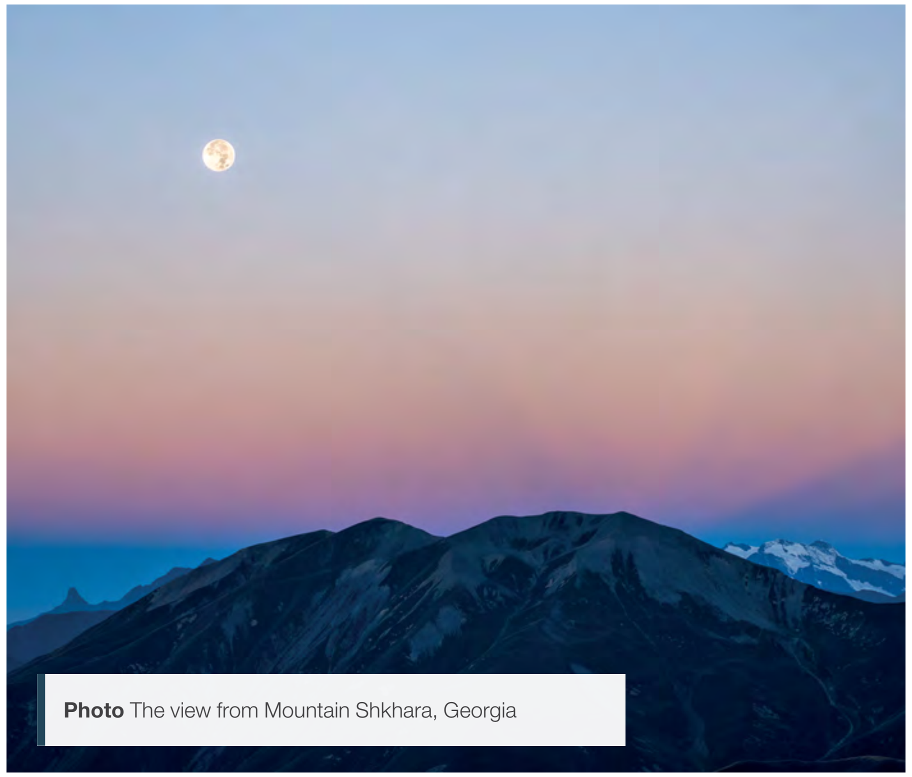


Photo The view from Mountain Shkhara, Georgia

Georgia's FTA with China, effective from January 2018, and its FTA with Hong Kong, effective from February 2019, have increased opportunities to further accelerate exporting markets and attract investors by offering a business-friendly environment, strong corporate governance standards and access to a market of 2.8 billion customers. China was the single largest destination country for Georgian exports for 2020-2022 years.

Individual sector overview

Banking

The banking sector has been one of the most developed and fastest-growing sectors of the Georgian economy. The banking sector's asset growth rate of 16.6% (ten-year CAGR) has far outstripped the nominal GDP growth rate for the same period. However, despite robust progress, there are plenty of opportunities to further tap into growth potential, as the financial market remains at an early stage of development. The sector has remained resilient in the face of challenges such as COVID-19 and the war in Ukraine, underscoring the robustness of the banking system.

Fitch Ratings, which downgraded the outlook on Georgian banks to negative in April 2020, revised the outlook to stable in March 2021, citing reduced pressure on the banks' credit profiles and the banks' "intrinsic strength". The agency most recently affirmed the stable outlook in September 2023, pointing that the "Georgian banks had solid credit metrics" and "expects bank performance to remain healthy in 2023-2024". Subsequently, Fitch Ratings revised the sovereign credit rating outlook for Georgia to positive in January 2023 and reaffirmed the positive outlook in January 2024, paving way for a potential outlook upgrade for the banking sector.

In December 2022, the parliament adopted changes in the corporate tax model for banks (as well as credit unions and microfinance organisations), setting the corporate tax rate at 20%, combining the previous 15% rate with the 5% dividend tax rate and abolishing the latter. Moreover, commercial banks adopted International Financial Reporting Standards (IFRS) from January 2023, as laid out in NBG's 2020-2022 supervisory strategy, aiming to increase harmonisation with developed countries.

In 2022, NBG began working on operationalising a new bank recovery and resolution framework, assisted by technical missions from the IMF. The mission noted that Georgia has made "considerable progress" in developing the infrastructure necessary for an effective bank recovery and resolution regime and identified several priorities in cooperation with authorities. NBG also applied for membership in the Single Euro Payment Area (SEPA), noting that SEPA membership will increase the credibility of the financial sector and simplify services for Georgian citizens.

In January 2023, a new methodology was published for defining systemically important commercial banks and establishing a systemic buffer for them, aiming to further increase the system resilience. The updated methodology defined three banks – Bank of Georgia, TBC Bank and Liberty Bank – as systemically important, setting a 2.5% buffer for the former two and 1% for the latter. The decree contains provisions for increasing the buffers in case an individual bank's deposit concentration exceeds specified norms.

In 2021, during the joint Financial Sector Assessment Program conducted by the IMF and the World Bank, recommendations were provided to NBG. Among these recommendations is the establishment of the minimum requirement for own funds and eligible liabilities (MREL) for domestic systemically important banks (D-SIBs) within the resolution framework of NBG. The regulation, developed based on the framework of the European Bank Recovery and Resolution Directive (BRRD), sets percentages derived from the ratio of eligible liabilities and capital instruments to total liabilities and regulatory capital. The MREL for systemic commercial banks is determined with the following amount and terms: from 1 January 2024 – 10%, from 31 December 2025 – 15% and from 31 December 2027 – 20%.

Amendments to the Organic Law of Georgia on The National Bank of Georgia have already been initiated, addressing an additional mechanism to mobilise funds in advance into the resolution fund. The creation of a fund is a part of the resolution funding framework developed based on the recommendations of the IMF and World Bank, for the early identification of the bank's financial vulnerabilities. The accumulation in the resolution fund, according to the legislative project, should reach an amount pre-determined by the law, representing 3% of bank's insured deposits. The fund will be filled with these contributions between 2025 and 2033.

Dollarisation decrease is one of the priorities of the NBG and the Government. The Financial Stability Committee of NBG made a number of decisions at the meeting held in October 2023 regarding to the responsible lending and de-dollarisation policy. Starting from 1 January, 2024, individual loans below GEL 300,000 can only be issued in foreign currency if hedging requirements are met. Restrictions on taking loans in foreign currency have been in place since January 2017 in Georgia. The limit was initially set at GEL 100,000, but increased to GEL 200,000 from January 2019. Additionally, the maximum maturity for the unsecured consumer loans increased from three years to four years starting from 1 November of 2023.

The banking sector ended 2023 with record net profits of GEL 2.7 billion, 29.9% higher than 2022 profits. Interest income reached GEL 7.2 billion in 2023, up 26.8% y-o-y, while interest expenses reached GEL 3.3 billion, up 17.7% y-o-y. Non-performing loans (IMF methodology) reached 1.48% of total loans by the end of 2023, compared to 1.51% at the end of 2022. At the end of 2023, return on assets was 4.2% (3.8% at the end of 2022) and ROE was 26.5% (24.8% at the end of 2022), while the average capital adequacy ratio was 22.1% (20.3% at the end of 2022) and the liquid asset ratio was 20.9% (22.8% at the end of 2022).

The loan portfolio proved extremely resilient in 2023, despite a tightened monetary stance and rising foreign currency rates, as credit to the economy increased by 17.1% y-o-y (excluding the exchange rate effect) by the end of 2023, including a 17.0% growth in GEL loans and a 17.3% growth in foreign currency loans. Mortgage loans increased by 9.9% by the end of the year, while business loans increased by 18.1%. As for deposits, commercial bank deposits increased by 14.5% by the end of 2023 (without the exchange rate effect), including a 31.4% growth in GEL deposits and a 3.1% growth in foreign currency deposits (without Government deposits).

Deposit dollarisation was 50.7% at the end of 2023, down from 56% at the end of 2022. Loan dollarisation followed a similar trend, falling below 50% for the first time in 2022 and reaching 45.2% by the end of 2023.

Retail (pharmacy)

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 21%) and Aversi (approximately 23%). 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 as the U.S. Food and Drug Administration and the European Medicines Agency, as well as favourable regimes for setting up pharmacies (0% VAT on medicines, absence of customs duties and no price controls).

According to management's estimates based on third-party data, generics account for around three quarters 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). The 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 third largest commodity group, amounting to US$ 402 million (3.6% of total imports), while export of medicines was the eleventh largest export commodity group, amounting to US$ 88 million (1.2% of total exports) in nine months of 2023, including US$ 71 million of re-exports (0.8% of total re-exports).

Also, effective from 15 January 2023, the Ministry of Health, Labour and Social Affairs of Georgia (the "Ministry") implemented an External Reference Pricing (ERP) model on the pharmaceuticals market, related to both prescription and non-prescription medicine. 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.

Currently, approximately 207 Generic drugs are subject to the new regulation.

Hospitals and clinics and diagnostics

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

To address high private healthcare costs and basic healthcare coverage for the entire population, UHC was introduced in 2013 and replaced previous state-funded medical insurance plans. New initiatives regarding the reimbursement and differentiating coverage of Universal Health Insurance were adopted in 2017.

In terms of health expenditure as a percentage of GDP, Georgia achieved a level consistent with that of major developed economies, at approximately 8%, which is above most of its peer emerging economies. However, there still remains vast potential for further increase since Georgia has one of the lowest per capita expenditures on healthcare among the benchmark countries. Healthcare spending per capita is currently at a very low base of only c.US$ 300, with annual outpatient encounters of 3.7 per capita, significantly lower than many comparable countries. On average, c.65% of healthcare spending is funded by the private sector. Notwithstanding a significant improvement in the bed occupancy rate, from c.30% in 2003 to c.50% currently, there is still potential for even higher efficiency in order to align Georgia with best practices. The occupancy rate in Georgia is far below EU (77%) and CIS average (83.4%) indicators. The Georgian healthcare market has shown solid growth in recent years. According to management's estimates based on third-party data, the total healthcare market grew by a CAGR of 9% over 2011-2023 years and was expected to grow at 4% in 2023. Outlook for the healthcare sector is positive as increasing GDP and disposable income help domestic consumption to increase, especially in elective care, diagnostics and outpatient services.

To streamline the state funding financing in healthcare and improve the reimbursement process, the Georgian Government introduced an initiative to implement a Diagnosis Related Group (DRG) financing system. The DRG system categorises inpatient case types that are clinically similar and expected to use the same or similar resources into groups by applying various criteria (age, sex, intervention needed, comorbidity, etc.). The new system became effective from the beginning of 2023. The way the DRG system was initially implemented had a positive impact on the business EBITDA, however the system was modified several months into its implementation, decreasing tariffs on a number of services, and making the changes profit neutral.

Property and casualty (P&C) insurance

From 2010 to 2023, the Georgian property and casualty insurance sector grew by 387%, with insurance revenue increasing to GEL 487 million. According to the Insurance State Supervision Service of Georgia ("ISSSG"), the total value of gross written premiums increased from GEL 113 million in 2010 to GEL 502 million in 2022; an increase of 344%. The largest six insurance providers in Georgia account for approximately 82% of the market. The level of insurance market penetration in Georgia amounts to 1.27% (of which 0.7% is attributable to the property and casualty insurance market) as at 31 December 2022. This was lower than insurance penetration in more developed countries such as the UK, France, Switzerland and Belgium, which had penetration rates of 10.50%, 8.70%, 6.90%, and 5.50%, respectively, and was also lower than penetration in neighbouring countries such as Slovenia, Poland, Bulgaria and Türkiye, which had penetration rates of 4.70%, 2.20%, 2.20% and 1.50%, 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 55% of the total retail insurance market in Georgia, of which 16% 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.

Medical insurance

Over the past decade, the private medical insurance market expanded significantly compared with the 2006 figure, when only 40,000 Georgian citizens (or c.1% of the total population) had a voluntary medical insurance

MARKET AND INDUSTRY OVERVIEW CONTINUED

package, mostly provided as part of a corporate benefits programme. There were 722,000 private health insurance (PHI) policies in force by the end of June 2023. The corporate segment accounts for the major portion of the PHI market – 71.3% of all policies are acquired by employers, and the rest (51,500) are purchased by self-paying individuals. In Georgia, PHI is primarily intended to provide value-added services in the form of more extensive coverage or more convenience for the patient.

Renewable energy

In Georgia, electricity consumption has been growing significantly for the last decade, in line with GDP growth. Electricity demand for the last decade has been growing on average by 4.1%. 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. To support the consumption growth, which is forecasted at a minimum of 4.5% for the next decade, the Government is promoting the development and construction of domestic renewable capacities through different support mechanisms, as well as implementing reforms in the Georgian energy market. Back in 2008, the power generation market witnessed significant changes to facilitate market liberalisation. All HPPs constructed after August 2008 have been deregulated, which served as a first step towards the establishment of a free electricity market. In 2014, the EU and Georgia signed an Association Agreement and Georgia became a full contracting party member of the Energy Community. Further, the electricity legislation was amended in June 2017, deregulating all HPPs below 40MW and gradually moving the large industrial consumers out of the regulated pricing scheme to the free market. In the next phase of deregulation, effective from May 2019, big industrial customers with monthly electricity consumption of at least 5GWh were required to register as direct customers. Deregulation continued in 2021 – all entities with monthly consumption of more than 0.4GWh and with 35-110kV access lines were registered as direct consumers. Also, since May 2022, HPPs with a capacity of less than 65MW have been deregulated. This process will continue in the following years as well, further increasing the share of the deregulated market.

At the end of December 2019, the parliament of Georgia has adopted the new Law on Energy and Water Supply and the Law on Renewable Energy Sources. These pieces of energy legislation were prepared by the Energy Community Secretariat, taking into account the specifics of the Georgian energy market. In 2020 and 2021 several important regulations were adopted to prepare Georgia's energy market for the reforms in coming years. 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 Electrosystem and Electricity System Commercial Operator. Once the new electricity market enters into force, the Georgian Energy Exchange will be responsible for organising day-ahead and intraday markets through the software services of consulting company "Nord Pool Consulting".

Education

The private K-12 education industry in Georgia has been growing at a 15% CAGR over the last decade. Based on the business' estimation, the market size reached GEL 375 million in 2023, driven by both increasing enrolments and rising tuition fees. Currently, there are c.66,000 learners in private schools in Georgia, representing 10.5% of the total general education market.

There is a consolidation trend that represents an opportunity in a fragmented market. Over the last decade, average school size has increased by 42% and the number of schools has decreased by 15%. Private learners are consolidating in the four largest cities with populations over 100,000, namely Tbilisi, Batumi, Kutaisi and Rustavi. Based on our estimation, the market share of the ten largest players has increased by 4%. Tbilisi is the largest city in Georgia with the majority share of private learners (64% of the Georgian private market) and Georgia Capital is the largest player on the market with a 9% market share in terms of learners, while the second largest player holds 2.3%.

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

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

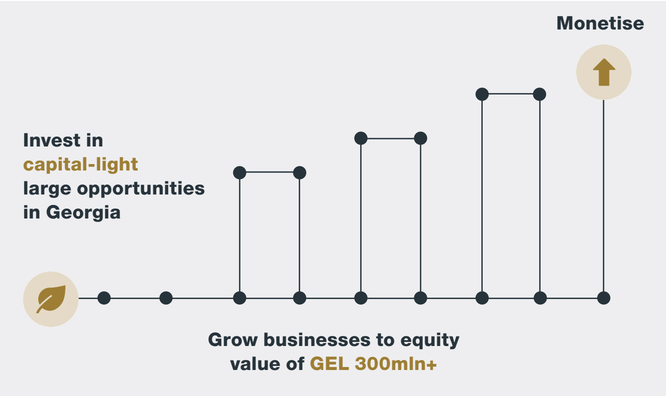
- Geostat
- National Bank of Georgia
- Ministry of Finance of Georgia
- Georgian National Tourism Administration
- Insurance State Supervision Service of Georgia
- World Bank
- International Monetary Fund
- Fitch Ratings

Photo Snowy Borjomi forest, Georgia

Georgia Capital PLC Annual Report 2023

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES

Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. It focuses on shareholder returns and on opportunities that meet its investment return and growth criteria. In line with its capital allocation strategy, the Group emphasises capital-light, larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over three to five years and to be monetised through exits as they mature. The Group believes that the superior exit opportunities and improved liquidity associated with larger sized investments will support the Group's desire to reduce the current discount to reported NAV per share.



- Georgia Capital invests in Georgia in sectors not requiring intensive capital commitments.
- GCAP enables its large and capital-light portfolio companies to explore regional growth opportunities, such as the recent expansion of the retail (pharmacy) business into Armenia and Azerbaijan.
- In capital heavy industries, Georgia Capital seeks to manage third-party money and/or establish partnerships.

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

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

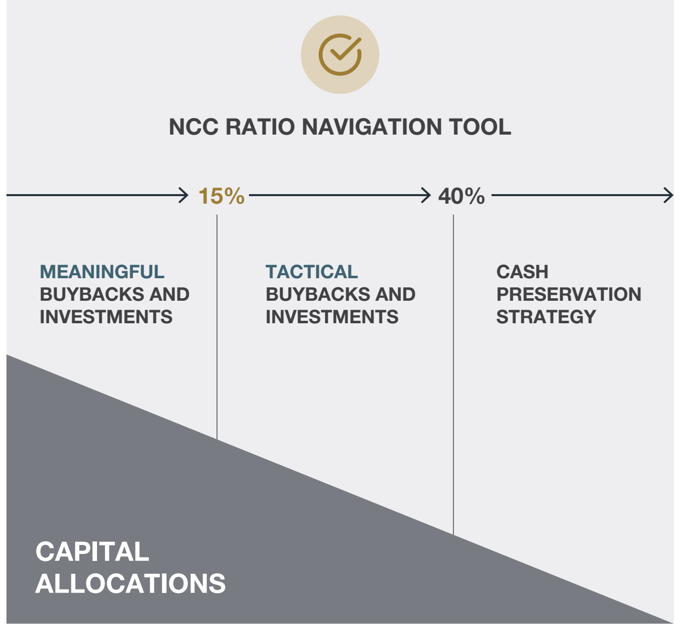
Access to capital and management personnel is limited and as a result, Georgia Capital can pursue attractive investment opportunities and acquire assets on relatively attractive terms with a view to consolidating fragmented and underdeveloped sectors of the economy, particularly targeting high-multiple service industries, not requiring significant capital commitments. The Group believes that in the long run Georgia will become a service hub of the region. Since the Group is under no time pressure to invest, it takes a selective and opportunistic approach to new investments. The Group's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework.

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

360-DEGREE FRAMEWORK – A STRONG FOUNDATION FOR VALUE CREATION

GCAP share price is at the core of our investment decision-making

We perform 360-degree analysis each time we make a capital allocation decision and compare:
- Investment opportunity vs. buyback opportunity
- Sale opportunity vs. buyback opportunity



In 2022, the Group introduced an NCC Navigation Tool, which is an integral part of GCAP's existing 360-degree framework and drives the Group'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 us 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 us to implement a cash preservation strategy as we did during the active phases of the COVID-19 pandemic.

Since its inception, GCAP has bought back 7.9 million shares with the total value of US$ 87 million under its buyback programmes to date. The US$ 45 million share buyback programme, which commenced in June 2018, was completed in August 2019. Under the programme we bought back 3,336,843 shares, of which 2,650,375 shares were cancelled and 686,468 shares were transferred to the management trust. In August 2019, Georgia Capital initiated a US$ 20 million share purchase programme for the management trust. The management trust programme has repurchased 1,550,084 shares. There was no buyback programme in 2020 in light of the cash preservation strategy due to COVID-19. In August 2021, Georgia Capital commenced a US$ 10 million share buyback and cancellation programme, which was extended by an additional US$ 15 million in 2022. Under the US$ 25 million share buyback programme, 3,075,923 shares have been repurchased and cancelled, corresponding to GEL 76.2 million (US$ 25.0 million) in value. In 2023, GCAP launched two buyback programmes: a US$ 10 million programme in April 2023, under which it repurchased and cancelled 1,000,000 shares with a total value of GEL 25.4 million (US$ 10.0 million), and a US$ 15 million buyback programme launched in October 2023, during which 665,222 shares with a total value of GEL 22.5 million (US$ 8.3 million) were repurchased in 2023.

The table below summarises GCAP's share buybacks in 2023.

	Value of shares repurchased (US$ million)	Number of shares repurchased (million)
Georgia Capital share buybacks	29.2	2,817,070
of which, programme	18.3	1,665,222
of which, management trust	10.9	1,151,848
Number of Georgia Capital shares cancelled	17.6	1,612,022

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

Liquidity is important
In order for the strategy to succeed, GCAP must be disciplined in unlocking the value of companies in which it invests and that it manages. In particular, it is crucial to set an exit strategy prior to making an investment. A low investment entry point becomes even more important in a small frontier economy, with limited exit opportunities. The Group aims to have two potential liquidity events for each of its assets:
- The first exit: when entering a new industry Georgia Capital intends to develop and grow portfolio companies. GCAP's key focus areas at portfolio company level are the ability to grow operating cash and to make efficient capital expenditure investments by targeting an appropriate level of return on invested capital (ROIC). Once the business reaches its late stage of development, GCAP expects to pursue its first exit route, which envisages dividend flows for the Group; and
- The second exit: as businesses mature, Georgia Capital normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment.

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

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

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

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

IRR AND MOIC ARE THE KEY DRIVERS FOR GCAP TO INVEST IN NEW OPPORTUNITIES

KEY MONEY MULTIPLES AT GCAP LEVEL

IRR

MOIC

ROIC IS AT THE CORE OF DECISION-MAKING WHEN OUR PORTFOLIO COMPANIES ARE INVESTING OR DIVESTING ASSETS/BUSINESSES

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

ROIC

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

GCAP ROLE – VIS-À-VIS PORTFOLIO COMPANIES

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

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES CONTINUED

CAPITAL ALLOCATION OUTLOOK

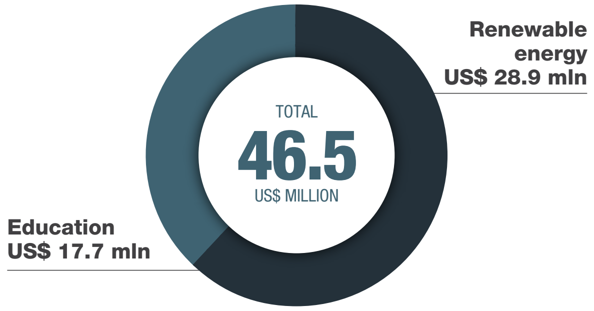
Georgia Capital expects to allocate US$ 46.5 million net equity capital in the renewable energy and education businesses over the next three to five years.

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

PLANNED INVESTMENTS FROM GCAP IN OUR INVESTMENT STAGE PORTFOLIO COMPANIES:

US$ 46.5
MILLION IN 2023

TOTAL NET INVESTMENT IDENTIFIED FROM GCAP OVER THE NEXT 3-5 YEARS.

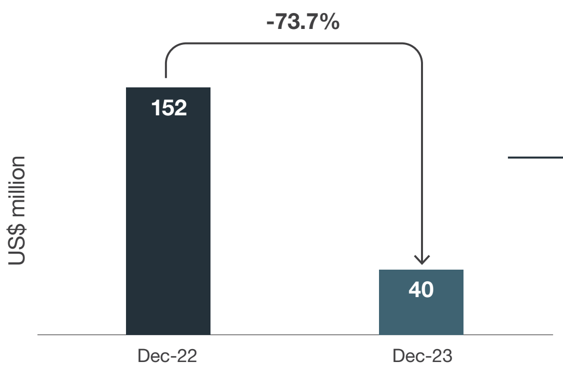


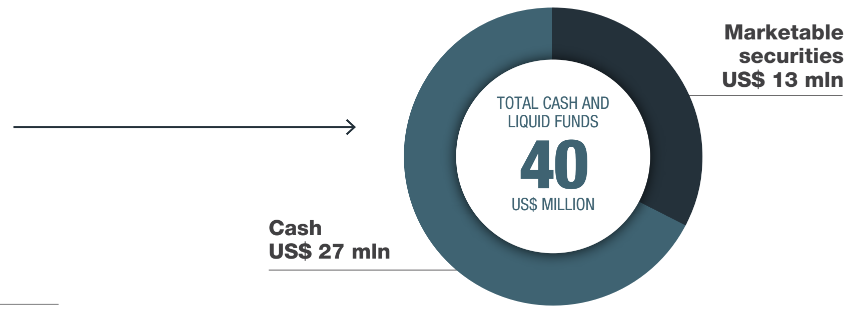
No investments are expected in the clinics and diagnostics business from GCAP.
Detailed information on the investments in these businesses are set out on pages 34-60 of this report.

STRONG BALANCE SHEET AND CASH MANAGEMENT AT GEORGIA CAPITAL

Cash and liquid funds balance down 73.7% y-o-y to US$ 40 million at 31 December 2023, reflecting the redemption of GCAP's Eurobonds in the third quarter of 2023, which was partially financed by GCAP's existing liquid funds balance. The decrease was slightly offset by strong dividend inflows.

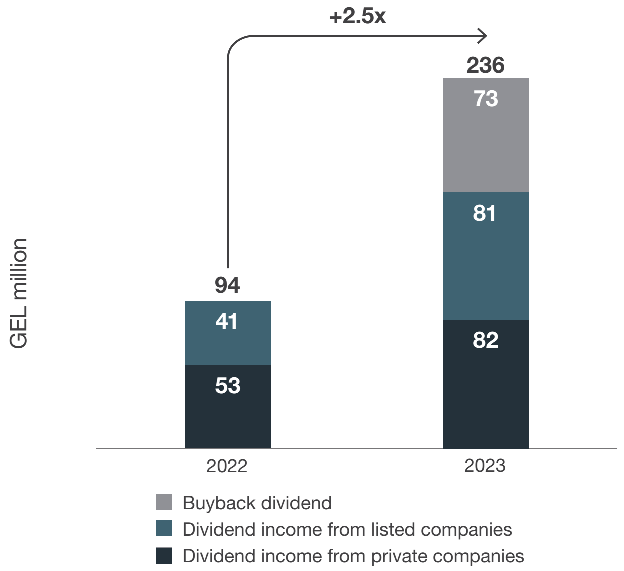
TOTAL CASH AND LIQUID FUNDS





STRONG BALANCE SHEET AND CASH MANAGEMENT AT GEORGIA CAPITAL CONTINUED

STRONG DIVIDEND INCOME FROM PORTFOLIO COMPANIES



ROBUST DIVIDEND INCOME IN 2023
236
GEL MILLION IN 2023

Dividends income

(GEL million)	Recurring	One-off	Total
BOG	**124.5**	**29.4**	**153.9**
of which, cash dividends	*80.5*	*–*	*80.5*
of which, buyback dividends	*44.0*	*29.4*	*73.4*
Retail (Pharmacy)	**24.2**	**26.7**	**50.9**
Insurance business	**19.9**	**–**	**19.9**
of which, P&C insurance	*14.9*	*–*	*14.9*
of which, medical insurance	*5.0*	*–*	*5.0*
Hospitals business	**6.0**	**–**	**6.0**
Renewable energy	**5.2**	**–**	**5.2**
Total	**179.8**	**56.1**	**235.9**

IN ADDITION TO THE RECURRING DIVIDENDS, GCAP RECEIVED A ONE-OFF NON-RECURRING INFLOW OF GEL 56 MILLION IN 2023:

- GEL 29 million from the participation in BoG's 2022 share buybacks;
- One-off additional dividend of GEL 27 million from the retail (pharmacy) business, following the minority buyout.

GCAP MANAGEMENT FEE EXPENSES STARTING FROM 2024 HAVE A SELF-TARGETED CAP OF 0.75% OF GEORGIA CAPITAL'S NAV.

THE LAST 12-MONTH (LTM) MANAGEMENT FEE EXPENSE RATIO WAS 0.80% AT 31-DEC-23 (1.02% AS OF 31-DEC-22).

OUR MANAGEMENT TEAM

Georgia Capital

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

Avto Namicheishvili, Deputy CEO
In addition to his Deputy CEO role at Georgia Capital, Avto also serves as a chairman of the Group'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 an international business law from Central European University, Hungary.

Irakli Gogia, Portfolio Manager
CEO at the hospitals business and a chairman of the Group's retail (pharmacy) 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, 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.

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

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

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

Nino Vakhvakhishvili, Chief Economist
Joined Georgia Capital in 2018. Nino is an IMF Short-term Expert and a visiting lecturer at the University of Georgia. Before joining the company, she spent over five years at the National Bank of Georgia. Holds a master's degree in economics from ISET.

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

Eka Duchidze, Executive Director
Formerly served as CEO of Amber Group, a hospitality business of Georgia Capital. Previously, she was a corporate secretary and investor relations coordinator at BGEO Group. Joined Bank of Georgia as Corporate Secretary in 2005. During the past years, she has carried out a number of crucial roles, including Executive Assistant to CEO and Head of Internal Branding. Recently, Eka oversaw the development of SOLO Banking and SOLO Lifestyle at Bank of Georgia. Prior, she served for eight years at the World Bank Group of which for two years she was at the World Bank HQ in Washington DC as a Programme Assistant in the OPIC Department.

Photo The midnight skyline of Tbilisi, the capital of Georgia

OUR PORTFOLIO OVERVIEW
LISTED AND OBSERVABLE PORTFOLIO

BANKING

Overview

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

In Retail Banking, a prominent component of the banking business, BoG runs a client-centric digital multi-brand offering with the aim of reaching the entire spectrum of retail customers, encompassing both the mass retail segment (Mass Retail) and affluent high-net-worth individuals (Premium Banking). Bank of Georgia is a digital banking and payments leader, with a strong retail and corporate banking franchise in Georgia. Focusing on customer satisfaction and enhancing its digital and advanced analytics capabilities, BoG aims to increase customer engagement and maintain its relevance in customers' daily lives. The SME Banking segment, through which BoG develops value propositions for small and medium-sized enterprises, has shown remarkable growth in recent years. In Corporate and Investment Banking, given the scale, the rich portfolio of banking products and services, and the industry and product expertise that it possesses, BoG is a universal bank of choice and top-of-mind advisor for Georgian corporates. In the brokerage business, under the Corporate and Investment Banking business, BoG is focused on profitable growth, through unlocking retail brokerage potential and fully digitalising brokerage services.

Performance and strategy

Bank of Georgia Group delivered strong results in FY23. Excellent top and bottom-line growth and outstanding ROAE were supported by the strong macroeconomic environment in Georgia. All sectors including Retail Banking, SME Banking and Corporate and Investment Banking exhibited excellent performance. Lending activity was robust, loan book quality remained strong and operating income increased in FY23, the latter driven by strong income generation across key revenue lines and supported by the significant gains from the sale of repossessed assets. BoG continued its focus on customer satisfaction, employee empowerment and improving its digital banking and payments business franchise, while maintaining a healthy cost to income structure. As a result, Bank of Georgia Group delivered a ROAE of 29.9% (adjusted for one-offs) in FY23, while maintaining robust liquidity and capital positions.

On 19 February 2024, Bank of Georgia Group PLC announced that it has reached an agreement for the proposed acquisition of 100% of Ameriabank CJSC a leading universal bank in Armenia with an attractive franchise. The transaction price is US$ c.303.6 million, which will be fully financed by the Bank's surplus capital at an attractive valuation of 0.65x net asset value as at 31 October 2023 and 2.6x P/E 2023. The transaction – expected to be EPS and ROAE accretive – represents a significant catalyst for the Bank and its shareholders. The Bank intends to keep the targeted pay-out ratio unchanged in the range of 30-50% of annual profits, potentially enabling increased capital distributions for the Bank's shareholders. In addition, Bank of Georgia is well positioned to export its superior digital banking capabilities in the underpenetrated and growing Armenian economy.

On 15 March 2024, the Bank announced its board's intention to recommend a final dividend for 2023 of GEL 4.94 per ordinary share at the Bank's 2024 Annual General Meeting. This will make a total dividend paid in respect of the Bank's 2023 earnings of GEL 8.00 per share. In addition, in March 2024, the Bank announced an extension of the buyback and cancellation programme by an additional GEL 100 million. Overall, the Bank's dividend and share buyback pay-out ratio for 2023 was 37% of total earnings.

INVESTMENT RATIONALE

The first entity from Georgia to be listed on the Premium Listing segment of the Main Market of the LSE (LSE: BGEO), since February 2012.

High standards of transparency and governance.

Leading market position[1] in Georgia by assets (37.8%), loans (36.8%), client deposits (39.0%) and equity (36.2%) as at 31 December 2023.

Strongest retail banking franchise: 45.3% market share in deposits of individuals, 39.5% market share in loans to individuals as at 31 December 2023.

Digital leader in Georgian banking sector with a strong retail banking franchise: 72.6% share of monthly active digital users in total active individuals.

Growing market: The banking sector's assets growth rate at 22.7% (CAGR over 2003-2023).

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

Outstanding ROAE performance.

OWNERSHIP

Georgia Capital owns 19.71% of Bank of Georgia Group PLC, as of 31 December 2023. As long as Georgia Capital's stake in BoG is greater than 9.9%, it will exercise its voting rights in Bank of Georgia Group in accordance with the votes cast by all other shareholders on all shareholder votes at any general meeting.

VALUE CREATION POTENTIAL

20%+ ROAE.

Loan book growth c.10%.

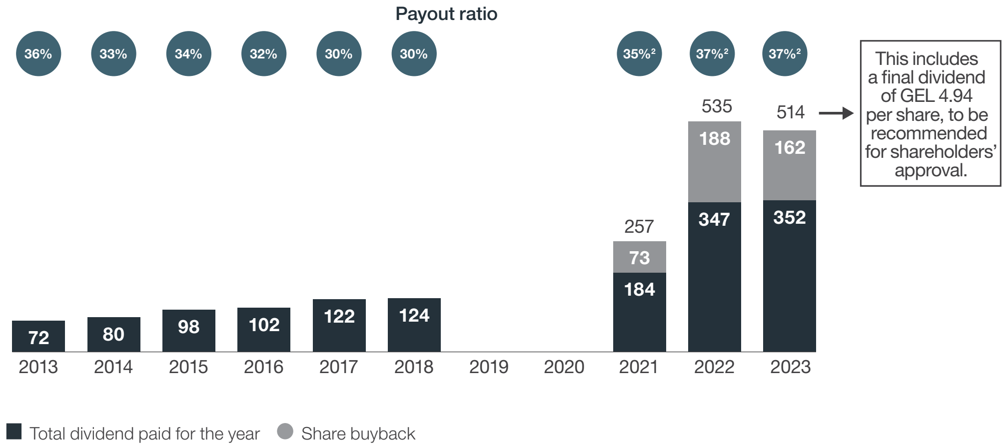
Regular progressive semi-annual capital distribution with 30%-50% dividend/share buyback payout ratio.

Significant additional growth potential of Ameriabank within Bank of Georgia Group by using its experience and know-how in retail products, digitalisation and payment business.

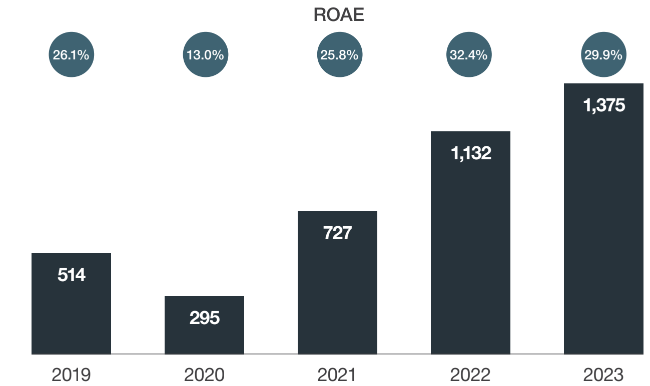
1 Market data based on standalone JSC Bank of Georgia accounts as of 31 December 2023 published by the NBG, www.nbg.gov.ge.

PERFORMANCE TRACK RECORD[1]

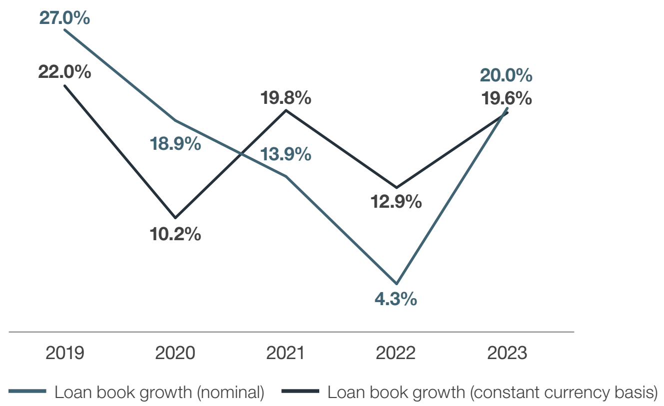
Dividend record
GEL million



Profits and ROAE[3]
GEL million



Loan book growth

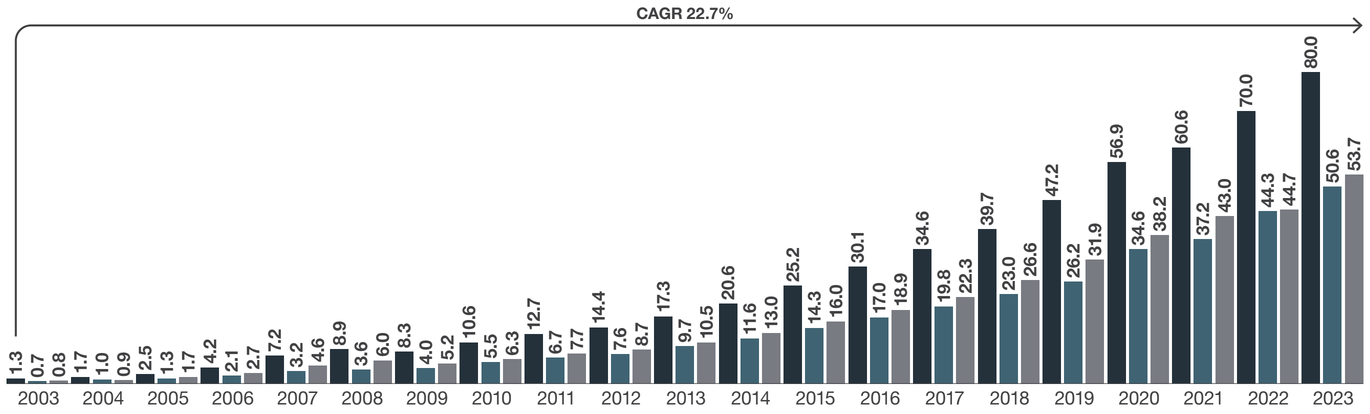


1 Numbers are derived from the business's unaudited IFRS accounts.
2 For the purpose of payout ratio calculation, total buyback amount is divided by outstanding shares before the beginning of the programme for the respective year.
3 2019, 2022 and 2023 numbers are adjusted for one-offs.

OUR PORTFOLIO OVERVIEW CONTINUED
LISTED AND OBSERVABLE PORTFOLIO CONTINUED

MARKET OPPORTUNITY

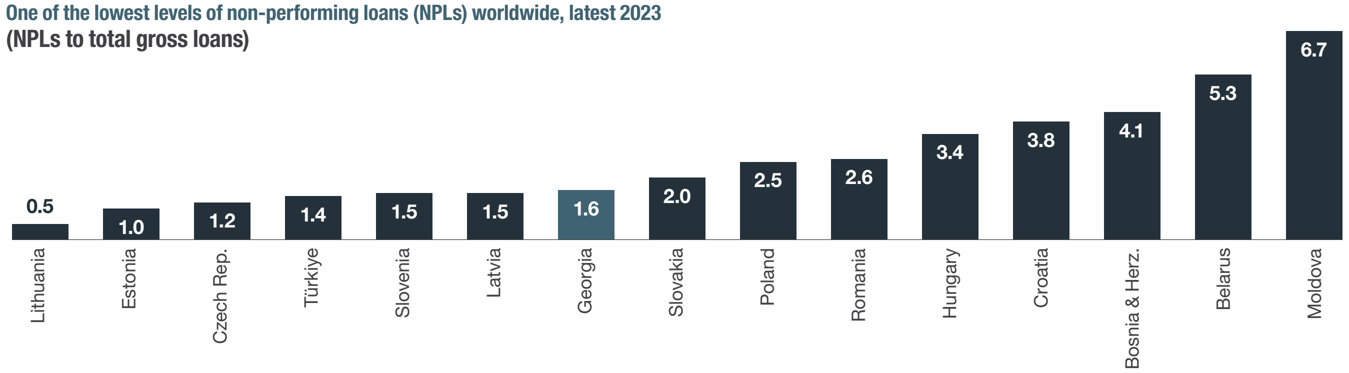
Banking sector assets, loans and deposits
GEL billion



Assets Deposits Loans

Source: NBG

One of the lowest levels of non-performing loans (NPLs) worldwide, latest 2023
(NPLs to total gross loans)



Source: IMF

FINANCIAL METRICS AS AT 31-DEC-23[1]

Banking business loan book (GEL million) **20,233** +20.0% y-o-y	Deposit portfolio (GEL million) **20,523** +12.4% y-o-y	ROAE[2] **29.9%** -2.5 ppts y-o-y	Net Interest Margin **6.5%** +1.1 ppts y-o-y
Cost/Income[2] **29.8%** -2.2 ppts y-o-y	NPL coverage adjusted for discounted value of collateral **117.6%** -11.3 ppts y-o-y	Tier 1 capital adequacy ratio **20.0%**	Liquidity coverage ratio **125.2%** -7.2 ppts y-o-y

OPERATING METRICS AS AT 31-DEC-23

Number of monthly active retail customers (thousands) **1,809** +10.8% y-o-y	Number of monthly active digital users (thousands) **1,357** +21.0% y-o-y	% of monthly active users in total active retail individuals **75.0%** +6.3 ppts y-o-y	Number of mobile and internet banking transactions (millions) **250.9** +45.7% y-o-y

VALUATION HIGHLIGHTS

Stock price performance
GBP

Implied multiple highlights at 31-Dec-23

LTM P/E **4.3x** +1.5x YTD	Price to book (P/B) **1.19x** +0.29x y-o-y

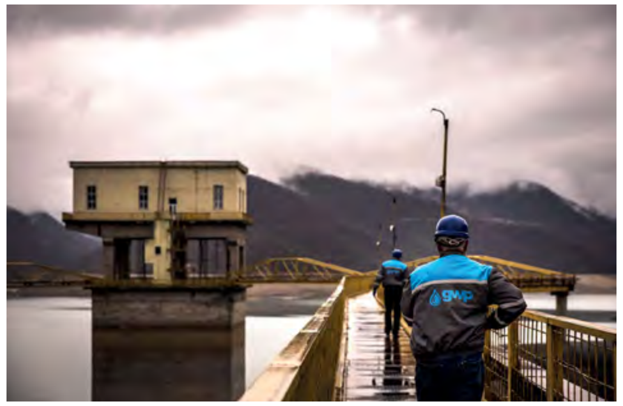
1 Numbers are derived from the business's unaudited IFRS accounts.
2 ROAE and Cost/Income ratios are adjusted for one-offs.

OUR PORTFOLIO OVERVIEW CONTINUED
LISTED AND OBSERVABLE PORTFOLIO CONTINUED

WATER UTILITY

Overview
The water utility business is a regulated natural monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to approximately 1.4 million residents and approximately 42,000 legal entities. The business also operates HPPs with a total installed capacity of 149MW. The water utility business uses a portion of the power generated by its HPPs associated with the water infrastructure for internal consumption at regulated electricity tariffs to power its water distribution network, while the remaining electricity is sold on the market. Revenues come from two main streams (water and electricity sales), where the business benefits from both earning fair regulatory returns on invested capital made in upgrading the water utility network and average electricity sales price growth due to electricity market deregulation in 2019.

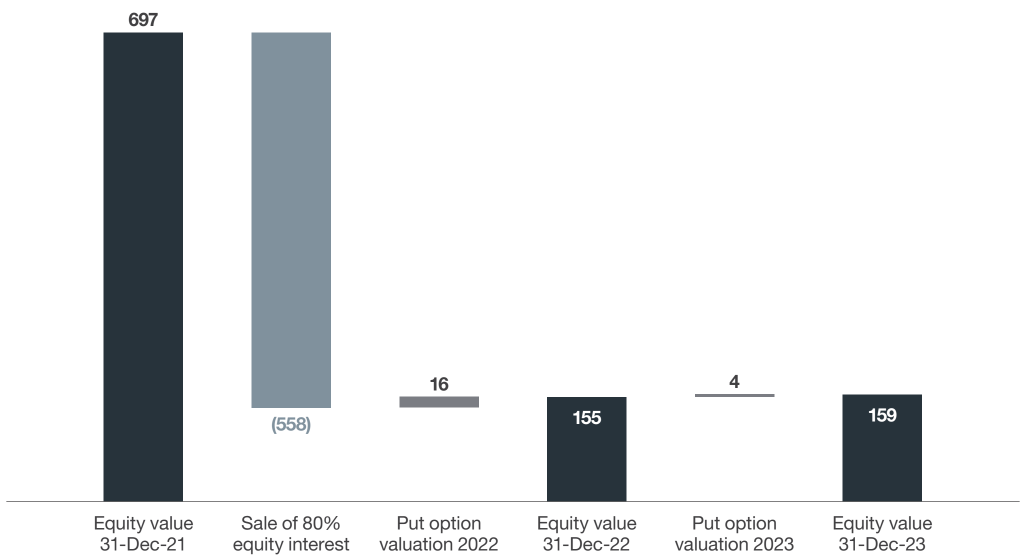
In 2022, GCAP completed the sale of an 80% interest in the water utility business for a total consideration of US$ 180 million. In 2023, the valuation assessment of the remaining 20% equity stake in the business, where GCAP has a clear exit path through a put and call structure at pre-agreed EBITDA multiples, reflects the application of the put option valuation while taking into account the revised tariffs for the 2024-2026 regulatory period, which received approval in December 2023 by an independent regulatory body, Georgian National Energy and Water Supply Regulatory Commission ("GNERC"). The water supply and sanitation (WSS) tariffs for legal entities in Tbilisi increased from GEL 6.5 to GEL 8.8 per cubic metre compared to the previous regulatory period of 2021-2023, while WSS tariffs for residential customers remained unchanged. The return on investment (WACC) is set at 15.44% (14.98% in the previous regulatory period). The tariff increase in 2023 will contribute to the healthy growth of the business revenue generation in the coming years, as well as demonstrating the transparency of the Georgian regulatory framework and its alignment with the EU principles. The regulatory WACC formula is based on publicly available market variables such as the risk-free rate, cost of debt, country risk premium and other factors.



GCAP and the majority shareholder have put and call options for the minority 20% equity interest in the water utility business.

GCAP'S PUT OPTION	MAJORITY SHAREHOLDER'S CALL OPTION
8.25x EV/EBITDA	**8.90x** EV/EBITDA
Exercisable in 2025-2026.	Exercisable on the date of expiry of the put option in 2026 and expiring six months thereafter.

Value development overview[1]
GEL million



1 The detailed valuation overview and related drivers are described on pages 101-119 of this report.

PRIVATE LARGE PORTFOLIO COMPANIES

RETAIL (PHARMACY)

Overview
The retail (pharmacy) business is the largest pharmaceuticals retailer and wholesaler in the country, with 32% market share based on 2022 revenues. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The business operates two brands, Pharmadepot and GPC, with a total of 412 pharmacies (of which 397 are in Georgia, and 15 in Armenia) and 23 franchise stores (of which, two are in Armenia and four in Azerbaijan). The business's franchises include brands like The Body Shop, a British company specialising in cosmetics, skincare and perfumes, Alain Afflelou SA, a top optical retailer in France, and Carter's, a leading American brand for baby and kids clothing.

Performance and strategy
The retail (pharmacy) business successfully continued the growth of its retail segment. The ongoing expansion of the pharmacy chain and franchise stores, along with an increased share of para-pharmacy in total revenues, significantly contributed to the business's robust performance in 2023.

The business strategy aims to achieve its targeted double-digit CAGR in EBITDA over the next five years. This will be accomplished by concentrating on several key areas: optimisation of its local pharmacy chains, which have seen the addition of over 100 pharmacies in the last five years; increasing sales through e-commerce channels; and pursuing international expansion. In accordance with its international expansion strategy, the business expanded its GPC pharmacy chain in Armenia in 2023, adding five new pharmacies, bringing the total to 15. Additionally, the company increased its presence in the Azerbaijani market by opening two new Body Shop stores, reaching a total of four in the country. Additionally, the business aims to explore international investment opportunities in other countries within the region.

Due to continuous expansion and growth in recent years, the retail (pharmacy) business had reached the full capacity of its two warehouses. To accommodate its expansion, in 2023, the business located a new, larger and more efficient warehouse. This resulted in securing a ten-year lease contract with favourable terms at the beginning of the year. The new warehouse spans a total of 16.5 thousand square meters and replaces one of the existing two warehouses, which had a space of 5.5 thousand square meters. The new facility will be designated for handling para-pharmacy and non-medical inventories.

In 2023, several regulatory changes in the healthcare market had a dampening impact on the performance of the retail (pharmacy) business. Starting in January 2023, the Ministry of Health, Labour, and Social Affairs of Georgia introduced an ERP model for prescription medicines funded by the state. ERP model 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. In August 2023, a second wave of price regulations was introduced, extending beyond prescribed medicines to include portions of non-prescription medicines. Subsequently, in November 2023, the state announced a third wave of price regulations affecting both prescription and non-prescription medicines. The new prices, aligned with these latest regulations, took effect from January 2024. Overall, the anticipated impact of these price regulations on the 2024-year EBITDA is estimated at GEL 8 million.

In response to these regulatory challenges, the business's strategic focus lies in the optimisation of the chain and increasing the para-pharmacy share of revenues, which remain unaffected by state regulations. The para-pharmacy segment's contribution to total revenues has grown from approximately 30% in 2019 to 40% in 2023.

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

INVESTMENT RATIONALE

- Largest retailer in the country with more than 400 pharmacies and franchise stores and over two million customer interactions per month.
- Retail business with 95% out-of-pocket payment.
- Supported by the country's growing macroeconomic environment.

OWNERSHIP

In 2023 the retail (pharmacy) business signed an agreement with its minority shareholders to accelerate the acquisition of a 20.6% equity interest in the business. As a result of this transaction, GCAP's ownership stake in retail (pharmacy) increased to 97.6% as at 31 December 2023 from 77.0% as at 31 December 2022. The transaction was in line with GCAP's 360-degree capital management framework and reconfirms our confidence in the value creation potential of the retail (pharmacy) business, which has consistently delivered outstanding results and captured significant growth opportunities.

VALUE CREATION POTENTIAL

- The largest player and purchaser of pharmacy products in the Georgian market with a cost advantage due to the scale of operations: higher discounts from manufacturers and elimination of distributor margins.
- High-growth potential driven by growing macroeconomic environment, expansion of the local and international chains, and adding highly synergetic products and services.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

KEY FOCUS AREAS IN MEDIUM AND LONG TERM

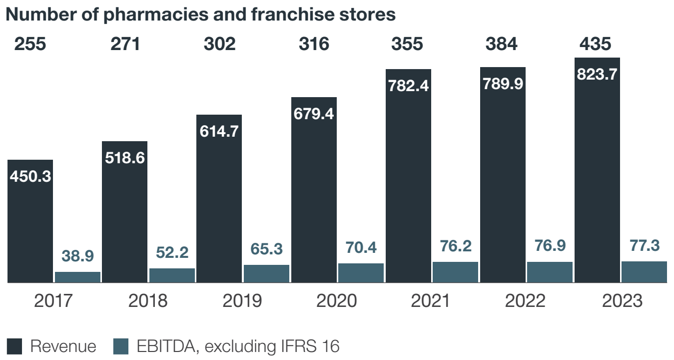
1 Expanding retail footprint in Georgia	Continued growth of para-pharmacy share in total revenues, which carry considerably higher profit margins and are not subject to state regulation
2 International expansion	Explore international investment opportunities within the region
3 Increase sales from e-commerce	Operate e-commerce in Armenia and Azerbaijan
4 Supporting the core Expanding the mix of synergetic products and services	Expand highly synergetic product and service mix in new format GPC drugstore

FIVE-YEAR FINANCIAL TARGETS

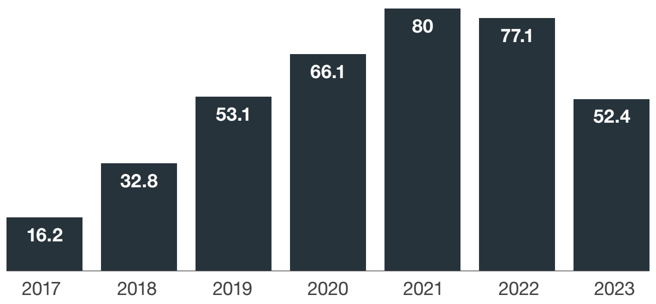
- Double-digit revenue CAGR
- Double-digit EBITDA CAGR
- 9%+ EBITDA margin

PERFORMANCE TRACK RECORD[1]

Revenue and EBITDA
GEL million



Operating cash flow (excl. IFRS 16)
GEL million



FINANCIAL METRICS[1]

Revenue (GEL million) **823.7** +4.3% y-o-y	EBITDA excluding IFRS 16 (GEL million) **77.3** +0.5% y-o-y	Operating cash flow excluding IFRS 16 (GEL million) **52.4** -32.1% y-o-y	Free cash flow excluding IFRS 16 (GEL million) **(56.1)** NMF
Gross profit margin **29.7%** +0.4 ppts y-o-y	EBITDA margin excluding IFRS 16 **9.4%** -0.3 ppts y-o-y	EBITDA to cash conversion excluding IFRS 16 **67.7%** -32.5 ppts y-o-y	Dividend paid to GCAP (GEL million) **50.9** NMF

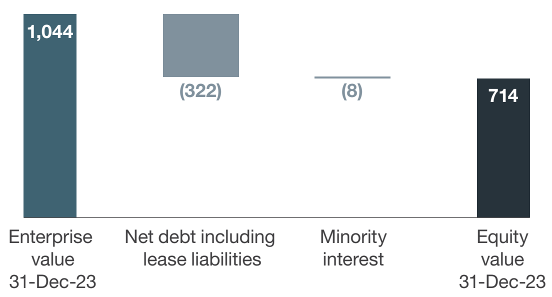
OPERATING METRICS

Number of pharmacies and franchise stores **435** +51 over 2022	Number of bills issued (million) **31.3** +0.8% y-o-y	Average bill size (GEL million) **19.8** +4.5% y-o-y	Same store revenue growth **0.4%** +1.2 ppts y-o-y

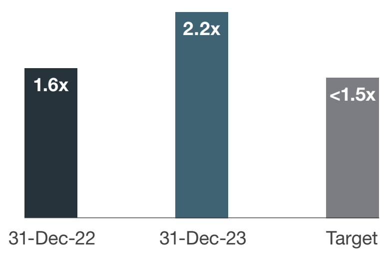
1 Numbers are derived from the business's unaudited IFRS accounts.

VALUATION HIGHLIGHTS[1]

Value development overview at 31-Dec-23
GEL million



Adjusted net debt to EBITDA[2]



Implied multiple highlights at 31-Dec-23

LTM EV/EBITDA

9.7x

Peer companies

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

1 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
2 Includes the application of the minority buyout agreement.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

HOSPITALS BUSINESS

Overview
Our hospitals business is the single largest healthcare market participant in Georgia accounting for around 14% of the country's total hospital bed capacity as of 31 December 2023. The business operates 34 healthcare facilities in Tbilisi and major regional cities and provides secondary or tertiary-level outpatient and inpatient diagnostic, surgical and treatment services. In order to improve efficiency and seize emerging opportunities stemming from new Government regulations introduced in 2023 as detailed below, our healthcare business underwent a strategic restructuring in December 2023. This restructuring resulted in the split of the hospitals business into two distinct segments: "Large and Specialty Hospitals" (comprising 7 healthcare facilities) and "Regional and Community Hospitals" (comprising 27 healthcare facilities). The Regional and Community Hospitals now include the community clinics that were previously managed under the clinics and diagnostics business. The transition for our patients was seamless, and business operations remained uninterrupted. The existing hospitals' management team has continued to manage the Large and Specialty Hospitals business and focus on their continued growth, while enhancing profitability margins. A new CEO from a local competitor has joined the Regional and Community Hospitals business to lead the team to focus on the service and efficiency from this group of hospitals. Large and Specialty Hospitals and Regional and Community Hospitals represent approximately 75% and 25%, respectively, of the consolidated hospitals business's EBITDA.

Performance and strategy
The performance of our hospitals businesses in 2023 has been impacted by a number of regulatory changes in the healthcare sector.

To address the oversupply of beds and enhance the quality of the healthcare industry in Georgia, the Government introduced a new facility regulation, effective from September 2023. This regulation established upgraded standards for healthcare facilities and imposed minimum requirements for space allotted per hospital bed. In order to adapt to the new standards, our hospitals business initiated a number of renovation projects in all of its facilities. This resulted in certain sections of our healthcare facilities being temporarily closed and unable to accept patients. The capex investment for the renovation projects amounted to GEL 11.3 million in 2023. The negative annualised impact of increased expenses that will result from additional requirements is estimated at GEL c.4.0 million.

Although these new regulations have slowed the previously projected pace of post-COVID recovery, we anticipate that they will enhance the quality of healthcare services in Georgia which, we believe will offer an opportunity to build on the competitive advantage of our high-quality healthcare businesses in the medium to long term.

From an operational performance perspective, the business is focusing on improving the capacity utilisation of hospitals, increasing patient and employee satisfaction across the chain, and driving efficiency through digitalisation of clinical processes.

These, together with the improved cash flow generation and allocating resources to high ROIC-generating investments, will help the business to achieve its goal to generate mid-teens CAGR in EBITDA over the coming five years that is expected to support a 13%+ ROIC in the medium to long term.

In December 2023, the business signed an agreement to sell one of its regional and community hospitals for a total consideration of GEL 34.6 million at 15.2x EV/EBITDA multiple, representing a 43% premium to its pre-disposal valuation. The proceeds from this transaction were collected in January 2024 and were utilised for deleveraging hospitals business's balance sheet. The sale is in line with the business's strategy to divest low-ROIC generating assets.

From a clinical perspective, the business continues to grow a new generation of doctors and nurses, while building robust clinical quality management processes. The medium-term goals remain knowledge and expertise advancement through education and professional development of our physicians and nurses. Quality assurance through the introduction and improvement of various activities and processes at hospitals remains a top priority for us so that the business delivers better care to its patients.

Going forward, the business strategy and key focus will be on increasing revenues from elective care and outpatient services, which are not subject to the state funding. These services have higher margins and considerably faster cash collection periods. Considering that Large and Specialty Hospitals are located in Tbilisi and major regional cities, they are strategically placed for and have positive prospects of increasing the flow of out-of-pocket as well as privately insured patients. Elective care and outpatient services tend to have a considerably higher share of such patients.

INVESTMENT RATIONALE

Very low base: healthcare services spending per capita only c.US$ 300 (EU average is c.US$ 3,300).

Growing market: healthcare spending growth estimated at 8% CAGR 2018-2023.

In-depth knowledge of the local market: strong business management team with proven track record.

OWNERSHIP

Georgia Capital owns 100% of the hospitals business as at 31 December 2023 (31 December 2022: 100%).

VALUE CREATION POTENTIAL

Increase in revenue from elective care and outpatient services, which have higher margins and faster cash collection periods.

Extracting efficiencies and enhancing operational flexibility through a more concentrated strategy post-restructuring.

KEY FOCUS AREAS IN MEDIUM AND LONG TERM

1 Adding new services and strategic projects
- Elective care services, outpatient services, oncology centre, transplantology centre and clinical trials

2 Quality projects
- Nursing reform
- Quality education programmes

3 Digitalisation of clinical processes
- Automation of clinical processes
- Digitalisation of clinical KPIs
- Use of statistical methods

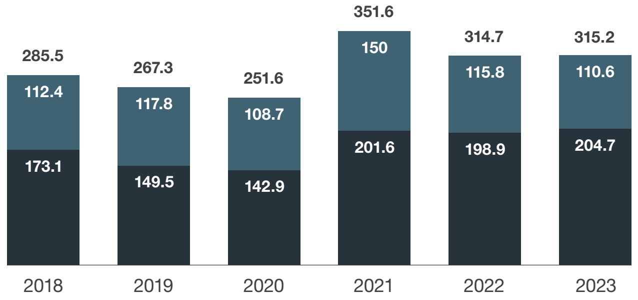
4 Improve key operational data
- Inpatient
- Outpatient
- Clinical
- Employee and customer satisfaction

FIVE-YEAR FINANCIAL TARGETS

- EBITDA CAGR 10%+
- EBITDA to operating cash c.85%+
- ROIC c.13%+

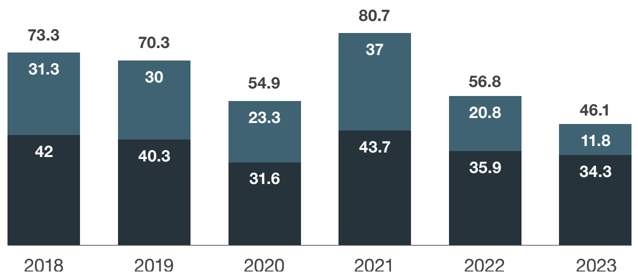
PERFORMANCE TRACK RECORD[1]

Net revenue[2]
GEL million



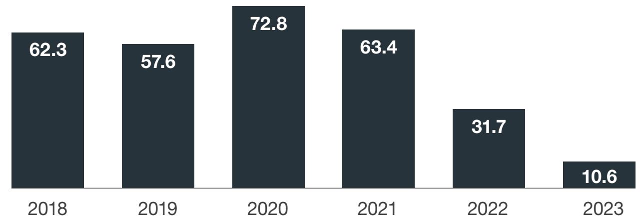
Large and Specialty Hospitals | Regional and Community Hospitals

EBITDA (excl. IFRS 16)
GEL million



Large and Specialty Hospitals | Regional and Community Hospitals

Operating cash flow (excl. IFRS 16)
GEL million

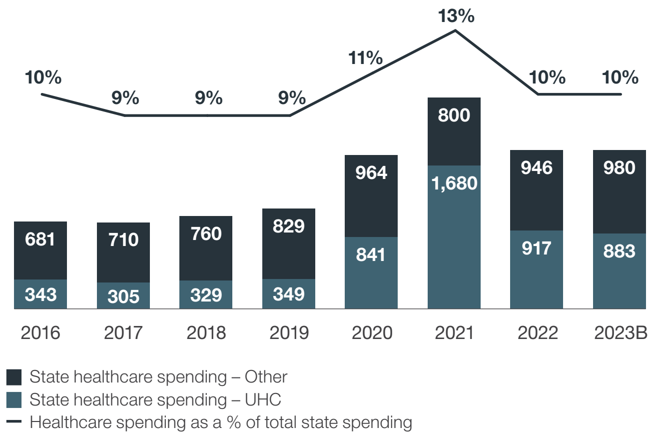


1 Numbers are derived from the business's unaudited IFRS accounts.
2 Total revenue excludes eliminations between the large and specialty and regional and community hospitals.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

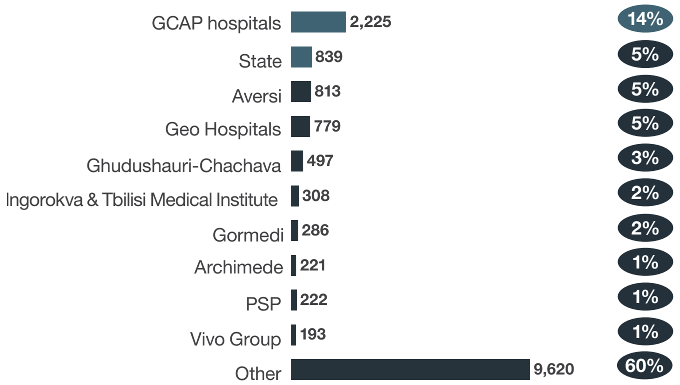
MARKET OPPORTUNITY

State healthcare spending dynamics
GEL million



Source: Ministry of Finance of Georgia.

Market share by number of beds
GEL million



Source: based on internal estimates.

- Country's expenditure on healthcare as a % of GDP reached 4.0%.
- Government spending on healthcare accounts to c.10% of total budget in 2023.

- The largest healthcare service provider in Georgia: 14% market share by number of hospital beds.
- Covering three-quarters of Georgia's population.

FINANCIAL METRICS[1]

Net revenue (GEL million)	EBITDA excluding IFRS 16 (GEL million)	EBITDA margin excluding IFRS 16	Net debt (GEL million)
313.7 +0.1% y-o-y	**46.1** -18.7% y-o-y	**14.5%** -3.3 ppts y-o-y	**262.0** +37.7% y-o-y

Operating cash flow excluding IFRS 16 (GEL million)	EBITDA to cash conversion excluding IFRS 16	Free cash flow excluding IFRS 16 (GEL million)	Dividend paid to GCAP (GEL million)
10.6 -66.5% y-o-y	**23.0%** -32.9 ppts y-o-y	**(35.1)** NMF	**6.0** -53.8% y-o-y

OPERATING METRICS
Large and Specialty Hospitals

Number of facilities	Number of beds	Revenue per bed	Occupancy rate
7	**1,190**	**172.0**	**53.5%** -2.0 ppts y-o-y

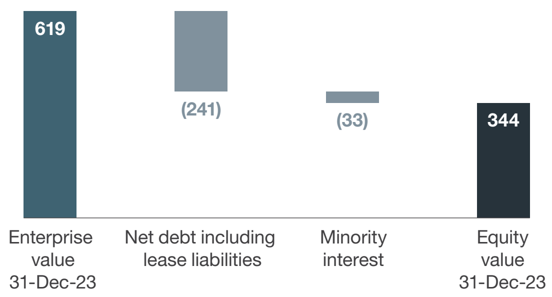
OPERATING METRICS
Regional and Community Hospitals

Number of facilities	Number of beds	Number of registered patients (community hospitals)	Occupancy rate (regional hospitals)
27	**1,035**	**229,943** -2.9% y-o-y	**49.4%** +3.0 ppts y-o-y

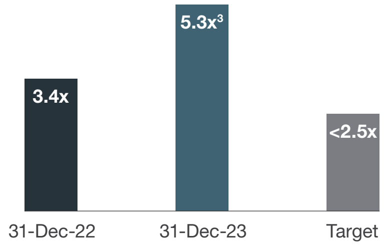
1 Numbers are derived from the business's unaudited IFRS accounts.

VALUATION HIGHLIGHTS[1]

Value development overview at 31-Dec-23
GEL million



Net debt to EBITDA[2]



Implied multiple highlights at 31-Dec-23

LTM EV/EBITDA
13.8x

Peer companies
- Medicover AB | Sweden
- EMC Instytut Medyczny SAEMC SA | Poland
- Med Life S.A. | Romania
- Netcare Limited | South Africa
- MLP Saglik Hizmetleri A.S. | Türkiye
- Life Healthcare Group Holdings Limited | South Africa

1 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
2 Restructuring of the healthcare businesses are applied retrospectively.
3 LTM EBITDA excludes the recently divested Batumi hospital, and net debt includes cash proceeds from the transaction.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

P&C INSURANCE

INSURANCE

The insurance business comprises a) property and casualty (P&C) insurance business and b) medical insurance business. As of the beginning of 2024, the Georgian insurance sector adopted the Estonian Taxation Model. Prior to this change, the pre-tax profit of the insurance businesses was levied by a 15% corporate income tax. Following the enforcement of the Estonian Taxation Model, a 15% corporate income tax will be applied to earnings distributed to individuals or non-resident legal entities. Consequently, GCAP's insurance businesses will no longer be subject to the corporate income tax payment, freeing up the resources for both business development and enhanced dividend payments to GCAP.

P&C INSURANCE

Overview

Over nearly three decades in the Georgian property and casualty insurance market, Aldagi has achieved almost universal brand awareness, leading positions in retail insurance services, with the largest product portfolio and exceptional financial strength. The company has almost doubled its retail portfolio over the last four years, outperformed market growth, delivered an average annual ROAE of c.31% in 2014-2023 and consistently distributed dividends within a 50%-90% payout ratio each year since 2014. Based on the latest available market data as at 30 September 2023, Aldagi continues to be the most profitable insurance company in the local market with a 29% share of the insurance industry profit and a market share of 30% based on gross premiums written.[1]

The current low level of insurance market penetration in Georgia (1.3%, of which 0.7% relates to property and casualty insurance and 0.6% to medical insurance) provides enormous potential for growth and Aldagi is well-equipped to capture these opportunities. The company plans to increase the P&C insurance business profitability by strategically focusing on each of its four main business lines set out below:

- **Retail customers.** The Georgian retail insurance market offers ample room for growth, as most of its potential is yet to be unlocked. Motor insurance accounts for 59% of the total retail insurance market in Georgia, of which 17% third party liability insurance (TPL) purchased at the border by foreign-registered vehicles entering Georgia, which became mandatory 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. A new law making TPL insurance mandatory for all vehicles registered in Georgia is expected to be passed in the next few years which will significantly boost retail market penetration. Overall, Aldagi's market share in voluntary retail insurance stands at 38% and Aldagi expects to grow its retail segment concentration by developing simple products for mass retail as well as developing a unique customer experience through exclusive premium line services. Aldagi aims to further strengthen customer retention and its market leadership position by continued development of its digital insurance platform.
- **SME segment.** Georgia's insurance market for SMEs is currently in its infancy. Aldagi sees significant potential to grow this segment of the portfolio by developing tailor-made products and providing them with established multi-channel distribution networks and digital portals, created especially for SME clients. A separate SME sales division was established at the end of 2019 as a part of this strategy. As a result, Aldagi's SME gross revenues have grown by 61% in 2023 (from GEL 3.5 million to GEL 5.6 million).
- **Large corporates.** Although the level of insurance penetration within the corporate segment is relatively high compared to retail and SME segments, a combination of favourable Georgian macroeconomic conditions, a good investment climate, stable economic growth and an increase in infrastructure projects will further increase customer demand for insurance products.
- **International reinsurance.** The P&C insurance business entered regional reinsurance markets of Armenia and Azerbaijan. Aldagi became the first insurance company on the local market to obtain an international credit rating of bb+ from AM Best. The credit rating is expected to further support the regional expansion of the business's reinsurance operations.

Performance and strategy

2023 was a robust year in terms of revenue growth for the P&C insurance business, up by 21.0%, mainly reflecting the growth in the motor and credit insurance lines. However, loss and combined ratios were up by 6.5 ppts and 10.3 ppts, respectively, reflecting increased agricultural insurance claims due to an abnormal number of hailstorms as well as increased property insurance claims, resulting from an unprecedented landslide in one of the regions of Georgia. This translated into an 11.0% y-o-y decrease in the net income of the business in 2023.

Aldagi's medium-term strategic focus remains unchanged. The business targets to gain a strategic edge by focusing 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. Getting ready for local MTPL insurance launch.

As part of the strategy, Aldagi has the following financial targets through 2024-2026:

- Market share of 25%-30%.
- ROAE of 25%-30%.
- Dividend payout of 50%-80%.
- Combined ratio of 80%-85%.
- Solvency ratio of 180%+.
- Retail concentration of 60%+.

1 Source: ISSSG.

INVESTMENT RATIONALE

Significantly underpenetrated insurance market in Georgia (0.7% penetration in property and casualty insurance market).

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

OWNERSHIP

The P&C insurance business is 100% owned by Georgia Capital.

VALUE CREATION POTENTIAL

Compulsory border MTPL effective from 1 March 2018.

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

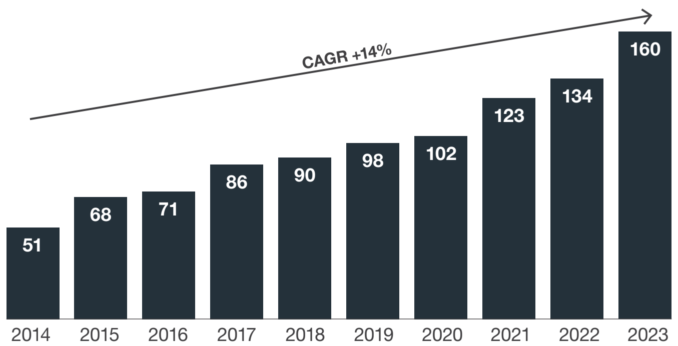
Increasing footprint in untapped MSME sector, where Aldagi's gross revenues have grown by 61% in 2023 (from GEL 3.5 million to GEL 5.6 million).

Digitalisation.

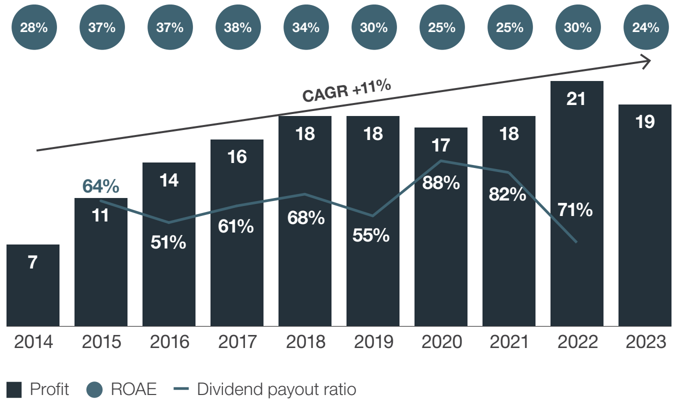
Undisputed leader in providing insurance solutions to corporate clients.

PERFORMANCE TRACK RECORD[1]

Earned premiums, gross
GEL million

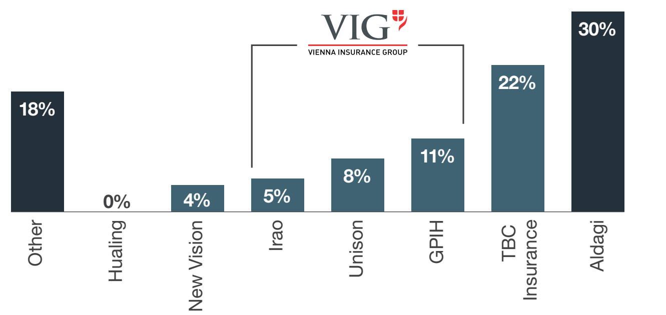


Profit and dividend payout ratio[2,3]
GEL million



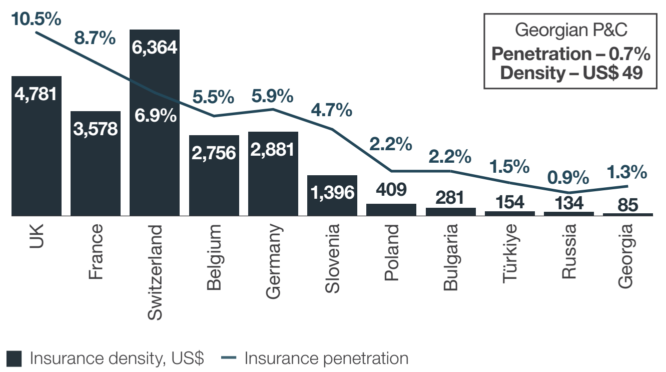
MARKET OPPORTUNITY

Market share, YTD Sep-23
Gross premiums written



Source: ISSSG.

Insurance penetration and density[4]

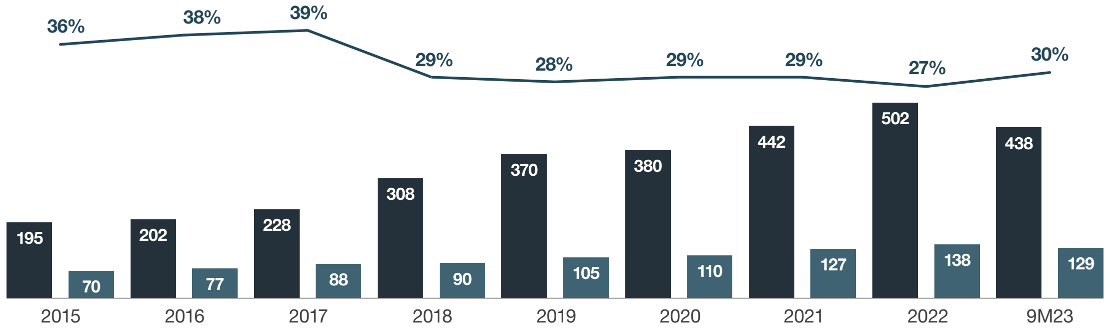


Source: Swiss Re Institute.

1 Numbers are derived from the business's unaudited IFRS accounts.
2 2018, 2020 and 2021 numbers are adjusted for non-recurring items.
3 Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares where applicable.
4 Penetration and density are stated including healthcare insurance (as of latest available data).

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

Market and Aldagi gross written premiums[1]
GEL million



YTD Sep-23 market gross premiums GEL 438 million **Aldagi share 30%**

CAGR 2015-2022 **Market – 15%** **Aldagi – 11%**

Market | Aldagi | Market share | Source: ISSSG

FINANCIAL METRICS[2]

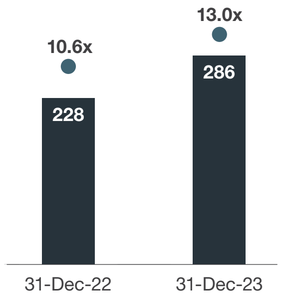
Earned premiums, gross (GEL million) **160.4** +19.8% y-o-y	Net income (GEL million) **19.1** -11.0% y-o-y	Combined ratio **89.5%** +10.3 ppts y-o-y
Dividend paid to GCAP (GEL million) **14.9** +0.9% y-o-y	ROAE[3] **24.4%** -5.3 ppts y-o-y	

OPERATING METRICS

Number of policies written (corporate) **114,378** +34.2% y-o-y	Number of policies written (retail) **210,984** +27.3% y-o-y	Number of claims reported **25,920** +56.9% y-o-y

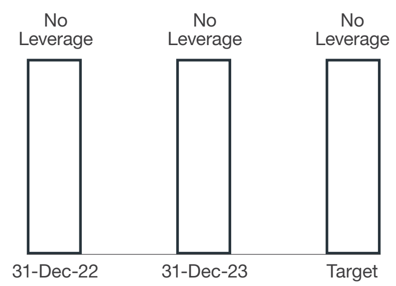
VALUATION HIGHLIGHTS[3]

Value and LTM P/E multiple development overview
GEL million



Equity value | LTM P/E multiple

Net debt to EBITDA



GEL million, unless otherwise noted	31-Dec-23	31-Dec-22	Change
LTM net income[4]	22.0	21.5	0.5
Implied P/E multiple[4]	13.0x	10.6x	2.4x
Equity fair value	285.6	228.0	57.6
LTM ROAE[5]	24.4%	29.7%	(5.3 ppts)

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

1 Calculated in line with the market approach.
2 Numbers are derived from the business's unaudited IFRS accounts.
3 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
4 LTM net income as at 31-Dec-23 and respective implied multiple are on a pre-tax basis, due to the business valuation incorporating impact of the Estonian Taxation Model.
5 Calculated based on average equity, adjusted for preferred shares.

MEDICAL INSURANCE

Overview
Our medical insurance business is one of Georgia's largest providers of private medical insurance. The business has a wide distribution network and offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients.

In January 2024, our medical insurance business signed a Memorandum of Understanding (MoU) to acquire a GEL 73 million portfolio of medical insurance contracts and brand name from "Ardi", the third-largest player in the Georgian health insurance market with a 17% market share based on 9M23 net insurance premiums. Upon the successful completion of this transaction, the combined market share of our medical insurance business will make it the largest health insurer in the country.

Ardi's portfolio is concentrated in the upscale segment category, presenting an opportunity to further diversify our medical insurance portfolio and achieve significant financial and strategic synergies. The total cash outflow for this transaction is GEL 27 million, which will be fully financed by funds already available in the medical insurance business, with no cash investment required from GCAP.

Following this acquisition, the insurance business will operate under three brand names: Aldagi, Imedi L, and Ardi, all of which will be managed under GCAP.

Performance and strategy
The significant growth in 2023 in earned premiums, reflects the combined effect of an increase in the price of insurance policies and increase in the number of insured clients within the same period. The increase in insurance policy prices was a prevalent trend in the Georgian insurance market, driven by increased loss ratios following the shift in insurance policy utilisation patterns post COVID-19 pandemic. Notably, the figures for 2023 do not include the impact of the potential acquisition of the portfolio of insurance contracts, which, subject to successful completion, will be consolidated starting from 2024. Following the acquisition, the primary focus for the medical insurance business in 2024 will centre on deriving substantial synergies between the existing and acquired insurance portfolios, leveraging increased scale efficiencies and aiming to deliver profitable growth.

INVESTMENT RATIONALE

Being present in the whole healthcare ecosystem for any further potential market structural changes.

High ROAE-generating business with ample room for market share growth.

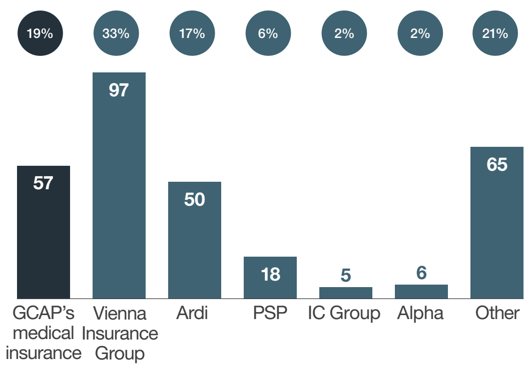
OWNERSHIP

The medical insurance business is 100% owned by Georgia Capital.

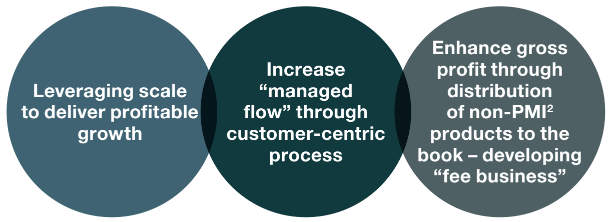
VALUE CREATION POTENTIAL

The potential to leverage the significantly increased scale to deliver growth and extract synergies.

Competitive landscape, market share by net premium revenue[1]
GEL million



Key focus areas in medium and long term



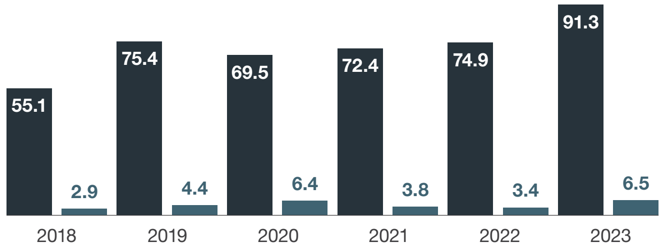
1 ISSSG as of 30-Sep-23.
2 PMI – private medical insurance.

MEDICAL INSURANCE

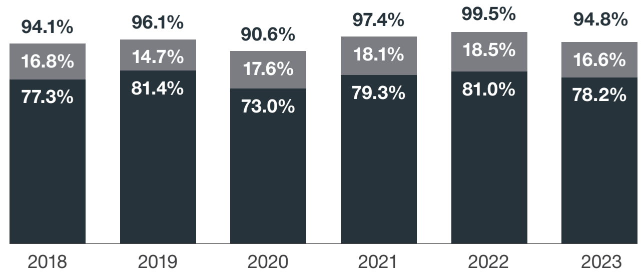
OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

PERFORMANCE TRACK RECORD[1]

Revenue and net profit
GEL million



Combined ratio



FINANCIAL METRICS[1]

Net premiums earned (GEL million)
91.3 +22.0% y-o-y

Combined ratio
94.8% -4.7 ppts y-o-y

Dividend paid to GCAP (GEL million)
5.0 NMF

Loss ratio
78.2% -2.8 ppts y-o-y

Net profit (GEL million)
6.5 +91.8% y-o-y

OPERATING METRICS

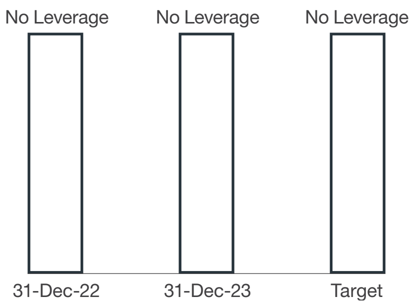
Number of insured
169,106 +3.3% y-o-y

Renewal rate
81.8% +4.4 ppts y-o-y

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-23
GEL million

Net debt to EBITDA



Implied multiple highlights at 31-Dec-23

IMPLIED LTM P/E[3]
11.0x
-4.0x y-o-y

LTM ROAE (adjusted for non-recurring items)
17.2%
+7.0 ppts y-o-y

Peer companies
- Powszechny Zakład Ubezpieczeń SA | Poland
- Allianz SE | Germany
- UNIQA Insurance Group AG | Austria
- Ageas SA/NV | Belgium

1 Numbers are derived from the business's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
3 LTM net income as at 31-Dec-23 and respective implied multiple are on a pre-tax basis, due to the business valuation incorporating impact of the Estonian Taxation Model.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES

RENEWABLE ENERGY

Overview
Our renewable energy business represents a leading platform for developing and operating HPPs and wind power plants (WPPs) across the country. The business operates commissioned renewable assets with 71MW installed capacity in aggregate and with average capacity factors of more than 40%: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP. 30MW Mestiachala HPP was developed and constructed by the renewable energy business, while the latter two assets represent successful acquisitions made by the business at the end of 2019. An 83% of the installed capacity of our power plants (all but 12.3MW of our Hydrolea HPP) 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 renewable energy business is wholly-owned by Georgia Capital.

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

Performance and strategy
Revenue from electricity sales remained flat (down 0.9% y-o-y) and stood at US$ 14.4 million, reflecting the combination of a) the scheduled rehabilitation works on two power-generating units at Hydrolea HPPs (which were taken offline during November 2022-June 2023 periods due to previously planned phased rehabilitation works and b) a 4.6% increase in the average selling price, driven by the export of 32.3 GWh of electricity to the Republic of Türkiye in 2023. Operating expenses were up by 19.4% y-o-y in FY23, reflecting electricity and transmission costs incurred due to electricity export in the Republic of Türkiye. Consequently, EBITDA was down by 7.1% y-o-y to US$ 10.4 million. During the year, the business made US$ 2.0 million dividend distribution to Georgia Capital.

The renewable energy business plans to develop 194MW installed capacity power plants in the medium term: Zoti HPP (46MW), Tbilisi and Kaspi WPPs (130MW) and Darchi HPP (18MW). The business aims to establish a renewable energy platform with growing dollar-linked cash flows and solid profitability, expected to enable it to sponsor steadily increasing dividend payouts while progressing against its medium-term strategic priorities:
- Robust profitability with ~80% EBITDA margin.
- ~100% EBITDA to cash-conversion rate.

INVESTMENT RATIONALE

- Favourable supply-demand dynamics pushing the power prices up.
- Georgia is on track for the harmonisation of current energy market structure with EU directives leading to a liquid, competitive and transparent market.
- Favourable mix of merchant sales and Government PPAs, providing high visibility and significant upsides in cash flows.
- Natural cash flow hedge with fully dollarised revenues.
- Inherently green projects aligned with the international best practices of environmental and social standards.

OWNERSHIP

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

VALUE CREATION POTENTIAL

- Opportunity to establish a renewable energy platform with up to ~270MW installed capacity over the medium term and capitalise on favourable electricity market conditions.
- Diversified portfolio of HPPs and WPPs with c.40%+ capacity factors, benefiting from long-term fixed price PPAs formed with the Government-backed entity.
- Availability of competitive green funding from both international and local financial markets.
- High margins and dollar-linked cash flows.
- Stable dividend provider capacity in the medium term.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

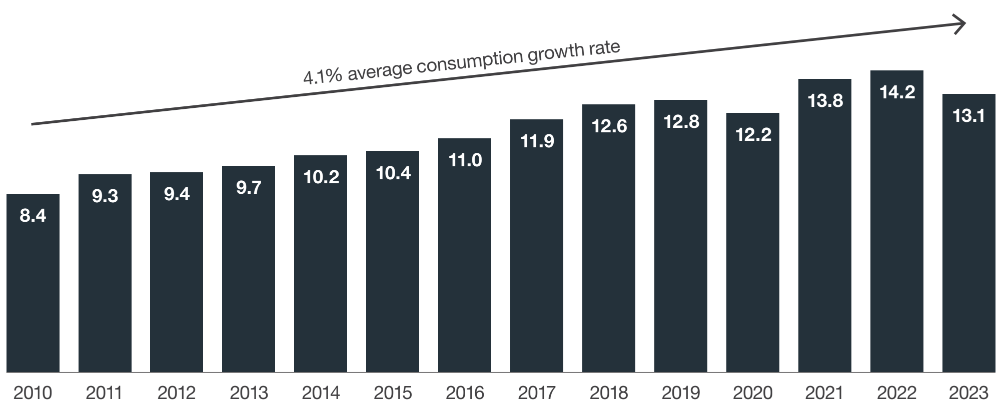
RENEWABLE ENERGY PROJECTS OVERVIEW

Commissioned/acquired projects	Installed capacity, MW	Capacity factor	PPA expiration	PPA tariff, US¢/kWh
Mestiachala HPP	30.0	40%	1H34	5.5
Hydrolea HPPs	20.4	70%	2H28	5.6
Qartli Wind Farm	20.7	47%	2H29	6.5
Total operating	**71.1**			
Pipeline projects				
Zoti HPP	46.0	43%	TBD	5.1
Darchi HPP	18.0	60%	TBD	5.7
Tbilisi Wind Farm	50.0	39%	TBD	TBD
Kaspi Wind Farm	80.0	38%	TBD	TBD
Total pipeline	**194.0**			
Total	**265.1**			

Note 1: Mestiachala HPP was commissioned in 1H19; Qartli Wind Farm and Hydrolea HPPs were acquired in 2H19 by GCAP.
Note 2: PPA terms for Tbilisi and Kaspi WPPs are under the discussion with the Government of Georgia.
Note 3: Only one out of three Hydrolea HPPs has an active PPA contract.

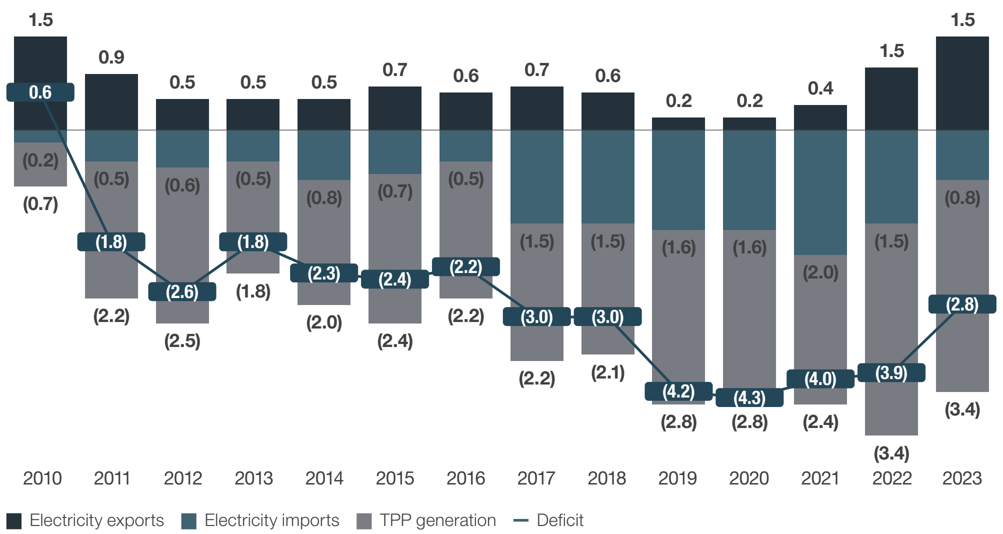
MARKET OPPORTUNITY

Electricity consumption (TWh)



- 22.7% of total consumption produced by gas-fired thermal power plants (TPPs), 5.2% – imported.
- In 2023 weighted average ESCO balancing price reached 53.0 US$/MWh.

Electricity import and export dynamics (TWh)



- 2023 net electricity deficit stood at 2.8 TWh, whereas in 2010, electricity surplus was at 0.6 TWh.
- 2023 was an exceptional year in terms of electricity exports, with a record-high export revenue of $95.4 million.
- Renewable energy business managed to capitalise on the opportunity and directly exported 32 GWh of electricity to Türkiye.

FINANCIAL METRICS[1]

Revenue (US$ million)
14.4 -0.9% y-o-y

EBITDA margin
71.8% -4.8 ppts y-o-y

Dividend paid to GCAP (US$ million)
2.0 -28.6% y-o-y

EBITDA (US$ million)
10.4 -7.1% y-o-y

Operating cash flow (US$ million)
9.9 -12.9% y-o-y

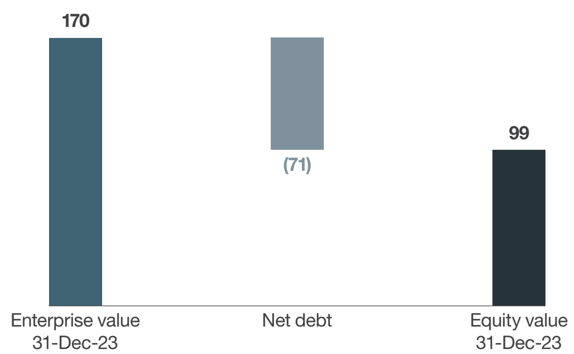
OPERATING METRICS

Electricity generation (kWh million)
254.0 -5.3% y-o-y

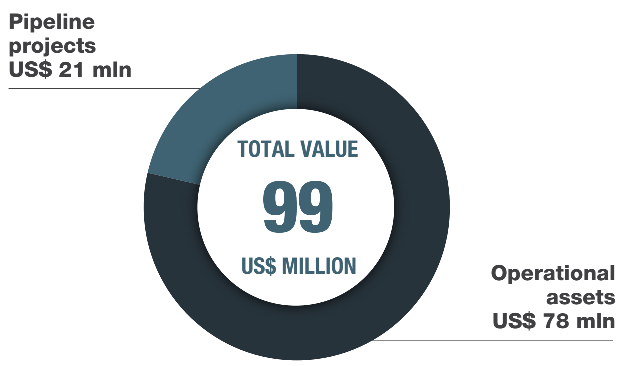
Average electricity sales (price per US¢/mWh)
56.8 +4.6% y-o-y

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-23
US$ million

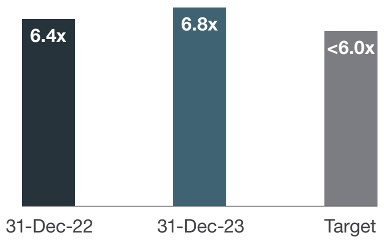


Equity fair value composition at 31-Dec-23



US$ million, unless otherwise noted	31-Dec-23	31-Dec-22	Change
Enterprise value (EV)	169.6	154.7	14.9
EBITDA	12.0	12.2	(0.2)
Implied EV/EBITDA[3] multiple	12.6x	11.4x	1.2x
Investments at cost (EV)[4]	19.5	15.1	4.4
Net debt	(70.5)	(71.4)	0.9
Equity fair value	99.1	83.3	15.8

Net debt to EBITDA[5]



Peer companies
- BCPG Public Company Limited | Thailand
- ERG S.p.A | Italy
- Polenergia S.A. | Poland
- Terna Energy Societe Anonyme | Greece

1 Numbers are derived from the business's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
3 Implied EV/EBITDA is calculated based on normalised LTM EBITDA.
4 Investments at cost include the pipeline projects.
5 Ratio is calculated in US$ terms.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

EDUCATION

Overview
Georgia Capital's education business is the largest player in the private K-12 market in Georgia with 9% market share. Our business is managed with a partnership model and combines majority stakes in four private school brands operating across seven campuses, acquired in 2019-2023: British-Georgian Academy (the leading school in the premium segment), British International School of Tbilisi (the leading school in the international segment), Buckswood International School (well-positioned in the mid-scale segment) and Green School (the leading school brand in the affordable segment). The schools have a comprehensive offering of academic programmes, including the Georgian National Curriculum, the International Baccalaureate and Cambridge International programmes. The annual tuition fees for these programmes range from US$ 2,200 to US$ 19,300 across all four segments and grades.

Our education business has expanded from the capacity in 2019 of 2,810 learners to 7,270 learners in 2023 through 1) expansion of existing campuses (1,060 learner capacity), 2) acquisition of operating schools and real estate (3,000 learner capacity) and 3) greenfield projects (400 learner capacity). Currently, there are 5,827 learners at all seven campuses.

The private education market's revenues across kindergarten to 12[th] grade in Georgia have grown at 13% CAGR over 2013-2023. Currently, there are c.66,000 learners in private schools in Georgia, representing 10.5% of the total general education market. The private general education market enjoys growth in enrolments with a CAGR of 3% over 2013-2023 and rising average tuition fees with a CAGR of 9% over the same period.

Management expects that the private general education market will increase by 1.5x in value in short to medium-term, driven by factors such as the large gap in quality in public schools as compared to private schools, growing household income and a decreasing unemployment rate. Georgia has a relatively low average annual spending per K-12 learner, creating further room for growth together with globally trending demand for private K-12 education. The private education sector, previously impacted by reduced demand during the COVID-19 pandemic, is now experiencing a notable rebound, offering an additional boost to market growth.

The private general education market in Georgia is currently very fragmented with an increasing average school size and 15% fewer schools over the last decade. Currently, Georgia Capital is the largest player on the market with a 9% market share in terms of learners, while the second largest player holds 2.3%. Only 5% of private schools have 1,000+ learners, while 61% have less than 250 learners.

Our business, as the leading private K-12 education institution in Georgia, is ideally positioned to leverage the expanding and consolidating private education market.

Performance and strategy
The business has expanded in 2023 through 1) the launch of the new campus in the mid-scale segment with 400 learner capacity (the campus has an eventual capacity of 1,300) and 2) the acquisition of a new campus in the affordable segment with 1,200 learner capacity (the campus has an eventual capacity of 1,600).

All seven campuses have a combined utilisation rate of 80% compared to 73% last year, taking into account the new capacity addition of 1,600 learners in mid-scale and affordable segments in 2023. We expect the utilisation rate to stabilise at 85%+ in the following years.

The business saw significant growth in 1st grader enrolments in the 2023-2024 academic year with 59% growth y-o-y from 551 to 873 translating into a 96% utilisation rate.

Strong intakes and ramp-up of utilisation in existing campuses, facilitated 30% growth in revenue. However, expansion of the business through greenfield project in midscale segment and acquisition of new campus in affordable segment, that are in early ramp-up period translated in lower EBITDA margin. On the other hand, EBITDA saw growth by generating GEL 14.4 million in FY23.

Average cash collection rates remained at last year's levels and were in line with the schools' cash collection policies. This combined with enhanced revenue streams, resulted in operating cash flow generation in the business being up 5.5% y-o-y in 2023.

The business has a strong platform to facilitate growth, strengthen its position as the leading integrated education player and scale up the capacity to 22,000 learners by 2025. To achieve this objective, GCAP plans to make a new equity investment of US$ 18 million over the next few years.

INVESTMENT RATIONALE

- Highly fragmented general education market with consolidation opportunity.
- Market with strong growth potential.
- Low dependency on the Government.
- High resilience to crisis.
- Predictable and sticky revenue.
- Strong profitability.
- Capex efficient business.
- High trading multiples.
- Positive ESG impact.

OWNERSHIP

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

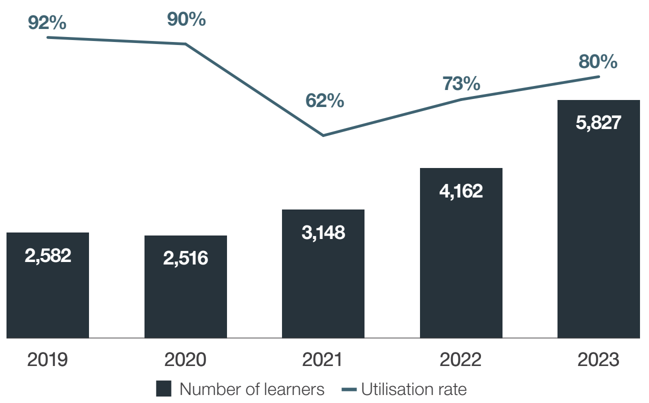
VALUE CREATION POTENTIAL

- Scaling up to the capacity of 22,000 learners through expansion plans in existing schools, greenfield projects and M&As by 2025.
- Strong organic growth at existing schools is expected to drive solid growth in run-rate EBITDA, on top of expansion plans and M&As.
- Stable dividend provider capacity in the medium term.

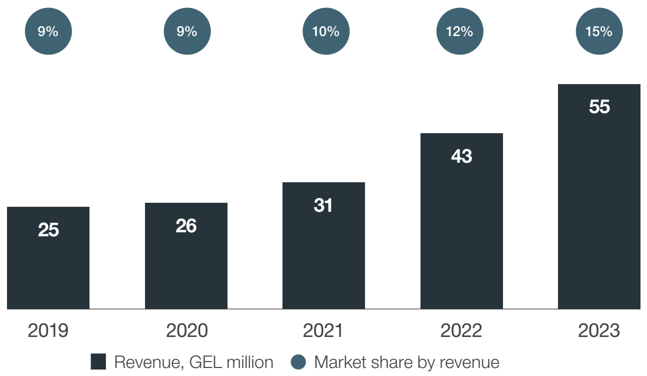
	Targets for 2025	Currently
EBITDA (GEL million)	50	14
EBITDA margin	40%+	26%
Equity value	GEL 500 million	GEL 189 million
ROIC	20%+	15%+
Built learner capacity	22,000	7,270

PERFORMANCE TRACK RECORD

Number of learners and utilisation rate

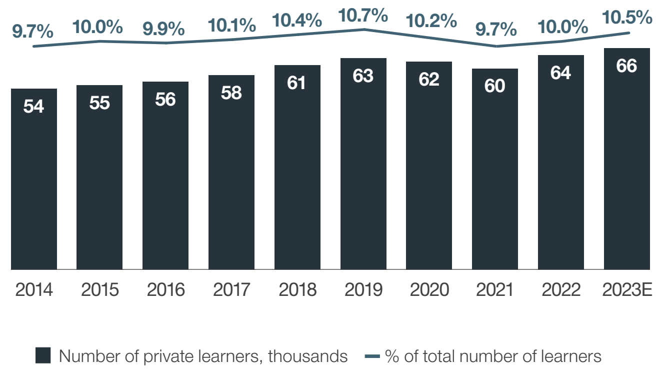


Total revenue generated by GCAP's education business and market share by revenue

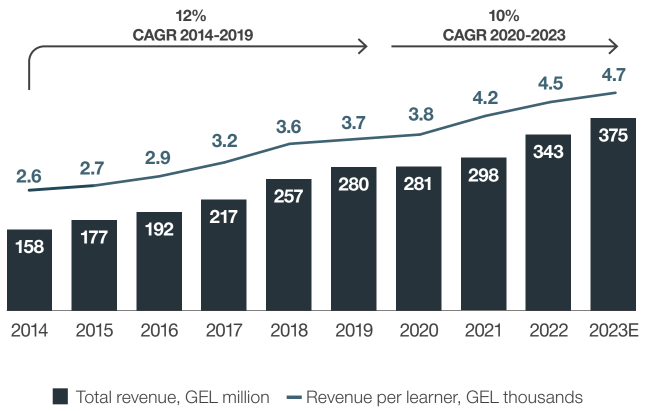


MARKET OPPORTUNITY

Number of learners in private K-12 market



Turnover of private K-12 market



OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS[1]

Revenue (GEL million)
55.5 +30.3% y-o-y

EBITDA (GEL million)
14.4 +6.0% y-o-y

EBITDA margin
26.0% -6.0 ppts y-o-y

Operating cash flow (GEL million)
17.4 +5.5% y-o-y

OPERATING METRICS

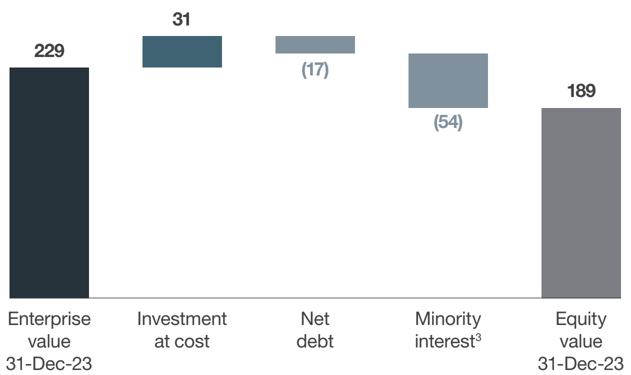
Capacity utilisation
80.2% +6.8 ppts y-o-y

Number of learners
5,827 +40.0% y-o-y

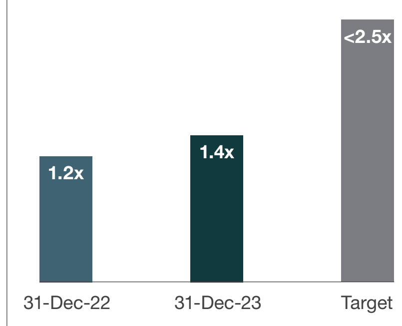
Learner to teacher ratio
7.9x -0.8x y-o-y

VALUATION HIGHLIGHTS[2]

Value development overview 31-Dec-23
GEL million



Net debt to EBITDA



GEL million, unless otherwise noted	31-Dec-23	31-Dec-22	Change
Enterprise value (EV)	228.8	218.3	10.5
EBITDA (LTM)[4]	13.7	12.9	0.8
Implied EV/EBITDA multiple	16.7x	16.9x	(0.2x)
Net debt	(16.5)	(16.3)	(0.2)
Investments at cost	30.5	16.3	14.2
Total equity value of GCAP's share	189.2	164.2	25.0

Peer companies
- SISB Public Company Limited | Thailand
- Curro Holdings Limited | South Africa
- Overseas Education Limited | Singapore
- Cairo For Investment & Real Estate Development S.A.E | Egypt
- Cogna Educação S.A. | Brazil
- Colegios Peruanos S.A. | Peru
- ADvTECH Limited | South Africa

1 Numbers are derived from the business's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
3 GCAP has different ownership stakes across schools (70%-90%).
4 LTM EBITDAs used for valuation purposes includes functional currency adjustment in schools, where applicable.

CLINICS AND DIAGNOSTICS BUSINESS

Overview
Following the strategic restructuring of our healthcare businesses, as detailed in hospitals business overview on page 42, our clinics business currently comprises two segments: 19 polyclinics and one diagnostic centre. Polyclinics are located in Tbilisi and major regional cities and provide basic and full-scale outpatient diagnostic and treatment services. The business is the leader in the outpatient market with a 22% market share by number of registered patients.

The diagnostics business was launched in 2018 by opening the largest laboratory in the entire Caucasus region – "Mega Lab". The multi-disciplinary laboratory, equipped with the latest infrastructure and state-of-the-art technology, covers 7,500 square metres. In addition to basic laboratory tests, Mega Lab offers complex tests for oncology and molecular lab, some of which have never been available in Georgia and for which blood samples used to be sent abroad. In July 2022, Mega Lab received the Joint Commission International ("JCI") accreditation. JCI, the highest healthcare accreditation body in the US, ensures the correct management of clinical processes. Its goal is to continuously improve the quality and safety of patient care. Mega Lab is the first laboratory in the Caucasus region with JCI accreditation and 38th worldwide.

Performance and strategy
The clinics business has been growing rapidly with 15%+ revenue CAGR and 20%+ EBITDA CAGR over 2019-2023, despite a growth slowdown during the COVID-19 pandemic in 2020. The business has a solid track record of scaling its operations and gaining market share through profitable growth and margin increase.

Our diagnostics business has also been growing rapidly, with 35%+ revenue CAGR over 2019-2023. The business added two new blood collection points in 2023 and invested in marketing and brand image to capitalise on significantly increased brand awareness during the COVID-19 pandemic.

The share of state-funded revenues in clinics is c.25%. The business strategy is centred on acquiring patients to enhance the utilisation of existing facilities. Additionally, considering ample space for additional facilities, the business aims to inaugurate new clinics annually and targets a 15%+ EBITDA CAGR over the next three to five years. Moving forward, the clinics business will continue to expand its base of registered customers, extend the availability of medical and personal care services, and develop remote channels such as a call centre, while refining the existing app to offer greater customer convenience and an improved user experience.

The diagnostics business will focus on increasing its utilisation (currently at c.60%) through expansion of its retail chain, attracting more B2B contracts and adding new services and technologies such as next generation sequencing, while from a clinical perspective, the business will continue to provide 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 business targets to deliver a double-digit CAGR in revenues and combined EBITDA of c.GEL 25-30 million over the coming five years.

INVESTMENT RATIONALE

Very low base: Georgia still lags behind most of the developed countries in terms of the number of outpatient visits per capita – at 3.7 (c.6.0 in Europe).

Low healthcare expenditure by the population on primary healthcare: GDP growth will result in higher expenditure on primary healthcare.

OWNERSHIP

Georgia Capital owns 100% of the clinics and diagnostics business as at 31 December 2023 (100% as at 31 December 2022).

VALUE CREATION POTENTIAL

The single largest participant with 22% by number of registered patients (next competitor has 11% market share) with a cost advantage due to the scale of operations.

High-growth potential driven by the increase in patient awareness of the importance of primary healthcare.

High-growth potential driven by market consolidation through chain expansion, adding new services and increasing customer base.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

KEY FOCUS AREAS IN THE MEDIUM AND LONG TERM

Clinics

1. **Adding new services** – Expansion of medical and personal care service presence
2. **Geographic expansion** – Adding new polyclinics and lab retail points
3. **Developing distance channels** – Best user experience
4. **Adding customer base** – Increased convenience and quality, increasing number of registered patients; increasing provider insurance companies and corporate client base

Diagnostics

1. **Expansion of retail** – Number of retail branches: c.15 in Georgia; tapping neighbouring countries
2. **Attract B2B contracts** – Total number of tests performed: c.5 million annually
3. **Digitalisation**

FIVE-YEAR FINANCIAL TARGETS

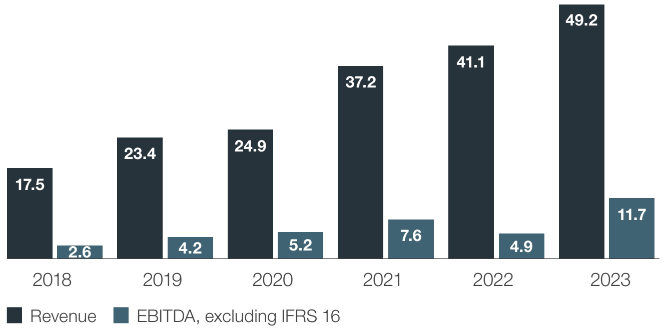
Clinics:
- Double-digit revenue CAGR
- EBITDA c.GEL 30+ million
- ROIC c.13.0%+

Diagnostics:
- Double-digit revenue and EBITDA CAGR
- ROIC c.20.0%+

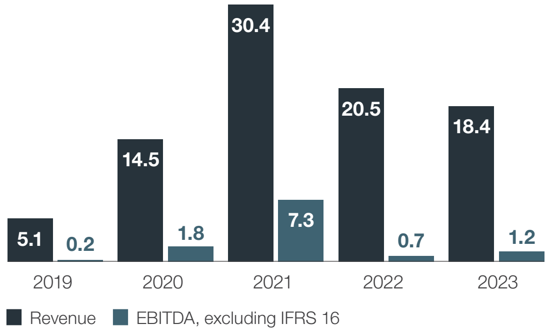
Combined:
- Double-digit revenue CAGR
- EBITDA c.GEL 35-40+ million

PERFORMANCE TRACK RECORD[1]

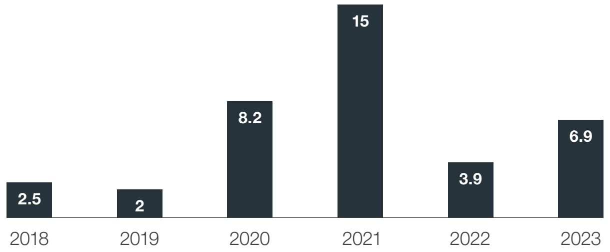
Net revenue and EBITDA (excl. IFRS 16) – clinics
GEL million



Net revenue and EBITDA (excl. IFRS 16) – diagnostics
GEL million



Operating cash flow (excl. IFRS 16) – clinics and diagnostics
GEL million



1 Numbers are derived from the business's unaudited IFRS accounts.

FINANCIAL METRICS[1]

Net revenue (GEL million)	61.7	+8.9% y-o-y
EBITDA excluding IFRS 16 (GEL million)	12.9	+129.9% y-o-y
EBITDA margin excluding IFRS 16	20.8%	+11.0 ppts y-o-y
Net debt (GEL million)	35.8	-7.4% y-o-y
Operating cash flow excluding IFRS 16 (GEL million)	6.9	+78.0% y-o-y
EBITDA to cash conversion excluding IFRS 16	53.5%	-15.6 ppts y-o-y
Free cash flow excluding IFRS 16 (GEL million)	10.5	NMF

OPERATING METRICS – CLINICS

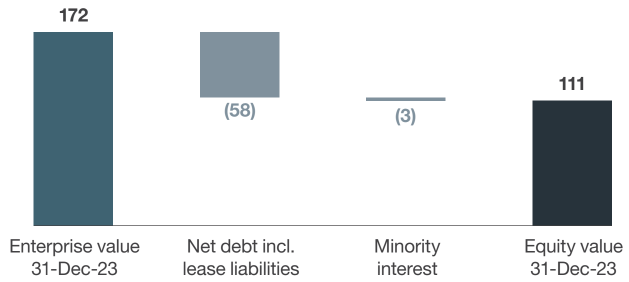
Number of facilities	19	+2 over 2022
Number of registered patients[2]	405,892	+7.1% y-o-y

OPERATING METRICS – DIAGNOSTICS

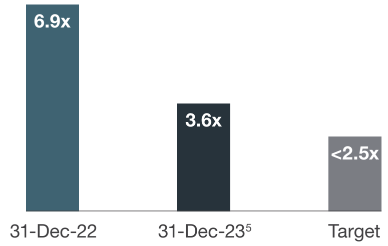
Number of patients served ('000)	779	-20.6% y-o-y
Number of tests performed ('000)	2,470	+1.8% y-o-y
Average revenue per test (GEL)	7.5	-11.6% y-o-y
Average number of tests per patient	3.2	+28.2% y-o-y

VALUATION HIGHLIGHTS[3]

Value development overview at 31-Dec-23
GEL million



Net debt to EBITDA[4]



IMPLIED LTM EV/EBITDA

11.7x

Peer companies
- EMC Instytut Medyczny SA | Poland
- Med Life S.A. | Romania
- Medicover AB | Sweden
- Fleury S.A. | Brazil

1 Numbers are derived from the business's unaudited IFRS accounts.
2 Prior to the strategic restructuring of the healthcare businesses, the number of registered patients was 635,835.
3 The detailed valuation overview and related drivers are described on pages 101-119 of this report.
4 Restructuring of the healthcare businesses are applied retrospectively.
5 LTM EBITDA excludes the gain of GEL 2.9 million from the sale of one of the polyclinics buildings in 3Q23.

OUR PORTFOLIO OVERVIEW CONTINUED

OTHER PORTFOLIO COMPANIES

Overview
Georgia Capital's other portfolio companies (7.7% of total portfolio value at 31 December 2023) consist of its auto service, beverages, housing development, and hospitality businesses.

AUTO SERVICE

The Group's auto service business includes a car services and parts business under the Amboli brand and a periodic technical inspection (PTI) business. Georgia Capital acquired an 80% interest in Amboli at the end of June 2019, increasing its shareholding to 90% in February 2020. Amboli is an importer, distributor, wholesaler and retailer of car consumables and spare parts with a c.11% share in the target market, making it the second largest player in a highly fragmented market. The PTI business commenced the construction of PTI centres in the first half of 2018 and launched the PTI business in March 2019 under the name Greenway Georgia ("GWG"). As part of the Georgia-EU Association Agreement, Georgia commenced the implementation of a mandatory vehicle inspection programme in several phases, starting from January 2018. In July 2018, GWG won a state tender to launch and operate 51 PTI lines across Georgia with a ten-year licence. GWG is the only player on the market with support from an international partner, Applus+, a Spanish headquartered worldwide leader in testing, inspection and certification services with a market presence in more than 70 countries. GWG serviced 401,806 cars (of which, 349,832 were primary checks) in 2023, giving it a market share of 38%.

BEVERAGES

The beverages business combines three business lines: a beer business, a distribution business and a wine business. The beer business produces beer and lemonade and holds a ten-year exclusive license from Heineken to produce and sell Heineken beer brands in Georgia. The beer business had c.20% market share in 2023. The business's brands include Heineken, Black Lion (the leading Georgian craft beer producer which the Group acquired in 2018), ICY (its flagship mainstream beer brand), Kazbegi, which was acquired in 2019, Amstel and Krusovice beer, for which the business acquired a licence in 2019, and Kayaki (the Group's light beer brand). In 2019, the business received a licence to brew commercial batches of Heineken, and locally brewed Heineken beer has been available in stores since August 2019. Starting from the second half of 2019, the beer business relaunched its brands and improved its product mix, which helped it to increase its share in the beer market and allowed the business to achieve break-even EBITDA in the second half of 2019 and positive EBITDA in 2022 and 2023. The business also started to export its beer and lemonade brands to the international markets. The wine business produces and sells wine locally and exports it to 26 countries. The wine business owns three top-class wineries across Kakheti's three wine-making regions and is in the top five wine producers by vineyard base in Georgia. The vast majority of the vineyards grow Georgia's flagship red wine grape, Saperavi. The wine business sold 11.6 million bottles of wine in 2023, with approximately 85% of sales coming from exports. The business has a market share of 8.3% in the Georgian wine export market.

HOUSING DEVELOPMENT

The Group's housing development business is a leading real estate developer in the Georgian real estate market, targeting mainly mass-market customers by offering affordable, high-quality and comfortable housing. The business is wholly owned through Georgia Real Estate, previously known as m^2. The housing development business has five ongoing projects: m^3 Saburtalo, m^2 Mtatsminda Park, Nutsubidze, Mirtskhulava and Chkondideli (Sveti projects). In connection with the m^3 Saburtalo project, the business has sold 147,428 square metres with US$ 151 million sales value as of 31 December 2023. m^2 Mtatsminda Park is a new project that commenced in 2023. As of 31 December 2023, a total area of 5,601 square meters with a sales value of US$ 10.2 million has been sold. Regarding the three other projects, the business took on the responsibility to support the completion of three suspended projects of the Sveti construction company, adding 178,486 square metres of the sellable area to its inventory. The projects are ongoing in three locations in Tbilisi and the construction and development will continue for approximately two years. The business started construction and sales for the Sveti project in April 2020 and has sold 154,454 square metres with a US$ 121.3 million sales value as of 31 December 2023.

HOSPITALITY

In 2023, the hospitality business successfully completed the sale of two operational hotels, vacant land plots and three under-construction hotels located in Tbilisi and Kutaisi, leaving one operation hotel, Gudauri Lodge, with 121 rooms. The total consideration from these transactions amounted to US$ 38.6 million. The proceeds from these sales were utilised for deleveraging the hospitality business's balance sheet. The business is wholly-owned through Georgia Real Estate.

Photo Racha-lechkhumi, Georgia

S172 STATEMENT

Statement by the Directors on of their duties under Section 172 of the UK Companies Act 2006 (the "Act")
In accordance with the requirements of section 172 of the Act, the Directors consider that, during the financial year ended 31 December 2023, they have acted in good faith and in a manner most likely to promote the success of the Company for the benefit of its shareholders, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. Some examples of the Board's engagement with stakeholders during 2023 are set out below.

The Directors have identified the following key stakeholders as essential to the success of the Company: investors; employees; the wider community; government and regulators; and the environment. The key stakeholders and the primary ways which the Board engages with them are set out on pages 128 to 130. Stakeholder issues are an integral part of the Board's decision-making process and, therefore, the Board embeds these as part of overseeing the management of the Company and the portfolio companies. The Company endeavours to balance any conflicting shareholder needs to ensure all are treated consistently and fairly.

Other steps the Board has taken to meet its Section 172 responsibilities can be seen in this report:

Section 172 factor	Examples	Page
The likely consequences of any decision in the long term	Corporate Governance Framework	124
Interests of employees	Corporate Governance Framework	124
Fostering the Group's business relationships with suppliers, customers and others	Corporate Governance Framework	124
Impact of operations on the community and the environment	Resources and Responsibilities	80
	Sustainability Report 2023	(see separate document)
Maintaining a reputation for high standards of business conduct	Resources and Responsibilities	80
	Sustainability Report 2023	(see separate document)
Acting fairly between members of the company	Georgia Capital Strategy	18

The framework detailing the authority for decision-making, where the Board delegates to management, is discussed in the Company's Corporate Governance Framework on pages 124-132. It mandates consideration of these stakeholder responsibility factors as a critical part of delegated authorities.

The Board engages with the relevant stakeholders directly on certain issues, and their feedback is considered when the Board discusses and makes decisions relating to those reserved for it, such as financial and operational performance, investment and exit decisions and strategic matters. This information is usually fed back through presentations and reports to the Board, within Committee or Board meetings. This process is described in the Directors' Governance Statement on pages 120 to 121.

Principal decisions
There are processes in place to capture and consider stakeholders' views (including the matters contained in section 172 of the Act) and feed them into Board decision-making.

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

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

Issuance of US$ 150 million sustainability-linked bond

In August 2023, JSC Georgia Capital issued a US$ 150 million SLB on the Georgian market. The proceeds from the transaction, together with the existing liquid funds of GCAP were fully used to redeem GCAP's Eurobonds. Following these transactions, GCAP's gross debt balance decreased from US$ 300 million to US$ 150 million.

Key stakeholder interests were considered:
- Equity investors: Georgia Capital has continued to make significant progress on its core strategic priority of deleveraging the balance sheet.
- Debt investors: The bonds created an attractive new opportunity for debt investors, including some Eurobond investors who reinvested in the new offering, as well as local investors.
- Environment: Georgia Capital has established a SLB Framework, under which GCAP intends to decrease its GHG Emissions by 20% by 2027 compared to a 2022 baseline. Through this target, GCAP will support climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower carbon economy in Georgia.
- Governments and regulators: the Company devoted time and resources to ensure regulatory compliance with the transaction.
- Local communities: the transaction represents the largest-ever corporate bond offering in Georgia, and the first of its magnitude and kind in our region, making a valuable contribution to the development of the local capital markets.

Expansion of the education business

In line with GCAP's capital allocation strategy, in March 2023, the Company announced a further expansion of its K-12 education business through two investment projects: (a) the acquisition of a new campus in the affordable segment, and (b) acquisition of a land plot for the expansion of an operational campus in the premium and international segment.
(a) The new campus in the affordable segment has a capacity of 1,200 learners and provides education to 310 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.
(b) The land plot is located adjacent to the operational campus of our premium and international school.

Key stakeholder interests considered:
- Investors: the projects are in line with Georgia Capital's capital allocation strategy, targeting the expansion of the affordable segment in the education business.
- Local communities: the new campus is located in the Saburtalo district, one of the densely populated urban areas in central Tbilisi where demand for the quality education offered by our Green School is expected to be high. With this investment, the education business has significantly expanded from the previous built capacity of 5,650 learners to 6,850 learners. Additionally, the current management teams of our education business are working to make top-class educational services accessible on a larger scale.
- Employees: the projects will bring employment to Tbilisi.

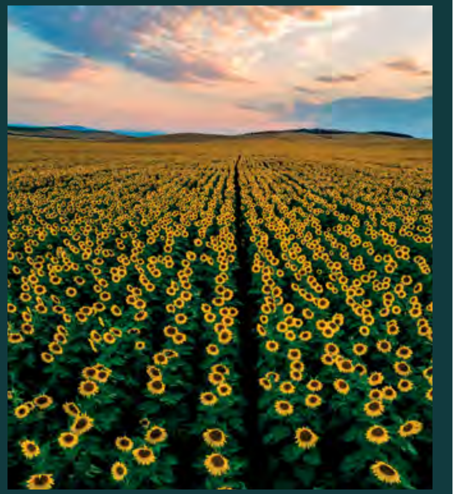
Transfer from LSE Premium Listing to LSE Standard Listing

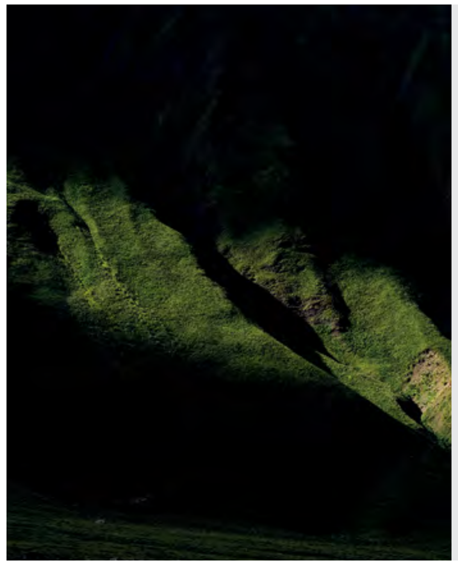
In February 2023, the Company proposed a transfer from the Premium to the Standard Listing segment. Following the approval of 99.99% of the voting shareholders, the transfer to the LSE Standard Listing segment became effective on 13 April 2023.

The Board considered that a Standard listing was more suited to the Company's size and strategy and would help the Company better achieve its strategic goals and produce greater value for shareholders. In particular, the Board expects that the transfer will:
- Assist in the elimination of transaction delays and costs associated with regulatory class tests and ensure a more seamless execution of significant transactions, such as disposals of portfolio companies. This will enable the Company to minimise its dependency on market capitalisation fluctuations, especially during periods of challenging market conditions, as market capitalisation will no longer be the main factor in determining class tests related transaction execution paths.
- Provide greater flexibility to execute meaningful share buybacks, including the ability to repurchase more than 15% of our issued equity capital without the requirement to make a tender offer.

In light of the above, the Board considered that the additional flexibility described above will assist in the successful execution of the Group's strategy, that the likely cost savings are material, and that therefore a Standard listing was more suited to the Company's size and strategy.

Key stakeholder interests considered:
- Investors: The transfer is in line with the Company's overarching strategy and purpose, aimed at delivering long-term, sustainable and profitable growth.
- Governments and regulators: the Company devoted time and resources to ensure regulatory compliance with the transaction.
- Customers, employees, national community and other stakeholders: by facilitating exits, the transfer brings greater flexibility for international investment and industry expertise into Georgia.





Georgia Capital share buyback and cancellation programme

In line with the Company's capital allocation strategy, in April 2023, the Company launched a US$ 10 million share buyback and cancellation programme under which it bought back 1,000,000 shares (US$ 10 million (GEL 25.4 million)).

Due to the Company's robust liquidity levels and elevated discount to NAV per share, in October 2023, the Company announced an additional buyback programme of US$ 15 million.

For more details on the share buyback and cancellation programmes, please see page 12 of this report.

Key stakeholder interests considered:
- Investors: offering immediate returns to shareholders seeking them and an increased share in the business to shareholders who do not participate, all the while balancing the Company's need to preserve liquidity and ensure the sustainability of the business.

In total, since the commencement of the buyback programmes in April and October 2023, 1,665,222 shares (3.7% of issued capital) was repurchased in 2023. The total value of shares amounted to GEL 47.9 million (US$ 18.3 million).

S172 STATEMENT CONTINUED

Divestments from subscale businesses

In 2023, the hospitality business successfully completed the sale of two operational hotels, vacant land plots and three under-construction hotels located in Tbilisi and Kutaisi. The aggregate consideration received from the transactions amounted to US$ 38.6 million and was utilised to deleverage the hospitality business's balance sheet.

Key stakeholder interests considered:

- Investors: the net debt of the business decreased significantly.
- Employees: ensuring that the new management continued to provide high-quality employment standards and job security to the existing employees.

Strategic reorganisation across the healthcare businesses

Following a strategic review in 2023, the hospitals business was split into two distinct segments: "Large and Specialty Hospitals" and "Regional and Community Hospitals". The Regional and Community Hospitals incorporate the community clinics that were managed and presented as part of the clinics and diagnostics business. The Large and Specialty Hospitals and Regional and Community Hospitals segments represent approximately 75% and 25%, respectively of the consolidated hospitals business's EBITDA.

Key stakeholder interests considered:

- Investors: restructuring of the businesses captures emerging opportunities and enhances operational efficiencies.
- Customers and local communities: for patients, the transition was seamless, and business operations continued uninterrupted, with an enhanced focus on both groups of hospitals formed following the strategic restructuring.
- Employees: the existing hospitals' management team will continue to manage the Large and Specialty Hospitals business and focus on their continued growth, while enhancing profitability margins.
- Governments and regulators: the Company devoted time and resources to ensure regulatory compliance with the transaction.

The Board and its Committees monitor the effectiveness of engagement with stakeholders through various methods.

The Board continues to believe that the operation of the designated Non-Executive Director for workforce engagement has been, and continues to be, an effective means of engaging with the workforce, to help the Board understand the matters that concern the workforce and their specific interests, whilst having regard to these in the decisions that are made at Board level.

Similarly, the informal and formal channels in which the Group has adopted to engage with its investors, the local communities and the environment, through a variety of media platforms, have performed well and flexibly. The Board's Responsible Investment Policy ensures the Group's commitment to conducting business in an environmentally, socially responsible and sustainable manner, in order to reduce the environmental harm of the Group's operations, while improving social impact to enhance long-term returns to shareholders.

The Board and Committees' annual evaluation process gives Directors the opportunity to comment on the engagement mechanisms in place with our different stakeholder groups and invites them to make recommendations for improvement. Through the adoption of our Code of Conduct and Ethics we ensure high standards of business conduct for all our stakeholders and seek to promote a culture where transparency and fairness are the norm.

For the coming year, the Board will continue to ensure effective stakeholder engagement, ensuring the frequency of interaction is maintained and reviewed (where appropriate) over matters that are considered material to the Group.

Photo Dusheti forest, Georgia

RISK MANAGEMENT

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

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

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

Risk appetite
Our risk appetite is defined by our strategic objectives. We invest capital and develop businesses that will have strong capital returns. Georgia Capital applies the following investment criteria:
- Geographic focus: investing in and developing businesses in Georgia, the country we know – a diversified, resilient, fast-growing economy across the last decade.
- Focus on liquidity: the Group predominantly invests in capital-light, larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over the next three to five years. The Group believes a larger size will provide improved liquidity and superior exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share.
- Sector focus: investing mostly in fragmented and underdeveloped markets, particularly targeting high-multiple service industries.
- Return target: combination of the ROIC, MOIC, IRR and GCAP share price value versus investments return is the key decision-making matrix used in the investment decision-making process:
  - MOIC and IRR are determined at the Group level, as we evaluate achievable money multiples with all acquisitions and analyse them in combination with the expected IRR.
  - ROIC is evaluated for financing projects and reinvestment at each portfolio company level. Different yields are appropriate for different industries. ROIC is at the core of decision-making when the portfolio companies are investing or divesting assets or businesses. ROIC should be more than WACC for new investments. As part of ROIC enhancement initiatives across our portfolio, our businesses are aiming to continue divestment of low ROIC and/or non-core assets and businesses.
  - GCAP share price is at the core of decision-making when it comes to new investments. The Group performs 360-degree analysis each time GCAP makes a capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Georgia Capital is targeting to invest in opportunities which produce greater returns than returns offered by buying back GCAP shares.

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

Our framework and approach to risk governance
The Board is responsible for setting the right tone and encouraging characteristics and behaviours which support a strong risk culture and effective risk management process across the Group. The Board's mandate includes determining the Group's risk appetite and risk tolerance as well as monitoring risk exposures to ensure that the nature and extent of the main risks we face are consistent with our overall goals and strategic objectives. Non-executive oversight is also exercised through the Audit and Valuation Committee which focuses on upholding standards of integrity, financial reporting and valuation framework, risk management systems, going concern, internal control and assurance frameworks. The Audit and Valuation Committee's activities are discussed further on pages 133 to 138. The Board ensures a centralised process-led approach to investment and the overriding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns. The Board's activities are discussed further on pages 124 to 128.

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

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

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

A description of emerging and principal risks and uncertainties, including recent trends and outlook, as well as mitigation efforts, can be found on pages 71 to 79 of the Strategic Review.

Risk governance structure

BOARD

- Determines the Group's risk appetite as part of strategy setting.
- Overall responsibility for maintaining a system of internal controls that ensures an effective risk management and oversight process across the Group.
- Assisted by the Board Committees with specific responsibility for key risk management areas.
- Following the Annual General Meeting (AGM) held on 17 May, 2023, the Investment Committee was disbanded, and its responsibilities were merged into those of the Board. Consequently, the Board adopted a centralised, process-led approach to investment, with the overarching priority of safeguarding the Group's long-term viability and reputation, and generating sustainable, medium to long-term cash-to-cash returns.
  - *Board evaluates risks in relation to the entire investment entity portfolio, reviews each step of the investment lifecycle, approves all investment and divestment decisions, monitors investments against the original case, and ensures alignment with the Group's investment policy and risk appetite. For the private portfolio companies, it oversees management of their most material risks.*

Audit and Valuation Committee
- Responsible for managing financial reporting risk and internal control and the relationship with the external auditor.
- Reviews and challenges risk management reports from Group Finance and Internal Audit.
- Specific and primary responsibility for the Valuation Policy and valuation of the investment entity subsidiaries.
- Provides oversight and challenge of underlying assumptions on the valuation of the private portfolio companies (62.3% of portfolio value at 31 December 2023). All private large and investment stage portfolio companies (54.6% of the total portfolio) are valued externally by an independent valuation company on a semi-annual basis.
- Direct engagement with the external auditors, who involve their specialist valuations team.

Remuneration Committee
- Reviews and recommends to the Board the Directors' Remuneration Policy to ensure that remuneration is designed to promote the long-term success of Georgia Capital (and see that management is appropriately rewarded for their contribution to the Group's performance in the context of wider market conditions and shareholder views).
- Approves variable compensation schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent.
- Ensures that remuneration is aligned with shareholder returns.

Nomination Committee
- Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives.
- Leads the process for appointing Directors and senior management positions.

MANAGEMENT BOARD

The Management Board is led by the Chief Executive Officer and has:
- Delegated responsibility for management of the Group.
- Delegated responsibility for investment decisions.
- Delegated responsibility for risk management.

RISK MANAGEMENT CONTINUED

Bodies implementing the risk management system
As mentioned on page 67, our Board is responsible for reviewing and approving the Group's system of internal control and its adequacy and effectiveness. Controls are reviewed to ensure effective management of strategic, financial, market and operational risks, amongst others. Certain matters, including but not limited to the approval of major capital expenditure, significant acquisitions or disposals and major contracts, are reserved exclusively for the Board. The full schedule of matters specifically reserved for the Board can be found on our website at: **https://georgiacapital.ge/governance/cgf/schedule**. With respect to other matters, the Board is often assisted by the Audit and Valuation Committee.

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

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

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

The purpose of the Internal Audit department is to determine whether the Group's risk management, internal controls and corporate governance processes, which are designed and implemented by the Management Board, are adequate such that:
- material risks including strategic, market, liquidity and operational risks, are appropriately identified, measured, assessed and managed across the Group, including its outsourced activities;
- interaction with the various internal governance groups occurs appropriately;
- significant financial, managerial and operating information is accurate, reliable and timely;
- the Group and its employees act with integrity and their actions are in compliance with the policies, standards, procedures and applicable laws and regulations;
- resources are acquired economically, used efficiently and protected adequately;
- programmes, plans and objectives are achieved; and
- significant legislative or regulatory issues that impact the organisation are recognised and addressed in a timely and proper manner.

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

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

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

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

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

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

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

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

The Management Board reviews the performance of each portfolio business company on a monthly basis and takes actions, as necessary.

IFRS technical accounting group
The IFRS technical accounting group, part of the Finance department, is responsible for monitoring the Group's compliance with relevant IFRS. The IFRS technical accounting group is involved in the development process of the Group's accounting policies by leading new accounting standards implementation projects, monitoring new IFRS developments, and preparing an impact assessment on reporting, systems and processes across the Group.

In order to increase the understanding of IFRS, the IFRS technical accounting group delivers training on new IFRS standards, issues Group accounting policies, produces general guidance memos on the application of IFRS and memoranda on complex, one-off transactions and also prepares quarterly reports to the Audit and Valuation Committee summarising material transactions across the Group, with respective financial impact.

Valuation workgroup
The Group has established a valuation workgroup, consisting of members of the Finance department, which is responsible for the development and oversight of fair value assessment of the Group's private portfolio companies at each reporting date. The workgroup engages third-party professionals to assist with the fair value determination of large and investment stage investments (39.1% and 15.5% of total portfolio value at 31 December 2023, respectively) in order to provide more transparency of Georgia Capital's portfolio valuations.

The oversight of the third-party professionals is within the scope of the valuation workgroup. The valuation workgroup also estimates fair values of other portfolio companies (7.7% of total portfolio value at 31 December 2023) in-house by applying an appropriate valuation technique in compliance with IFRS 13. The workgroup reports to the Management Board. In order to ensure compliance with IFRS 13 requirements, increase the transparency of valuation and to ensure that a consistent approach is applied in similar facts and circumstances, the workgroup developed a Valuation Policy and monitors compliance across all investments. The applied valuation methodology makes use of market-based information, is consistent with models generally used by market participants and is applied consistently from period to period, except where a change would result in a better estimation of fair value. The workgroup recommends fair values of private portfolio investments at each reporting date and prepares quarterly valuation reports for the Management Board and the Audit and Valuation Committee, describing valuation techniques applied and inputs used, with particular focus on the assumptions supporting the unquoted investments, any valuation uncertainties and the proposed disclosure in the financial statements. The valuation workgroup applies care in exercising judgement and making necessary estimates due to uncertainties inherent in estimating fair value for private companies.

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

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

Going Concern Statement
The Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives and performance are set out on pages 2 to 119. Comprehensive going concern assessment analysis is disclosed in Note 2 within the IFRS financial statements. The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that Georgia Capital has the resources to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue, i.e. the period ending 31 March 2025. After making enquiries, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence and, therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Viability Statement
In accordance with the Corporate Governance Code, the Directors are required to assess the prospects of the Company to meet its liabilities by taking into account its current position and principal risks. Georgia Capital runs an in-depth annual business planning process, involving both the management of portfolio companies and Group management with Board input and oversight. In line with the UK Corporate Governance Code, the process includes a viability assessment conducted by the Board over a three-year period beginning 1 January 2024, being the first day after the end of the financial year to which this report relates. In determining the appropriate period over which to make their assessment, the Directors considered: the duration of strategic plans and financial forecasts; the diverse nature of the Group's activities; the evolving nature of the regulatory environment in which the Group's businesses operate; the inherent uncertainty surrounding future capital allocation projections; and the Group's objective, in line with its updated strategy. A period of three years beyond the balance sheet date was therefore considered the most appropriate viability period for the Group.

In order to consider the Group's viability, the Board considered a number of key factors, including:
- the Board's risk appetite;
- the Group's business model and strategy as set out on pages 8 to 32;
- the Group's principal and emerging risks and uncertainties, principally those related to regional instability, portfolio company strategic and execution risk, investment risk, adverse economic conditions, the depreciation of the Lari, lack of liquidity, and climate change-related risk, and how these risks and uncertainties are managed, as set out on pages 71 to 79;
- the effectiveness of our risk management framework and internal control processes; and stress testing, as described on the next page.

The key factors above have been reviewed in the context of our current position and strategic plan. Since there are no legal guarantees or constructive commitments in place for Georgia Capital to fund losses or activities at portfolio companies' level, a stress test analysis was prepared on a holding company level.

The viability assessment involved a risk identification process which included recognition of the principal risks to viability (risks that could impair the Group's business model, future performance, solvency or liquidity), excluding risks not sufficiently severe over the period of assessment for the Group. The principal risks and uncertainties identified by the Group are regional instability, regulatory, investment, liquidity, portfolio company strategic and execution, and currency and macroeconomic environment-related risks. Further, the Group has identified climate change-related risk as an emerging risk.

We also identified other risks which, while not necessarily severe in themselves, could escalate when combined with others.

For those risks considered sufficiently severe to affect our viability, we performed stress testing for the assessment period, which involved modelling the impact of a combination of severe and plausible risks in separate and combined adverse scenarios. The stress test scenario was then reviewed against the Group's current and projected liquidity position. The Group prepared a single reasonable worst case scenario which assumes the inability of private portfolio companies to pay dividends or meet any other obligations towards the holding company, the reason for which could be economic consequences of regional instability, GEL depreciation against the US dollar, market competition

RISK MANAGEMENT CONTINUED

and/or operational underperformance. Supported by strong operating performance, starting from 2021 the Bank of Georgia restored payment of dividends to shareholders and announced a dividend policy providing for a 30%-50% payout ratio. In 2024, BoG announced that it intends to recommend a final dividend of GEL 4.94 per share, which together with the interim dividend of GEL 3.06 per share paid would make a total of GEL 8.00 per share for 2023. On that basis, the stress case scenario includes dividend payments from the listed asset.

In 2023, the Group demonstrated its superior access to capital once again and issued US$ 150 million SLB In Georgia, with 8.5% interest rate, payable in August 2028. The proceeds from the transaction, together with the existing liquid funds were fully used to redeem GCAP's US$ 300 million Eurobonds. Following these transactions, GCAP's gross debt balance decreased from US$ 300 million to US$ 150 million.

The Directors have also satisfied themselves that existing cash and highly liquid debt and equity investment securities will be sufficient to cover the expected cash outflows of the holding companies for the viability assessment period. They have also collected necessary evidence to support the statement below in terms of the effectiveness of the Group's risk management framework and internal control processes in place to mitigate risk. As at 31 December 2023, Georgia Capital holds GEL 117 million assets across cash, marketable debt securities and loans issued to portfolio companies. Additionally, the Group also holds GEL 1,226 million equity securities of London Stock Exchange listed BoGG PLC as at 31 December 2023. Therefore, in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period of time, the likelihood of the Group having insufficient resources to meet its financial obligations is very low. Based on the analysis described above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue operations and meet its liabilities as they fall due over the three-year period from 1 January 2024 to 31 December 2026.

RISK OVERVIEW

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

Principal risks and uncertainties
The table below describes the principal risks and uncertainties faced by the Group and their potential impact, as well as the trends and outlook associated with these risks and the mitigating actions we take to address these risks. If any of the following risks were to occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. The order in which the principal risks and uncertainties appear does not denote their order of priority. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

REGIONAL INSTABILITY RISK	
PRINCIPAL RISK / UNCERTAINTY	The Georgian economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and the Republic of Türkiye, and has two breakaway territories, Abkhazia and the Tskhinvali/South Ossetia regions. In addition to strong political and geographic influences, regional countries are highly linked to the Georgian economy, representing its significant historical trading partners. Following a significant Russian military build-up near the Russia-Ukraine border and months of rising tensions, Russian troops crossed the border on 24 February 2022, and the situation escalated into a war. In response to the invasion, all G-7 countries, the EU and many other countries have announced severe economic sanctions on Russia, including selected high-profile Russian banks, Russian entities and Russian individuals. At the start of the war, there was a significant depreciation of the Russian Ruble against foreign currencies, although the Ruble has since recovered but remains depreciated compared to the pre-war period. The market value of Russian securities has also decreased significantly. As the situation grinds on, the already steep humanitarian costs and economic losses for Ukraine, Russia and the rest of the world are likely to deepen. Casualties have mounted again since the Ukraine counter-offensive, and as of now, no substantial progress has been made on peace talks. Ukraine and Russia are particularly important trade partners of Georgia, and spillover risks remain. The length and outcome of the war are clearly uncertain, but it is possible that the negative impact of the war will become more pronounced in the medium to longer term and could continue to have a material impact on market confidence, affecting all regional countries. Various tensions have also existed between Russia and Georgia for more than 15 years, and the two countries also had a brief armed conflict in 2008, which led to Russia's control of the two breakaway territories. Finally, there has also been ongoing geopolitical tension, political instability, economic instability and military conflict between other regional countries. Following a six-week war (September-November 2020) between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region, Azerbaijan launched a blitz offensive against the breakaway state on 19 September 2023, resulting in a ceasefire agreement one day later, disbanding the army of the Nagorno-Karabakh republic and dissolving the republic by 1 January 2024. Almost the entire population of the Nagorno-Karabakh republic, estimated at around 110,000, has since fled to Armenia. While negotiations regarding the peace treaty between Armenia and Azerbaijan continue, with the aim to normalising relations and unblocking regional bottlenecks, skirmishes have been reported near the Armenian border before and after the Azerbaijani September offensive. Since 7 October 2023, following a surprise Hamas assault on Israeli territory, Israel declared a state of war and launched a large-scale ground invasion of the Gaza strip, preceded by extensive aerial bombardment. The Hamas attack and the subsequent armed conflict between Israel and Hamas-led militant groups have resulted in mass casualties, as well as raising risks of drawing neighbouring countries into the war. On 22 November 2023, Israel and Hamas agreed to a temporary ceasefire during which several prisoners were released by both sides. However, hostilities have resumed since. The continuation or escalation of the war, political instability, geopolitical conflict, the economic decline of Georgia's trading partners and any further tension with Russia, including border and territorial disputes, may have a negative impact on the political or economic stability of Georgia, which in turn may affect our business unfavourably, including putting adverse pressure on our business model, our revenues, our financial position and the valuations of our listed and private portfolio companies.

RISK OVERVIEW CONTINUED

REGIONAL INSTABILITY RISK CONTINUED

KEY DRIVERS / TRENDS

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. While food and energy prices have relatively stabilised since the second half of 2022, markets remain highly unpredictable in light of the ongoing conflict. In July 2023, Russia announced its unilateral decision to end the Black Sea Grain Initiative, which allowed Ukrainian exports of grain via a safe maritime humanitarian corridor between July 2022 and July 2023, resulting in an immediate jump in wheat and grain prices and raising risks of food shortages in developing countries, although prices have since stabilised.

The September 2023 Azerbaijan offensive in the Nagorno-Karabakh region, and the subsequent dissolution of the breakaway Nagorno-Karabakh republic, has significantly altered the geopolitical status quo in the Caucasus. Whilst Russian peacekeeping forces have remained in the region thus far, subject to negotiations with Azerbaijan, the military conflict has by and large ended, with Armenia accepting Azerbaijan's sovereignty on the region. However, tensions are high between the two countries with respect to the current and future treatment of the local population, which has almost entirely fled to Armenia. Moreover, skirmishes have been reported near the Armenian-Azerbaijan border villages. Multiple meetings between the heads of state of the two countries, as well as high-ranking government officials, have yet to result in mutually acceptable terms for a conclusive peace treaty, although negotiations are ongoing.

The short-term resolution as well as long-term geopolitical implications of the Israel-Hamas war for the engaged parties as well as the wider region remain highly uncertain. While Georgia's economic exposure to Israel on a macro level is not particularly large, Israel is an important source of remittances and tourism revenues. In 2023, Georgia's merchandise exports to Israel totalled US$ 21 million (0.3% of the total), while remittances from Israel made up US$ 215 million (5.2% of the total) and tourism receipts equalled US$ 308 million (7.5% of the total).

Russia imposed economic sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed Georgian borders and recognised the independence of Abkhazia and the Tskhinvali/South Ossetia regions. Russian troops continue to occupy the regions, and tensions between Russia and Georgia persist. The introduction of a preferential trade regime between Georgia and the EU in 2016, the European Parliament's approval of a proposal on visa liberalisation for Georgia in 2017, as well as Georgia's recent application and subsequent receipt of the EU candidate status could potentially intensify tensions between the countries. Russia banned direct flights in July 2019 and recommended stopping the sale of holiday packages to Georgia. The decision was made in response to anti-Putin protests in Tbilisi, which started after a member of the Russian parliament addressed the Georgian parliament in Russian from the speaker's chair. In May 2023, Vladimir Putin signed a decree abolishing the visa regime for Georgian citizens starting 15 May, 2023. In addition, the ban on direct flights to Georgia was also lifted from 15 May, 2023. In November 2023, a Georgian citizen was murdered by Russian forces in the occupied Tskhinvali region, further straining relationship between the two countries, with the Georgian Government and the international community condemning the murder and demanding punishment for those responsible.

REGIONAL INSTABILITY RISK CONTINUED

MITIGATION

The Group actively monitors significant developments in the region and risks related to political instability and the Georgian Government's response thereto. It also develops responsive strategies and action plans of its own. The Georgian export market shifted away from the Russian market after Russia's 2006 embargo, and the Group participated in that shift. In 2023, Russia accounted for 10.8% of Georgian exports, as opposed to 17.8% in 2005.

Since the beginning of the war, the migration effect from Russia, Ukraine and Belarus has altered the composition of foreign currency inflows from remittances and international visitors. The migration effect has resulted in an 86% y-o-y increase in remittance inflows in 2022, including a fivefold increase of up to US$ 2.1 billion from Russia. Remittances fell by 5.7% in 2023, reflecting a 26.2% y-o-y decline from Russia, on the back of a very large base effect, partially compensated by rising money transfers from the rest of the world. Moreover, international travel receipts have increased substantially from the three countries. However, in 2023, similar to remittance dynamics, revenues from the rest of the world were the driving factor behind a 17.3% y-o-y growth in travel receipts, with the share of Russia, Ukraine and Belarus falling from 40.3% in 2022 to 29.7% in 2023. Whilst elevated foreign currency inflows have effectively constituted rising external demand in the short run, the medium to long-term effects remain highly uncertain, depending on the timing and terms of the eventual conclusion of the war in Ukraine. Despite this surge in foreign currency inflows predominantly from Russia, both remittance inflows and tourism receipts remain diversified, with the EU having emerged as the top foreign currency provider since 2019, before the Russia-Ukraine war. This diversification has proved crucial in 2023, as inflows from the rest of the world have compensated for a decline in inflows from Russia. As travel resumes globally, it is hoped that the rising trend of tourism revenues from the EU will continue, as the EU share in travel receipts reached 13.3% in 2023, up from 9.5% in 2022 and close to the pre-COVID 2019 value of 14.5%.

Merchandise exports also remain diversified, relatively insulating foreign demand from regional risks, and new destination countries have emerged as top trading partners since 2022, such as Peru, Kazakhstan and Kyrgyzstan. Azerbaijan and Armenia became the top destination countries for Georgian exports in 2023, accounting for 14.2% and 12.9% of total exports respectively (12.1% and 10.5% in 2022), followed by Kazakhstan with 11.5% and Kyrgyzstan with 11.4% (4.3% and 1.7% in 2022 respectively). Russia was the largest destination country for domestically produced Georgian exports with a 19.4% share in 2023 (14.3% in 2022), followed by the Republic of Türkiye with 12.3% (10.7% in 2022).

While financial market turbulence and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes, including DCFTA with the EU and FTA with China, support the country's resilience against regional external shocks. Enhancing linkages with the EU market will further be supported by a new recovery plan for Eastern Partnership countries, including ambitious investments in improved connectivity and unlocked potential to get full benefits from the DCFTA. Following Ukraine's plea to join the EU as it battles Russia's invasion, Georgia and Moldova on 3 March 2022 submitted their applications to join the EU. Georgia previously planned to apply to join the European Union in 2024. The European Council granted a conditional European perspective to all three countries, with Ukraine and Moldova receiving the candidate status pre-emptively and Georgia set to receive that status as the conditions are satisfied. In November 2023, the European Commission adopted the 2023 Enlargement Package, providing a detailed assessment of the progress made towards EU accession by the three above-mentioned countries together with Western Balkans and Türkiye, recommending that Georgia be granted the status of a candidate country on the understanding that further progress be made in areas identified by the assessment. In December 2023, the European Council granted Georgia the status of a candidate country. Deepening integration with the EU promises enhanced economic security and further development opportunities for the Georgian economy, with the Commission report noting Georgia's strong track record in macroeconomic policymaking, favourable institutional and regulatory framework, and "some level of preparation" to deal with competitive pressure and market forces within the EU.

Georgia Capital PLC Annual Report 2023

RISK OVERVIEW CONTINUED

CURRENCY AND MACROECONOMIC ENVIRONMENT RISKS	
PRINCIPAL RISK / UNCERTAINTY	Unfavourable dynamics of major macroeconomic variables, including depreciation of the Georgian Lari against the US Dollar, may have a material impact on the Group's performance. On the macro-level, the country's free-floating exchange rate works well as a shock absorber, but on the micro-level, currency fluctuations have affected and may continue to adversely affect the Group's results. There is a risk that the Group incurs material losses or loses material amounts of revenue and, consequently, deteriorates its solvency in a specific currency or group of currencies due to the fluctuation of exchange rates. The risk is mainly caused by significant open foreign currency positions in the balance sheets.
KEY DRIVERS / TRENDS	The Group's operations are primarily located in, and most of its revenue is sourced from Georgia. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies, can have a material impact on customer demand for its products and services. The Lari floats freely against major currencies. After depreciating in 2020 due to capital outflows from the emerging and frontier markets, a sudden stop in tourism revenues and shrinking merchandise exports, as well as rapidly deteriorating expectations, the Lari reversed course and has been strengthening for the past two years, having appreciated to higher than pre-COVID levels since mid-2022. On the back of elevated FX inflows and favourable macro conditions, GEL/US$ appreciated by 14.6% YTD by the end of 2022 and remained stable in 2023 (up 0.5% in 2023). The nominal and real effective exchange rates (NEER and REER, respectively) reached record-high levels in 2023, appreciating by 14.8% and 2.1%, respectively. Following rate cuts in 2020 to respond to the COVID-19 shock, NBG reversed the stance and raised the monetary policy rate by 300 bps during March 2021-April 2022 to 11%, responding to high inflation, subsequent rising inflationary expectations and increased uncertainty. On the back of supply-side bottlenecks, rising global food, energy and commodity prices, and resumed economic activity, inflation peaked in January 2022 and has since begun decelerating rapidly. Inflation has been below the 3% target since April 2023, reaching 0.4% in December 2023 and averaging 2.5% for the full year of 2023. Inflation has remained low in 2024, reaching 0% in January. Considering the strong disinflation, as well as favourable dynamics regarding international food and raw material prices, GEL appreciation and improving inflation expectations, NBG has begun a gradual exit from tight monetary policy, cutting the policy rate by a cumulative 150 bps in 2023 and another 125 bps in 1Q24 to 8.25% as of March 2024. NBG remains committed to adjusting the policy rate depending on the macroeconomic developments. According to preliminary Government projections, the fiscal deficit (IMF modified) fell to negative 2.8% of GDP in 2023, and public debt fell to under 39.0% of GDP, aiding disinflation on the domestic side and reducing vulnerabilities on the external side, as well as upholding the fiscal deficit rule stipulating a return to under negative 3.0% of GDP within three years. Real GDP continued strong performance in 2023, growing by 7.5% y-o-y in 2023 after two years of double-digit expansion – 10.6% in 2021 and 11.0% in 2022. With respect to economic growth in recent years, Georgia has been among the top performers in the world according to the IMF and the World Bank. The above-mentioned external factors as well as strong domestic demand, including investment, continued credit expansion and moderated but still expansionary fiscal policy have all been supporting economic growth. The current account deficit remained low at negative 2.6% of GDP in 9M23, following up on a historic low level of negative 4.5% in 2022. FDI reached a record-high value of US$ 2.1 billion in 2022, and fell by 22.3% y-o-y in 9M23 on the back of the high base effect, totalling US$ 1.4 billion. As a result of the improved macroeconomic environment, Fitch Ratings revised Georgia's sovereign credit rating outlook to positive from stable in January 2023 and reaffirmed the positive outlook in July 2023, citing "extremely strong economic recovery, sound macro-policy and record of fiscal prudence". A new three-year executive stand-by arrangement worth US$ 280 million was approved by the IMF in June 2022, focusing on structural reforms and anchoring macroeconomic policy. In July 2023, an IMF virtual visit praised Georgia's "prudent macroeconomic policies", recommending remaining focused on strengthening fiscal and foreign exchange buffers, as well as undertaking reforms to entrench economic resilience.

CURRENCY AND MACROECONOMIC ENVIRONMENT RISKS CONTINUED	
MITIGATION	The Georgian economy remains vulnerable to external shocks due to a mix of its historically high current account deficit, low domestic savings rate and high level of dollarisation. After widening to negative 12.4% of GDP following the onset of the COVID-19 pandemic, the current account deficit has since improved rapidly, reaching a record low of negative 4.5% of GDP in 2022 and stood at negative 2.6% of GDP in 9M23. Strong external demand from neighbour countries and rebounding tourism revenues, supplemented by soaring money transfers largely driven by the migration effect, have been aiding the external balance sheet. Major sources of financing the current account deficit in 2023 were remittance inflows (down 5.7% y-o-y in 2023), merchandise exports (up 9.1% y-o-y), and tourism revenues (up 17.3% y-o-y in 2023, 126.2% of respective 2019 levels). The NBG bought a net US$ 1.8 billion in January 2022-December 2023, taking advantage of surging FX inflows. Subsequently, official reserve assets reached record-high levels in 2023 and amounted to US$ 5.0 billion at the end of 2023, up 2.2% y-o-y. The Group continually monitors market conditions, reviews market changes and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. The currency risk management process is an integral part of the Group's activities; currency risk is managed through regular and frequent monitoring of the Group's currency positions and through the timely and efficient elaboration of responsive actions and measures. Senior management reviews the overall currency positions of the Group several times during the year and elaborates on respective overall currency strategies; the Finance department monitors the daily currency position for Georgia Capital HoldCo, weekly currency positions on a portfolio company level and manages short-term liquidity of the Group across different currencies. Control procedures involve regular monitoring and control of the currency gap and currency positions, running currency sensitivity tests and elaborating response actions/steps based on the results of the tests.

RISK OVERVIEW CONTINUED

REGULATORY AND LEGAL RISKS	
PRINCIPAL RISK / UNCERTAINTY	The Group owns businesses operating across a wide range of industries: banking, healthcare, retail (pharmacy) and distribution, property and casualty insurance, medical insurance, real estate, water utility and electric power generation, hydro and wind power, beverages, education and auto service. Many of these industries are highly regulated. The regulatory environment continues to evolve, and we cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations. Georgia Capital and its businesses may be adversely affected by risks related to litigations arising from time to time in the ordinary course of business.
KEY DRIVERS / TRENDS	Each of our businesses is subject to different regulators and regulation. Legislation in certain industries, such as banking, healthcare, energy, insurance and utilities is continuously evolving. Different changes, including but not limited to governmental funding, licensing and accreditation requirements and tariff structures, may adversely affect our businesses. Except as disclosed on page 201, there were no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which GCAP is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on either GCAP and/or its portfolio companies' financial position or profitability.
MITIGATION	Continued investment in our people and processes enable us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation. Further, our investment portfolio is well diversified, limiting exposure to particular industry-specific regulatory risks. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage where possible in constructive dialogue with regulatory bodies and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by Internal Audit and external assurance providers. Our integrated control framework also ensures the application and development of mechanisms for identifying legal risks in the Group's activities in a timely manner, the monitoring and investigation of the Group's activities in order to identify any legal risks, the planning and implementation of all necessary actions for the elimination of identified legal risks, participation in legal proceedings on behalf of the Group where necessary and the investigation of possibilities for increasing the effectiveness of the Group's legal documentation and its implementation in the Group's daily activities. The framework also considers the engagement of the external legal advisors, when appropriate.

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

LIQUIDITY RISK	
PRINCIPAL RISK / UNCERTAINTY	Risk that liabilities cannot be met, or new investments made, due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of demand from the market, from suspension of dividends from portfolio companies, from not holding cash or being able to raise debt.
KEY DRIVERS / TRENDS	The Group predominantly invests in private portfolio businesses, potentially making the investments difficult to monetise at any given point in time. There is a risk that the Group will not be able to meet its financial obligations and liabilities on time due to a lack of cash or liquid assets or the inability to generate sufficient liquidity to meet payment obligations. This may be caused by numerous factors, such as: the inability to refinance long-term liabilities; suspended dividend inflows from the investment entity subsidiaries; excessive investments in long-term assets and a resulting mismatch in the availability of funding to meet liabilities; or failure to comply with the creditor covenants causing a default.
MITIGATION	The liquidity management process is a regular process, where the framework is approved by the Board and is monitored by senior management and the Chief Financial Officer. The framework models the ability of the Group to fund under both normal conditions (Base Case) and during stressed situations. This approach is designed to ensure that the funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The Finance department monitors certain liquidity measures on a daily basis and actively analyses and manages liquidity weekly. Senior management is involved at least once a month and the Board on a quarterly basis. Such monitoring involves a review of the composition of the cash buffer, potential cash outflows and management's readiness to meet such commitments. It also serves as a tool to revisit the portfolio composition and take necessary measures, if required. Since the adaption of the capital management framework and introduction of the NCC navigation tool in May 2022, the Group's primary emphasis has centred around deleveraging. This strategic approach has resulted in a significant reduction in the Group's liquidity risk. As outlined on page 8, in August 2023, JSC Georgia Capital successfully issued a US$ 150 million SLB. The proceeds from the transaction, together with existing liquid funds of GCAP, were utilised to fully redeem US$ 300 million Eurobonds. Following the cancellation and repayment of the outstanding Eurobonds, GCAP's gross debt balance decreased to US$ 150 million. Overall, since the introduction of the NCC concept in 1Q22, the NCC ratio has decreased significantly, from 28.2% at 31 March 2022 to 15.6% at 31 December 2023. Going forward, the Group targets to bring down the NCC ratio below 15% by December 2025. The deleveraging strategy was also implemented across our private portfolio companies, where individual leverage targets have been developed. In October 2023, S&P updated GCAP's issuer credit rating from "B+" to "BB-".

RISK OVERVIEW CONTINUED

PORTFOLIO COMPANY STRATEGIC AND EXECUTION RISKS	
PRINCIPAL RISK / UNCERTAINTY	Market conditions may adversely impact our strategy and all our businesses have their own risks specific to their industry. Our businesses have growth and expansion strategies and we face execution risk in implementing these strategies. The Group will normally seek to monetise its investments, primarily through strategic sale, typically within five to ten years from acquisition, and we face market and execution risk in connection with exits at reasonable prices.
KEY DRIVERS / TRENDS	Each of our portfolio companies face its own risks. These include risks inherent to their industry, or to their industry particularly in Georgia, and each faces significant competition. They also face the principal risks and uncertainties referred to in this table. Macroeconomic conditions, the financial and economic environment and other market conditions in international capital markets may limit the Group's ability to achieve a partial or full exit from its existing or future businesses at reasonable prices. It may not be possible or desirable to divest, including because suitable buyers cannot be found at the appropriate times, or because of difficulties in obtaining favourable terms or prices, or because the Group has failed to act at the appropriate time.
MITIGATION	For each business, we focus on building a strong management team and have successfully been able to do so thus far. Management succession planning is regularly on the agenda for the Nomination Committee which reports to the Board on this matter. The Board closely monitors the implementation of strategy, financial and operational performance, risk management and internal control framework, and corporate governance of our businesses. We hold management accountable for meeting targets. For each industry in which we operate, we closely monitor industry trends, market conditions and the regulatory environment. We have also sought, and continue to seek, advice from professionals with global experience in relevant industries. We carry our private portfolio companies at fair value in our NAV Statement. The valuations are audited, increasing the credibility of fair valuation and limiting the risk of mispricing the asset. In addition, the valuation of private large and investment portfolio companies (54.6% of total portfolio value) is performed by an independent valuation company on a semi-annual basis. The Group has a strong track record of growth and has accessed the capital markets on multiple occasions as part of the BGEO Group PLC, prior to the demerger in May 2018. Our acquisition history has also been successful, and we have been able to integrate businesses due to our strong management with integration experience. In 2022, GCAP successfully completed the water utility business disposal, which represents our most significant monetisation event to date and marks the completion of the full investment cycle for one of our large portfolio businesses as set out on page 12 of the Group's 2022 Annual Report.

Emerging risks

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

Since 2021, the Group has identified climate change as an emerging risk. Since the Group's businesses are very much dependent on such climate elements as precipitation, wind speed and air temperature, the Group's development will be affected by climate change. This is critical to protecting and enhancing the value of our assets and we monitor our governance and risk management framework to ensure that sustainability-related risks in our portfolio remain an important part of our agenda and are treated as a priority by our portfolio company management teams.

Risks and opportunities of our portfolio companies from climate change are discussed on pages 90 to 91 of this report. Our portfolio companies' approach and the mitigants to climate risk are discussed further under Resources and Responsibilities section on pages 80 to 93 and pages 36 to 43 of the Sustainability Report.

Potential UK regulatory changes affecting UK listed companies and other UK public interest entities is identified as a possible emerging risk. This may include changes in UK corporate governance requirements, adding additional responsibilities to our existing legal and regulatory compliance risk.

The Group has also identified cyber security as an emerging risk, due to the increasing sophistication of hackers and in turn, the likelihood of a data security breach occurring. A cyber security incident can result in unauthorised access to, or misuse of, our information systems, technology, or data. This could lead to leakage of sensitive information, disruption of operations and reputational damage.

Georgia Capital PLC Annual Report 2023

RESOURCES AND RESPONSIBILITIES

ESG PRINCIPLES LIE AT THE HEART OF OUR BUSINESS

In order to effectively manage the Group's direct and indirect impact on society and the environment, the Board of Directors have adopted a Code of Conduct and Ethics, as well as policies that relate to environmental and social matters, responsible investing, employees, anti-corruption and anti-bribery. We invite you to read more about these initiatives in the sections below and in conjunction with our Sustainability Report and the rest of the Annual Report. The non-financial information and sustainability statement as required by section 414CB of the Companies Act 2006, which aims to provide material and relevant information on the commitment to, management of and developments in Georgia Capital's ESG practices for the financial year ending 31 December 2023, is also cross referenced below.

As a Group, we are committed to a long-term investment strategy and building effective relationships with those businesses in which we invest. We maintain close relationships with the management of our private portfolio companies. As a consequence of our involved investment style, we actively manage our portfolio companies in the best interests of our shareholders and other stakeholders, fostering long-term relationships by providing high returns on investment. Additionally, we seek to contribute to wider society by encouraging the continuous development of our employees and contributing to the economic and social welfare of local communities while taking into account our environmental footprint. With a portfolio of GEL 3.7 billion, we recognise that our decisions as a Group potentially impact a broad range of stakeholders, particularly within Georgia.

As an investment holding company with c.45 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, we understand that the indirect impact of our investment undertakings is also an important consideration for our stakeholders.

To ensure the Group's commitment to sustainable business practices, as an integral component of responsible corporate governance, we follow our Environmental and Social Policy. The Group is committed to conducting its business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental impact of its operations, while at the same time improving social performance to enhance long-term returns to its shareholders. Georgia Capital is also dedicated to achieving its strategic and investment objectives while behaving responsibly as an employer and as an international corporate citizen.

Task Force on Climate-related Financial Disclosures ("TCFD")
The Group has complied with the requirements of LR 14.3 by including climate-related disclosures consistent with the TCFD Recommendations and Recommended Disclosures.

TCFD disclosures on the pages 88 to 93 present the Company's perspective on four core pillars of governance, strategy, risk management and metrics and targets related to climate-change mitigation.

Further detailed information can be found in our Sustainability Report, a supplement to our Annual Report which enables the Group to provide more detailed and comprehensive reporting of our ESG operations in alignment with the TCFD recommendations and recommended disclosures.

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

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

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

Reporting requirement	Further detail	Annual Report page reference	Sustainability Report page reference	Relevant policies
Social matters	Promoting local community	Page 82	Page 7	Environmental and Social Policy
	Sponsorship and charity	Page 82	Page 8	Responsible Investment Policy
	Promoting and enhancing a healthy lifestyle	Page 82	Page 10	
	Sustainable procurement	Page 82	Page 22	
Employee matters	Our employees	Page 82	Page 11	Code of Conduct and Ethics
	Talent attraction, training and development	Page 83	Page 13	Responsible Investment Policy
	Diversity	Page 84	Page 16	Diversity Policy
	Human Rights Policy	Page 84	Page 23	Whistleblowing Policy
	Code of Conduct and Ethics	Page 84	Page 23	Human Rights Policy
	Modern Slavery	Page 85	Page 23	Anti-Bribery and Anti-Corruption Policy
Environmental matters	Emission disclosure and calculation methodology	Page 85	Page 26	Environmental and Social Policy
	Measures undertaken to improve the energy efficiency	Page 87	Page 29	Responsible Investment Policy

INVESTING IN SOCIALLY AND ENVIRONMENTALLY ORIENTED INDUSTRIES

As the largest employer in the Georgian private sector, we believe that our Group and portfolio companies have a responsibility to improve the future of our community by building sustainable businesses for tomorrow. We have a strong track record of investing and managing our portfolio responsibly, facilitated by operating according to our clear and proven governance model and an extensive network of top-quality talent.

Our approach to ESG matters is reflected in the strategy and management principles of our portfolio companies, all of which adhere to sound ESG standards, as well as local policies and regulations. We have been supportive of investments in socially and environmentally-oriented businesses since 2008, when our businesses first entered the healthcare market with the aim of modernising the healthcare infrastructure, closing service gaps in the country and increasing overall quality of care. As a result, we have contributed to the development of the Georgian healthcare system and our society. Today our healthcare businesses are the market leaders in the country in each operating segment: hospitals, accounting for 14% of the country's total hospital bed capacity; clinics, with 22% by registered patients; retail (pharmacy), with 32% market share by revenue; and medical insurance, with 19% market share based on 9M23 net insurance premiums.

Currently we invest in two key sectors that benefit the sustainable development of Georgia: renewable energy and education. Through active participation in green initiatives, our renewable energy business addresses climate change and conserves natural resources, contributing to Georgia's transition to a more sustainable and environmentally friendly economy with reduced carbon emissions. Going forward, the launch of the pipeline HPPs and WPPs will enhance our renewable energy business's contribution to green energy production development.

Our education business has made a significant contribution to the country's education system and society. We acknowledge the importance and the substantial positive impact of quality education on society and are committed to responsibly conducting our business activities and supporting sustainable economic growth. Despite being a small share of our total portfolio, our subscale portfolio companies have a substantial positive impact on ESG matters. Our PTI business represents the largest network of mandatory periodic technical inspections throughout Georgia, accounting for 38% of the existing market. The business is directly engaged in GHG emissions and road accidents reduction in the country.

ISSUANCE OF US$ 150 MILLION SUSTAINABILITY-LINKED BOND

In August 2023, JSC GCAP successfully issued a US$ 150 million SLB on the Georgian market. The issuance of the bond represents the largest-ever corporate bond offering in Georgia, and the first of its magnitude and kind in the region.

Georgia Capital has established a SLB Framework in partnership with an international sustainable finance advisor, HPL.LLC. Under the framework, GCAP intends to decrease its GHG emissions by 20% by 2027 compared to a 2022 baseline. The SLB target is in line with GCAP's overarching commitment to reaching Net-Zero at Group level by 2050 and it contributes to the UN Global Compact's SDGs 7 (Affordable and Clean Energy) and 9 (Industry, Innovation and Infrastructure).

The issuance of SLB represents a significant strategic milestone for GCAP, as it will support climate change mitigation, natural resources conservation and pollution prevention, thereby contributing to the transition towards a more sustainable and lower-carbon economy in Georgia.

The transaction was supported by Georgia Capital's longstanding partner IFIs, who approved GCAP's SLB Framework and ESG position after rigorous due diligence.

GCAP obtained a second-party opinion from Sustainalytics, a leading provider of ESG research and analysis, for its SLB Framework, affirming the alignment with the five core components of the SLB Principles. For details regarding the SLB Framework please refer to page 5 in our Sustainability Report 2023.

Under the SLB, GCAP is committed to have external limited assurance conducted against the SLB targets on an annual basis until bond maturity. The first limited assurance report can be found on pages 45 to 46 of our Sustainability Report 2023.

For details on the issuance of the US$ 150 million SLB please refer to pages 4 to 5 of our Sustainability Report.

GOVERNANCE

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

Our Responsible Investment Policy is integrated into the investment and portfolio management processes and procedures and is supported by enhanced due diligence questionnaires. The policy covers Georgia Capital's responsible investment approach and ongoing monitoring of ESG reassessments of the portfolio companies. Georgia Capital monitors the portfolio companies' ESG performance and uses its resources to encourage the adoption of ESG best practices. It is supplemented with an Environmental and Social Policy. Through the Responsible Investment Policy, ESG considerations are embedded into the deal process, from the initial investment stage to active ownership. Details on how we implement the Responsible Investment Policy can be found in our Sustainability Report.

In October 2023, the Board revised the schedule of matters reserved for the Board, including to explicitly cover any duties previously reserved to the Investment Committee[1], and further to make it clear that the Board had primary responsibility for overseeing environmental and social risks and that the Company's strategic direction is regularly informed by material environmental and social issues. Given the small size of the Board and the importance of these matters, including climate change, the Board believes that it is appropriate for the whole Board to be responsible for these issues.

For the updated schedule of matters reserved for the Board please refer to: **https://georgiacapital.ge/governance/cgf/schedule**.

In 2023, the Company again engaged Amandla UK Limited ("Amandla") to conduct an in-depth evaluation of Georgia Capital's Board comprising a multi-faceted approach. The evaluation included online interviews with the entire Board, feedback reports, individual assessments for each Board member, in-person group coaching, and observation of Board meetings. Amandla concluded that the Board is operating effectively in terms of governance, supervision and oversight.

In 2023, Baker McKenzie organised comprehensive ESG training sessions for our Board members. The training covered all the three aspects of ESG and provided an overview of GCAP's progress in the ESG journey, along with future prospects.

1 Following the AGM held on 17 May, 2023, the Investment Committee was disbanded, and its responsibilities were merged into those of the Board.

SOCIAL MATTERS

Promoting local community

The Group considers the interests of its main stakeholders, including local communities and the broader Georgian community, when developing strategies and processes to enhance its operations. We adhere to our Environmental and Social Policy, striving to contribute to society through our business activities. This includes the development and investment in socially-oriented products and services, as well as the implementation of responsible approaches in our business operations, sponsorship and charitable activities.

Georgia Capital and its portfolio investments are committed to playing a positive role in our local community, as shown in the case studies in the Sustainability Report.

Sponsorship and charity

In 2023, the Group and its portfolio companies spent a total of GEL 2.2 million in financing sponsorship and charitable activities. As part of the sponsorship and charitable activities, the Group continues to focus on promoting and enhancing access to education, conserving nature, supporting people with disabilities and special needs, and facilitating innovative projects that focus on social good. The sponsorship and charity activities encourage partnerships with various foundations and non-governmental organisations to deliver sustainable results and bring positive change. In doing so, we follow our undertakings in respect of social and community matters as set out in our Environmental and Social Policy.

In 2023, Georgia Capital continued the sponsorship programme to support the Caucasus Nature Fund ("CNF"), whose purpose is nature protection in the South Caucasus. The fund helps to support the effective long-term management of the nature in the biologically rich, protected territories of Armenia, Azerbaijan and Georgia.

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

Total sponsorship and charitable expenditure of the Group and portfolio companies in 2023
GEL million

Promoting and enhancing a healthy lifestyle

Georgia Capital acknowledges the importance of a healthy lifestyle for its employees. Ensuring the safety of the workplace and providing healthy working conditions are amongst the Group's fundamental human resources (HR) management principles. The Group pays particular attention to preventative measures, such as conducting regular staff training and medical check-ups, certifying workplaces and promoting a healthy lifestyle. Consistent with these principles, Georgia Capital has engaged a safety consultancy company that provides a dedicated safety inspector. The inspector conducted a safety audit, offered recommendations, and conducted staff training. Our safety consultant ensures systematic monitoring to guarantee compliance with globally accepted standards.

Georgia Capital is aware of the damaging impact of stress and anxiety on the individual. It is Company practice to hold workshops to check on employees' mental health and to offer face-to-face counselling. Employees are encouraged to express their mental health concerns in an open manner and seek assistance. We provide the opportunity for a flexible work schedule and remote and hybrid working arrangements. Respective teams at GCAP track the workload of the employees to identify if hiring additional staff is required.

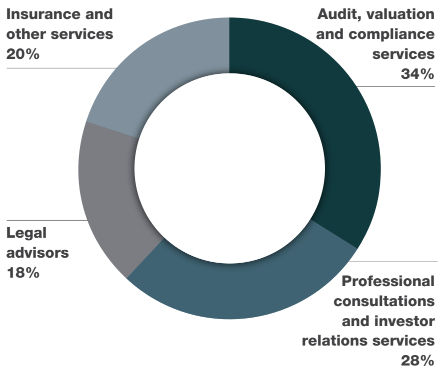
Sustainable procurement

At Georgia Capital, we strive to exercise good corporate citizenship and we take into account the ESG practices of our suppliers. A large majority of GCAP's suppliers are professional advisors and consultants, predominantly blue-chip, reputable international organisations with sound ESG policies and procedures, which, therefore, have lower exposure to ESG-related risks. However, our existing policies and procedures ensure that an appropriate level of due diligence is conducted on prospective suppliers before they are appointed, or any expenditure is committed. The nature of due diligence is determined on a case-by-case basis, however, as a general rule, the procedure safeguards the assessment of risks associated with bribery and corruption, information and data security, human rights and employment practices, and other material aspects as determined during the assessment.

Georgia Capital aims to work with suppliers whose ESG practices are in line with our sustainability goals.

In 2023, significant items for Georgia Capital procurement expenditures were audit, valuation and compliance services, as well as services sourced from professional consultations and investor relations services. The breakdown of expenditures by type of suppliers is provided in the graph.

Expenses by type of suppliers at Georgia Capital level (FY23)



EMPLOYEE MATTERS

Our employees

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

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

- Staff administration, compensation and benefits.
- Recruitment, development and training.
- Diversity and anti-nepotism.
- Succession planning, departure and dismissal.
- Grievances and whistleblowing.

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

In 2023, we conducted our fourth employee satisfaction survey at the holding company level. According to the survey results, over 90% of the participants enjoy working at Georgia Capital, while more than 97% feel valued by the Company for their contributions. Additionally, 90% of the employees are satisfied with their work-life balance. Survey participants also provided recommendations on how the Company could be improved to create a better workplace.

The results of the survey were fed back to management.

Georgia Capital values the exchange of upward, downward and peer feedback when it comes to performance management. Through the performance evaluation and talent management process, several staff members were identified and promoted in 2023.

In 2023, the Group engaged in various team-building activities. One of the most noteworthy events occurred in September when the middle and upper management teams participated in strategic meetings in Paris. In addition to discussion sessions, the activities included a city tour and attendance at a Rugby World Cup championship.

Talent attraction, training and development

Sustained development of the Group's businesses requires the strengthening of the teams, both by using the Group's own significant internal resources through staff development and rotation and by attracting external candidates. Our Recruitment Policy and relevant control procedures ensure an unbiased hiring process that provides equal employment opportunities for all candidates. All employees at Georgia Capital are engaged under an employment contract and we do not use zero hours contracts.

To attract young talent, we actively partner with leading Georgian business schools and universities, participate in job fairs and run extensive internships locally and internationally. Georgia Capital will continue its talent acquisition project for its Investment Officer positions which was launched in 2016.

To manage our employees in a way that best supports our business strategy and their professional growth, we seek to help them contribute to business performance through personal and professional development.

In recent years we created a programme for the Investment department which helped participants to grasp new developments in the field and refresh their knowledge. To help the newcomers adapt to the new working environment, respective teams organise comprehensive introductory and cross-department meetings.

In addition to specific training courses, regular workshops are held in the Company which are linked to the more complex matters, such as business approaches and the best practices in related fields. Besides in-house training, Georgia Capital provides designated training and certification programmes for various departments through third-party resources.

For details on how our portfolio companies train and enable the continuous development of their employees, please read our Sustainability Report.

Total number and rate of GCAP's new employee hires and employee turnover	New hires	New hires rate	Full turnover	Turnover rate
2022	5	10%	3	6%
2023	4	9%	3	6%

RESOURCES AND RESPONSIBILITIES CONTINUED

Diversity
Georgia Capital is fully committed to providing equal opportunities as an employer and prohibits unlawful and unfair discrimination. We believe that there are great benefits to be gained from having a diverse workforce. We seek to ensure that our corporate culture and policies, particularly our HR policies, create an inclusive work environment that helps to bring out the best in our employees.

Georgia Capital's Diversity Policy establishes a commitment to eliminating unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation.

The Board embraces diversity in all its forms. In line with Georgia Capital's Diversity Policy, diversity of gender, social and ethnic backgrounds, age, disability, race, religion or belief, sex or sexual orientation, cognitive and personal strengths and balance in terms of skills, experience, independence and knowledge, amongst other factors, will be taken into consideration when seeking to make any new appointment within the business, whether an employee, client, supplier or contractor. On 31 December 2023, Georgia Capital, had a total of 47 employees, of which 27 are female, and 20 are male.

We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity. The Board is in alignment with recommendations for ethnic minorities on UK boards. For details on the Board diversity please refer to the page 159 of the Nomination Committee Report. Similarly, we endorse the FTSE Women Leaders Review, which primarily targets FTSE 350 companies.

We are committed to exploring ways to increase female and ethnic representation at both Board and senior management levels. Moreover, the Board recognises the significance of all forms of diversity and remains steadfast in its commitment to continuous progress in this domain.

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

The Human Rights Policy is part of the Human Resources Policy and covers the following:
- Equal opportunities and anti-discrimination.
- Work environment free of harassment.
- Grievance Policy.

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

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

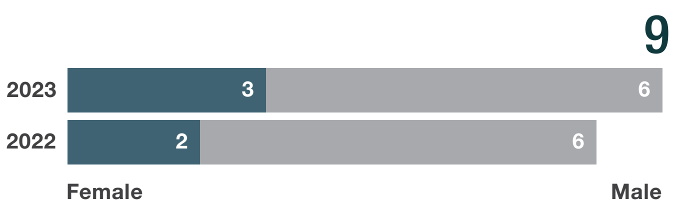
Anti-Bribery and Anti-Corruption Policy enforcement processes include:
- an anonymous whistleblowing hotline;
- an internal whistleblowing process;
- disclosure of gifts or other benefits, including hospitality offered to, or received by, the Group's personnel;
- voluntary disclosure of corrupt conduct;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

As part of the Group's third-party screening to identify the level of risk which third parties might pose, the Group carries out due diligence such as indirect investigations, which include general research of the activities undertaken by the proposed business partners, research into their reputation and information on whether the company is a related party. The Compliance Officers (the General Counsel and UK General Counsel) have the authority to conduct periodic compliance checks of the operations of the Group. We are pleased to confirm that there have been no instances of violation of the Anti-Bribery and Anti-Corruption Policy in 2023.

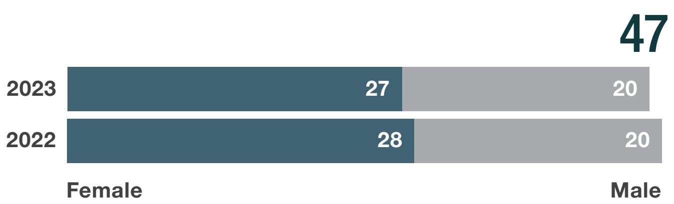
GENDER DIVERSITY

Board of Directors at Georgia Capital PLC

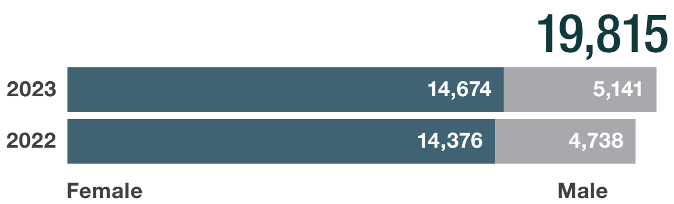
Management at Georgia Capital[1]



All employees at Georgia Capital[2]



All employees at the Group and portfolio levels[3]



1 The Chairman and CEO is included in both categories: "Board of Directors at Georgia Capital PLC" and "Management at Georgia Capital".
2 Employee numbers are presented at Georgia Capital JSC and Georgia Capital PLC levels. The monthly average number of employees is 47.
3 Excluding temporary employees.

Modern slavery
The Group has zero tolerance against modern slavery and human trafficking. We believe in doing business ethically, transparently and in full compliance with all applicable laws and regulations. Even though we are an investment holding company and the risk of modern slavery and human trafficking at our own business operations is low, we recognise that our supply chain could potentially pose such risks. A large majority of GCAP's suppliers are professional advisors and consultants, predominantly blue-chip, reputable international organisations with sound ESG policies and procedures, which therefore, have lower exposure to ESG-related risks. Our existing policies and procedures ensure that an appropriate level of due diligence is conducted on prospective suppliers before they are appointed, or any expenditure is committed.

We note that in accordance with our Responsible Investment Policy, we expressly do not invest in businesses which have activities involving forced or child labour. Evaluation of risk is carried out at the pre-investment or pre-engagement stage through by due diligence and control, and with post-investment implementation and management of risk through monitoring and reporting predominantly by the Legal and Finance departments who report to the Management Board and ultimately the Board of Directors.

ENVIRONMENTAL MATTERS

Committing to the Principles of the UN Global Compact
Since 2022, we have become a signatory of the UN Global Compact and have officially expressed our commitment to its ten Principles, which are then sub-divided into 17 SDGs. Georgia Capital introduced an initiative to align the portfolio companies' performance with the UN SDGs, which required our portfolio companies to determine relevant SDGs and implement respective procedures to track their progress towards the identified goals.
For the individual SDGs of our portfolio companies please refer to page 25 in our Sustainability Report.

Emission disclosure and calculation methodology
Reporting methodology
In preparing our emissions data, we have used the World Resources Institute/World Business Council for Sustainable Development ("WRI"/"WBCSD"), Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. We have also used the most recent Georgian electricity conversion factor taken from the JRC Guidebook – "How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries", European Commission, Ispra, 2018, JRC113659. Further conversion factors have been taken from the UK Government's "Greenhouse Gas Conversion Factors for Company Reporting 2023". Energy consumption is disclosed in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements. The emissions disclosures are also prepared in accordance with the TCFD requirements and the requirements of section 414 of the Companies Act.

Overview of organisation
The operations of Georgia Capital in London and Tbilisi itself have relatively low energy consumption. However, we recognise the evolving significance of emissions disclosures in the investment community and in line with our commitment to increasing transparency, we voluntarily disclose emissions for JSC Georgia Capital (intermediate Georgian holding company) and its portfolio investments. We have reported on all the emission sources listed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Scopes 1 and 2).

Additionally, we have reported on those emissions under Scope 3 that are applicable to our businesses' direct operations. All reported sources fall within our financial statements. We do not have responsibility for any emission sources that are not included in our financial statements.

What we report:
The Group's "central" operations
Our reported data is collected in respect of the Group, including our offices and facilities in London and Tbilisi. Data on emissions resulting from travel is reported for business-related travel only but excludes commuting. As we do not have any joint ventures, sub-leased properties or offshore emissions, these have not been included within the reported figures.

The data has been obtained from the Group's locations using both invoices and site meter readings. Our leased office in the UK operates with only three employees and the annual consumption is less than 5MWh (in 2023, the UK office's annual consumption was 3.3MWh, and 3.5MWh for 2022), the costs of which are included within the lease fees. The electricity consumption of the UK office is included in the Scope 2 emissions calculation.

The Group's portfolio
Data from our portfolio companies' Scope 1, 2 and 3[1] emissions have been aggregated and presented as a separate line item under Scope 3 emissions in accordance with the Greenhouse Gas Protocol. GCAP adheres to the control approach when determining the GHG inventory boundaries. Under this approach, we report the GHG emissions of all our private investments where the Group holds a controlling stake. Therefore, the GHG emissions of Bank of Georgia (19.7% shareholding as of 31 December 2023) and the water utility business (20% interest stake as of 31 December 2023) have not been included in the calculations.

BoG, as a UK listed company discloses Scope 1, 2 and 3 emissions in its annual filings, available at: https://bankofgeorgiagroup.com/reports/annual

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

RESOURCES AND RESPONSIBILITIES CONTINUED

Summary of GHG disclosure

The table below summarises the various elements of our disclosure and details the particular GHG emissions and whether they are included or excluded.

Element	Description	Included / Excluded
Scope 1 – Static fossil fuel	Combustion of fossil fuels, e.g. natural gas, fuel oils, diesel and petrol in stationary equipment at owned and controlled sites	Excluded – No such processes/equipment owned or operated by the Group.
Scope 1 – Mobile fossil fuel	Combustion of petrol, diesel and aviation fuel in owned/operated vehicles	Business travel has been included.
Scope 1 – Other emissions	Process emissions and refrigerant leakage	Excluded – No such processes/equipment owned or operated by the Group.
Scope 2 – Consumption of electricity	Consumption of electricity	Included – Used electricity at owned and controlled sites using the most recent Georgia electricity conversion factor taken from the JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659. Also included are emissions of the UK office.
Scope 2 – Consumption of thermal energy	Direct consumption of heat, steam or cooling generated by others	Excluded – No such thermal energy supplies are consumed by the Group.
Scope 3	Combustion of petrol, diesel and aviation fuel in vehicles owned and operated by others	Included – Air business travel (short-haul and long-haul); information on the class of travel is unavailable, hence, we used an "average passenger" conversion factor, with radiative forcing. Included – Ground transportation, including taxis, coaches, trains, etc., owned and operated by others. Excluded – Emissions from staff commuting at GCAP HoldCo level.
	Investments	Included – Scope 1, 2 and 3[1] of our portfolio companies where we have a majority stake.

Emissions

Total greenhouse gas emissions (tonnes CO_2e)

Data for the period beginning 1 January 2022 and ending 31 December 2023	2022[2]	2023
Scope 1	**66**	**73**
Static fossil fuel (emissions fuel combustion and facility operations)	–	–
Mobile fossil fuel	66	73
Scope 2	**4**	**4**
emissions from electricity, heat, steam and cooling purchased for own use	4	4
Scope 3	**29,057**	**26,723**
air travel and ground transportation provided by third parties plus electricity, heat/steam, cooling provided within lease and service agreements	78	35
investment portfolio emissions[3]	28,979	26,688
of which, Scope 1	*18,643*	*17,460*
of which, Scope 2	*5,064*	*4,993*
of which, Scope 3 (voluntary disclosure)	*5,272*	*4,234*
TOTAL GREENHOUSE GAS EMISSIONS	**29,127**	**26,800**
FTEs at GCAP HoldCo level	48	47
Total greenhouse gas emissions per FTE[4] (GCAP HoldCo)	606.8	570.2
FTEs at GCAP HoldCo and portfolio company levels	19,114	19,815
TOTAL GREENHOUSE GAS EMISSIONS PER FTE[4] (GCAP HOLDCO AND PORTFOLIO COMPANY LEVELS)	**1.52**	**1.35**

1 Portfolio company Scope 3 emissions reported for business travel and employee commuting.
2 The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. The total GHG emissions for 2022 were assessed at 29,127 tCO_2e, compared to the previously disclosed 28,179 tCO_2e. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.
3 Investment portfolio companies' total Scope 1 and 2 emissions are: 23,706 tCO_2e in 2022 and 22,454 tCO_2e in 2023.
4 FTE ("full time employee") is stated excluding temporary employees.

SECR Report

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

GHG emissions and energy data

The following table reports upon GHG and energy data for the period December 2022 to December 2023. The prior reporting year has been included for comparative purposes.

Energy consumption (in kilowatt hours, kWh)	Prior reporting year (2022)	Current reporting year (2023)
Purchased electricity	34,272	41,053
Gas combustion	–	–
Transport fuel	219,355	237,031
Refrigerants	–	–
Total energy consumption (kWh)[1]	**253,627**	**278,084**

Emissions (per metric tonne of CO_2 equivalent, tCO_2e)	Total (2022)	Scope	Total (2023)	Scope
Purchased electricity	3.6	2	4.3	2
Gas combustion	–	1	–	1
Transport[2]	75.9	3	32.5	3
Refrigerant emissions	–	2	–	2
Total gross emissions	**79.5**	–	**36.7**	–

Intensity ratio	Total (2022)	Total (2023)
(tCO_2 e per FTE)	**3.08**	**2.39**

Quantification and reporting methodology

The GHG and energy data presented above has been collated, calculated and presented using methodology following the Greenhouse Gas Reporting Protocol, and uses the 2023 Government Emission Conversion Factors for Company Reporting.

Intensity ratio

The intensity ratio used in the table above displays total gross emissions (tCO_2e) per FTE.

Our environmental activities

Measures undertaken to improve energy efficiency

Over the last periods, Georgia Capital has introduced and implemented energy-efficient solutions to further reduce energy consumption by conducting various activities across the Group and portfolio companies. Our portfolio companies continue to implement energy-saving solutions, such as LED lights and other energy-efficient equipment, such as boilers and heating ventilation and air conditioning systems. Our housing development business pioneered the introduction of energy-efficient construction materials. In our education business, four of our school campuses successfully introduced solar panels and our other educational infrastructures will follow in due course. Our beverages business reduced energy consumption and carbon footprint through its CO_2 recovery plant, alongside the wastewater treatment plant. In addition, the company also introduced the Green Fridge Policy which reduces the carbon footprint of cooling bottled and canned products. Additionally, our PTI business adheres to green standards, exemplified by the planting of trees in every Tbilisi branch, contributing to a green space that encompasses 20% of the total territory.

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

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

RESOURCES AND RESPONSIBILITIES CONTINUED
TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The following section reflects Georgia Capital's response to the TCFD recommendations. The disclosures have been prepared in line with the all-sector guidance and, where applicable, reflect the supplementary recommendations for the asset managers. In this section, we present the Company's perspective on four core pillars of governance, strategy, risk management, and metrics and targets related to climate-change mitigation.

GOVERNANCE

Board oversight
The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee. The Audit and Valuation Committee and the Board have responsibility for assessing and managing climate-related risks and opportunities in relation to GCAP's direct operations and to our portfolio companies, as they affect matters within their remit.

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

In 2022, the Board supported the initiative of incorporating ESG as one of the core pillars of GCAP's strategy. The Board also reviewed the alignment of GCAP's portfolio operations with the UN SDGs and supported the enhancement of ESG transparency. Georgia Capital submits the climate change questionnaire to the CDP annually for additional transparency.

The Board is responsible for the approval of the climate-related metrics and targets that have been established by GCAP in 2022. It is also responsible for ensuring progress against agreed metrics and targets.

In October 2023, the Board revised the schedule of matters reserved for the Board, including explicitly stating that it now covered any duties previously reserved to the Investment Committee, and further to make it clear that the Board had primary responsibility for overseeing environmental and social risks and that the Company's strategic direction is regularly informed by material environmental and social issues. Given the small size of the Board and the importance of these matters, including climate change, the Board believes that it is appropriate for the whole Board to be responsible for these issues.

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

The Chief Financial Officer and Director of Investments report on monitoring of identified financial and climate-related risks and significant changes through their regular reports to the Management Board. Risks are escalated to the Audit and Valuation Committee.

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

STRATEGY

In support of the evaluation of climate-related risks and opportunities that may be present, a review of GCAP's direct operations and a macro-level review of the portfolio companies' operations were completed. The process was followed by a comprehensive quantitative assessment, specifically on GHG inventory management.

It is considered that indirect climate-related risks within the portfolio companies will be more significant than those present within the Group's operations. An early-stage scenario analysis was completed as part of the process towards understanding how the climate impacts identified in the qualitative assessment could present as financial risks to GCAP under different plausible future scenarios. The findings and potential risk implications of such findings are provided below in the section "Scenario analysis of plausible futures". GCAP's strategy incorporates strong consideration of climate change aspects (e.g. GCAP's focus upon renewable energy, 7.3% share of the portfolio at 31 December 2023, the issuance of the SLB in 2023, and increased focus on sustainability both at GCAP and portfolio company levels).

Scenario analysis of plausible futures
Network for Greening the Financial System ("NGFS"[1]) climate scenarios were chosen for their relevance to the finance sector and to allow for comparability. Climate change scenarios for the Republic of Georgia were explored as follows:
- Current Policies/(Business as Usual (BAU)) (policy ambition of >3°C by 2025).
- Delayed transition to net-zero (policy ambition of 1.8°C by 2050).
- Orderly transition to net-zero (1.5°C by 2050).

GCAP invests over a five-to-ten-year horizon. With this in mind, scenario outputs were considered by GCAP in the short term (year 2027), medium term (year 2030) and long term (year 2050). Each NGFS scenario explores a different set of assumptions for how climate policy, emissions and temperatures evolve. The scenario descriptions using the REMIND-MAgPIE 2.1-4.2 model are as follows:
- **Current Policies (or BAU)** where the modelled temperature in 2050 exceeds 3°C. This scenario is dominated by physical risks due to the resulting climate and weather pattern changes. Transition risks are muted as regulators and technology are not being driven to change beyond current plans. Georgia will experience a reduction in the overall volume of precipitation across the country, including a reduction in the volume of snowfall. Gradual snow melt will be replaced by more intense rainfall run-off. This will result in landscape instability and heightened flood risk with the potential for infrastructure to be overwhelmed. In addition, there is an expectation of an increasing frequency of heat waves.
- **Delayed Transition 1.8°C** where the temperature rise is around 2°C by 2050. Physical risks as described under the Current Policies scenario are still likely. Delayed transition implies that society remains slow to act but there is a more urgent response in the 2030s. Consequently, transition risks, especially those relating to regulation, occur mid-2030s and are swiftly implemented (not gradually or phased), for example, fuel use and carbon pricing. Technology will continue to evolve because R&D generally occurs over 10-15 year horizons, while consumer preferences and reputation may have more of an influence.
- **Net Zero 1.5°C** consistent with a temperature rise of 1.5°C, reflecting early, planned policy action. Transition risks will dominate this scenario in relation to regulation, technology and products. There is an expectation of rapid obsolescence of fossil fuel technologies and technology advancements that will contribute to the transition. Consumer preferences towards sustainable choices and reputation will drive changes in market demand. While physical risk profiles remain broadly similar up to 2030 they are lower than in other scenarios after this date.

Carbon prices (including taxation measures) are a key policy instrument for incentivising carbon emissions reduction. There is a direct relationship between the ambition (and stringency) of policies and the cost of emissions. The cost of emissions is also sensitive to the timing and implementation of the policies, the distribution of policies across all industrial sectors and the available technology, for example for CO_2 removal.

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

Based on the early-stage scenario modelling initial tables of potential climate-related financial risks and opportunities for each scenario were prepared.

An example, a summary table of the Delayed Transition 1.8°C scenario is presented as Table 2. In this example scenario, the increasing carbon price is likely to be relevant to each of the portfolio companies either directly or through their supply chains.

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

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

In addition, potential financial impacts under this scenario may also arise associated with:
- acute physical events, for example, from increased flooding or land instability due to intense rainfall on operations or physical assets;
- chronic physical changes to climate, such as increased average temperatures affecting the condition or habitability of real estate assets, the physical condition of distribution networks, and/or community health; and
- adaptation of operations or assets to mitigate the effect of physical or transition risks. In this example, transition risks and, in particular, opportunities for the GCAP investment strategy and portfolio may be driven by the Georgian Nationally Determined Contributions and the Georgian 2030 Climate Change Strategy and Action Plan (CCSAP).

It is noted that under the plausible scenarios analysis, there will be little difference in the physical outcomes between Current Policies and Delayed Transition 1.8°C before 2050. But under the Delayed Transition 1.8°C scenario, there is significant potential for variation in near-term policy action which will introduce great uncertainty for businesses.

A narrative summary of qualitatively identified macro-level risks and opportunities under the Delayed Transition 1.8°C scenario and the potential impact of these risks is provided in Table 2. For each portfolio company, examples are given which are considered to have a potential impact on the portfolio company, if not to the portfolio as a whole. The percentage value of the portfolio company within the portfolio is provided as a broad indicator of likely weighting.

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

RESOURCES AND RESPONSIBILITIES CONTINUED
TCFD CONTINUED

Table 2: Portfolio 2023: Qualitative presence of potential climate-related physical or transition risks under Delayed Transition 1.8°C

	Physical risks[1]				Transition risks[2]							
	Acute		Chronic		Legal/ regulation		Market		Reputation		Technology/ digital	
Portfolio company (% value of total portfolio)	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.	Risk	Opp.
Bank of Georgia	Orange		Orange		Orange	Green		Green		Green		Green
Water utility	Orange		Orange	Green	Orange	Green		Green		Green		Green
Renewable energy	Orange	Green	Orange	Green		Green		Green		Green		Green
Healthcare businesses: Hospitals and clinics and diagnostics	Orange		Orange	Green	Orange	Green		Green				Green
Retail (pharmacy)	Orange		Orange	Green	Orange	Green		Green				Green
Medical insurance	Orange		Orange	Green	Orange	Green		Green				Green
P&C insurance	Orange		Orange		Orange	Green	Orange	Green				
Education	Orange		Orange							Green		
Auto service	Orange	Green	Orange	Green	Orange	Orange		Green		Green		
Beverages (beer and wine)	Orange		Orange		Orange							
Housing development and hospitality	Orange		Orange		Orange	Green						

Key: The orange blocks indicate potentially material risk areas and the green blocks indicate potentially material opportunities for each of the portfolio companies.
White areas indicate that neither material risks nor material opportunities are anticipated.

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

Bank of Georgia (33.4 % of total portfolio)
- **Risks** – Within the medium term, the rapid implementation of climate policy and regulation may result in sharply increasing direct regulatory expenses in relation to fixed assets such as the Bank's retail outlets.
- **Opportunities** – In the short term, and in mitigation, the Bank is already in the advanced stages of implementing energy efficiency programmes within its real estate (retail, office and data centres). By anticipating compliance with regulations relating to fuel efficiency standards, emissions-reducing regulations and building efficiency compliance, the Bank will minimise costs in relation to regulations. In addition, it will lower energy expenditure and generate a financial benefit, especially where renewable energy is utilised. Additionally, the Bank has adopted digital technology to enable all forms of digital banking, potentially further reducing the need for fixed assets.

Since 2021, Bank of Georgia Group PLC completes its own TCFD assessment. The results are available publicly in Bank of Georgia Group PLC's Annual Report and Accounts which can be viewed or downloaded at: https://bankofgeorgiagroup.com/reports/annual

Water utility (4.3% of total portfolio)
- **Risks** – Acute physical risks may impact utility assets. For example, in the short to medium term, extreme rain events may overwhelm infrastructure, causing damaged water treatment and sewage treatment plants. Pipelines are also at risk from such events, as the overall integrity is placed under pressure. These will require increased maintenance and repair costs. Landslides in more remote locations could cause further damage and may block access in some areas.
- **Opportunities** – In the medium term, decarbonisation of operations will enable the water utility operations to limit the cost consequences of carbon pricing and provide an advantage over more carbon-intensive competition.

Retail (pharmacy) (19.4% of total portfolio)
- **Risks** – The principal risks arise from physical aspects of climate change and may impact the physical assets. Transition risks are considered to mainly relate to carbon pricing and the effect this will have on the supply chain, for example, the purchase of drugs and medicines. As the carbon price rapidly increases post-2030 (medium term) the prices of goods will increase. While this will be felt across the market and will not be unique to the portfolio, given the leading market share, this could result in reputational risk arising from consumer perception.
- **Opportunities** – There is a regulation opportunity for the retail (pharmacy) business. Being an early adopter of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce overall running costs in the medium term. Good energy management and the use of renewable energy will not only lower energy expenditure and generate a financial benefit but will also reduce the carbon footprint of the operations.

Healthcare businesses – hospitals and clinics and diagnostics (12.4% of total portfolio)
- **Risks** – under the delayed transition, it is anticipated that in the medium-term carbon prices will remain low. After 2030, carbon prices may rise quickly y-o-y towards 2050. The implications of this will be financially more severe for carbon-intensive products, services and operations. This will result in increased costs of purchase relating to medical equipment and supplies, particularly those originating out-of-country.
- **Opportunities** – In the short to medium term, commitment to a low-carbon portfolio (for example, low-carbon hospitals) could have certain benefits. A reduction in the portfolio's carbon intensity will mitigate future costs associated with increasing carbon prices.

Medical insurance (2.5% of total portfolio)
- **Risks** – An increase in medical insurance claims may arise from both acute short-term weather conditions (flooding and, in some regions, landslides and heatwaves) and long-term chronic changes in weather such as increased average temperatures, impacting health. Failure of infrastructure may cause longer-term ill health from waterborne diseases. There is also a risk that the Government introduces a policy for insurers to maintain policy cover for the "uninsurable", the costs of which may not be possible to pass on to the insured.
- **Opportunities** – Encouraging customers to prepare to be resilient with respect to climate risks, for example through premium incentives to have healthy lifestyles, may contribute positively to the business reputation and customer base.

P&C insurance (7.8% of total portfolio)
- **Risks** – Carbon pricing is a fundamental component of the EU's climate change agenda. Under the Delayed Transition 1.8°C scenario, carbon pricing is expected to rise sharply after 2030 (medium term). This will see a progressive rise in the cost of carbon-intensive products and services, logistics, distribution and any other operations within the supply chain associated with high-carbon emissions. This will have implications for the cost of insurance, which may be passed on to the customer. Beginning with transition risks, some lines of business may see changes in claims patterns as Government policy and regulation relating to carbon emissions evolve. This might result in fluctuating loss ratios and profitability. The steep rise in carbon prices can lead to reduced profitability, obsolete assets and impairments in sectors that are difficult to decarbonise and where additional costs cannot be passed on to customers. The transition will shift demand toward low-carbon technologies and create new opportunities for companies that provide innovative solutions and are able to reduce their emissions more efficiently than competitors. Failure to manage potentially detrimental impacts will result in damage to a company's reputation.
- **Opportunities** – Opportunities will likely arise from energy efficiency regulation which will force customers to upgrade their homes and vehicles and may require new product offerings. Commercial opportunities are also likely to arise by creating targeted products that address climate change and energy transition.

Renewable energy (7.3% of total portfolio)
- **Risks** – In the short to medium term, the infrastructure and transmission lines are clearly at risk from physical risks such as landslides, or extreme heat impacting the integrity of lines or pipes. However, for each of the HPPs and WPPs, the business has taken steps to improve the resilience of infrastructure to changes in climate.
- **Opportunities** – The renewable energy business generates electricity using renewable sources, and there are a number of policy and Government incentives for solar wind and hydropower generation in Georgia as part of the Georgian 2030 CCSAP. Renewable energy sources are considered to be the future of energy and are valued higher than traditional electricity generation companies.

Education (5.2% of total portfolio)
- **Risks** – The potential risks relate to transition type risks, in particular energy and air quality regulations, that may be introduced under this scenario at short notice in the medium term. Schools may be expected to retrofit heating and cooling measures/equipment to meet regulations. In addition, energy requirements may arise in response to air conditioner use during prolonged heatwaves for example. These risks are expected for all real estate.

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

Beverages
- **Risks** – In addition to physical risks (reduced rain, high intensity events, prolonged heatwaves) affecting hops and grape production, the main identified risk relates to regulatory transition risk. In particular, carbon prices and border taxes such as the EU Carbon Border Adjustment Mechanism will adversely affect the prices of both incoming goods and exported products in medium term (post-2030).

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

The Group's strategy is to focus predominantly on capital-light, larger-scale investment opportunities in Georgia and it normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment. Considering this strategic focus, the holding periods of our investments fall in much shorter time horizons (short to medium term) than the timeframe in which the impacts of climate change, especially of physical risks, may manifest themselves in Georgia. The exposure of GCAP's portfolio on certain industries (presented as a percentage of the investment in the total portfolio value) as well as the investment holding period are essential when defining the different time horizons for the analysis and when assessing the materiality of climate-related risks for different investments.

Management takes climate change risk into consideration when determining its investment strategy. This is described further in the Risk Management section on page 92. Climate change is also reflected in the valuation assessments of the portfolio companies, as described in the Risk Management section on page 92. Going forward we will be exploring how to further incorporate climate change risk into our portfolio valuations. This may include an assessment of the influence of the projected carbon price under different scenarios, on the valuation of the portfolio. In addition, the use of shadow carbon pricing might be reviewed.

Other identified potential risks and opportunities are evaluated by the Investment and Finance teams in discussion with the portfolio companies to determine their financial materiality (impact on financial performance including revenues and expenditures, and impact on the financial position, assets and liabilities, capital and financing).

RESOURCES AND RESPONSIBILITIES CONTINUED
TCFD CONTINUED

RISK MANAGEMENT

Climate change risk has been recognised by GCAP as an emerging risk. The risk management approaches for the initial investment stage and the existing portfolio companies are provided below.

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

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

Current portfolio
Climate change, and the risks relating to climate change, is reflected in the valuation assessments of the portfolio companies. Equity investments in Georgia Capital's portfolio companies are measured at fair values at each reporting date in accordance with IFRS 13, Fair Value Measurement. Private large and investment stage portfolio companies are valued by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and, in some cases, precedent transactions) in line with International Private Equity and Venture Capital Valuation (IPEV) guidelines and methodology. Under the DCF valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the business or market sector, which consequently reflects the climate change-related considerations of the business. Market approach valuation methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics. GCAP identifies the peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles (including the climate change risk). Valuation assessments of the large and investment stage portfolio companies are performed by an independent valuation firm on a semi-annual basis. Climate change risk is factored in the valuation assessments. Climate change risk is also embedded in the valuation of the other portfolio companies as set out in the Valuation Methodology on page 99 of this Annual Report.

Understanding the relationship and potential impact of climate change and its associated risks across different risk categories was a priority for GCAP risk management during 2023 as climate risk continued to be integrated into the risk management framework.

Evaluating macro-level risks:
For each of the portfolio companies, a macro-level review has been completed within the scenarios and time horizons (short, medium and long). The process included among other activities:
- review of the scenarios selection and identified risks and opportunities with the portfolio companies;
- application of the carbon prices to investee emission profiles to establish the impact; and
- further discussion with the portfolio companies on how carbon price may be used to influence their strategy and impact on their business plans going forward – including the cost of supplied materials, ability to pass through costs and potential capex among other aspects.

The NGFS modelling scenarios will be re-run annually to assess changes if any, that may occur in response to global or Republic of Georgia commitments and policies towards climate change.

Monitoring and reporting:
Environment (including climate) and social risks and opportunities are managed through regular semi-annual engagements with the portfolio companies. Topics cover a range of aspects under the headings of Governance, Policies, Social, Environment, Carbon and Energy Management, and Suppliers.

Capacity building:
Where appropriate, GCAP will support portfolio companies in training and upskilling Investment Managers with respect to climate change terminology, risks and opportunities during 2024 and beyond.

METRICS AND TARGETS

In 2022, Georgia Capital committed to the Net-Zero Initiative and expressed its willingness to reach Net-Zero across Scope 1 and 2 emissions at both GCAP HoldCo and portfolio company levels by 2050.

In May 2022, GCAP commenced the ESG target-setting initiative with the goal of setting GHG emission reduction targets. Over a four-month period, GCAP conducted comprehensive research on relevant ESG standards, frameworks and guidelines, and engaged in discussions with global experts on different environmental platforms.

In September 2022, GCAP, with its portfolio companies, engaged in comprehensive individual and group workshops where the ESG frameworks were discussed and participants shared their progress towards setting individual environmental targets. Some of the portfolio companies also engaged local third-party experts in the target-setting initiative to ensure the effectiveness of the process.

In 2023, in parallel with the SLB issuance the targets were revisited.

The primary driver for GCAP's commitment to achieving Net-Zero emissions by 2050 is the recognition that the majority of its GHG emissions originate from portfolio companies and through this target, the Group can actively promote climate change mitigation, natural resource conservation, and pollution prevention. This commitment reflects GCAP's dedication to fostering a transition toward a more sustainable and lower-carbon economy in Georgia. The progress toward this target is rigorously monitored on an annual basis. Furthermore, following the successful issuance of a US$ 150 million SLB, the verification of GHG emissions will be conducted regularly at least while the bond remains outstanding.

GHG inventory
Measuring GHGs is the initial step in preventing global warming. GCAP has collated Scope 1, 2 and limited Scope 3 GHG emissions over the past few years.

In 2020 we focused on emissions derived from GCAP operations (Scope 1, 2 and limited 3). We reported on the emission sources listed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Scopes 1 and 2).

All sources reported in 2020 fell within our consolidated financial statements.

Since 2021, in accordance with the Greenhouse Gas Protocol and aligning with TCFD recommendations, we have taken the opportunity to present elements of the emissions derived from our portfolio companies (outside our consolidated financial statements). We aggregate and present portfolio companies' Scope 1, 2 and 3 emissions under our Scope 3 emissions.

GCAP considers that all material categories of Scope 3 have been included in our emissions calculation. For further details, please refer to the emission disclosure and calculation methodology on page 85.

GHG reduction targets
Georgia Capital commits to reducing total Scope 1 and Scope 2 emissions by 30% by 2030 compared to the base year, 2022, and by 95% by 2050, ultimately becoming Net-Zero.

In 2023, JSC GCAP issued a US$ 150 million SLB and established a SLB Framework, under which GCAP committed to decrease its GHG emissions[1] by 20% by 2027 compared to a 2022 baseline. The SLB target is in line with GCAP's overarching commitment to reaching Net-Zero across the Group by 2050.

2022 has been chosen as a base year for two major reasons:
- In 2022, the disposal of the majority equity stake in the water utility business was completed, which significantly changed the GHG emission composition.
- The 2022 year reflects the normalisation of economic activities compared to the abnormal environment in 2020-2021 years due to COVID-19-related implications.

In 2022, the full GHG inventory analysis revealed that the portfolio companies' GHG emissions accounted for 99.5% of the Group and portfolio companies' aggregated emissions, which were derived from the following sources:
- Combustion of natural gas (Scope 1) – 33% of the total GHG emissions.
- Combustion of petrol and diesel (Scope 1) – 25% of the total GHG emissions.
- Consumption of electricity (Scope 2) – 23% of the total GHG emissions.
- Other emissions (Scope 3) – 19% of the total GHG emissions.

GHG emissions reduction roadmaps were developed at both the GCAP HoldCo and portfolio businesses' levels to support GCAP in transferring to a low-carbon economy, and consequently lowering its environmental footprint.

The roadmap captures the fundamental activities to minimise any adverse impact on the environment, whilst simultaneously highlighting benefits for the Group and its portfolio companies:
- c.80% of Georgian electricity is sourced from renewable energy power, having a relatively modest adverse impact on the environment.
- GCAP's updated strategy of having considerable exposure to capital-light portfolio companies provides a chance to progressively transition to a low-carbon economy.

Target[2]	KPIs	Base year 2022	Target by 2030	Target by 2050
	GHG emissions reduction targets			
	Reduce GCAP HoldCo Scope 1 and 2 emissions[3]	70 tCO_2e	30%	95%
	Reduce GCAP's Scope 3 emissions:			
	*Reduce portfolio companies' Scope 1 and 2 emissions[3]	23,706 tCO_2e	30%	95%
Reach Net-Zero across Scope 1 and 2 emissions at both GCAP HoldCo and portfolio companies' level by 2050	*Offset GCAP HoldCo's direct Scope 3 emissions[4] that cannot be avoided or reduced further, starting from 2030.	78 tCO_2e	Yes	Yes
	Georgia Capital plans to reduce its direct GHG emissions by: • implementing Net-Zero awareness campaigns across the Group and its portfolio companies; • organising annual ESG workshops with the portfolio companies; • replacing the natural gas heating systems with efficient electric heating solutions; • promoting electric vehicle deployment in order to reduce the consumption of petrol and diesel; and • gradually transferring electricity consumption to 100% renewable energy, either by installing renewable energy solutions at our facilities or purchasing electricity from renewable energy providers.			

1 Represents GCAP's absolute Scope 1, 2 and 3 emissions (the latter reflecting the aggregated Scope 1 and 2 emissions of the portfolio companies).
2 Since GCAP's portfolio is subject to regular asset rotation, the targets may be recalibrated in the future.
3 The 2022 GHG emissions have been retrospectively adjusted, incorporating the calculation methodology agreed upon with our external verification provider. Specifically, GHG emissions under the SLB framework, following the retrospective application of the relevant methodology, amount to 23,776 tCO_2e, as opposed to the previously disclosed 22,829 tCO_2e, representing an updated baseline for GHG emission reduction targets/SPTs.
4 Emissions related to air travel and ground transportation provided by third parties and electricity, heat/steam, cooling provided within lease and service agreements.

ALTERNATIVE PERFORMANCE MEASURES

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

Under IFRS 10, Georgia Capital PLC meets the "investment entity" definition and does not consolidate its portfolio companies, instead the investments are measured at fair value.

Our Group level discussion is, therefore, based on the IFRS 10 investment entity accounts.

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

The Income Statement presents the Group's results of operations for the reporting period. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends. To enable a comprehensive view of the combined operations of Georgia Capital PLC and JSC Georgia Capital (together referred to herein as "GCAP") as if it were one holding company, we adjust the accounts ("adjusted IFRS 10 Income Statement"). A full reconciliation of the adjusted Income Statement to the IFRS Income Statement is provided on page 97.

Additionally, for the majority of our portfolio companies the fair value of our equity investment is determined by the application of a market approach (listed peer multiples and precedent transactions) and an income approach (DCF). Under the market approach, listed peer group earnings multiples are applied to the trailing 12-month (LTM) stand-alone IFRS earnings of the relevant business. Under the DCF valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. As such, the stand-alone IFRS results and developments behind IFRS earnings of our portfolio companies are key drivers in their valuations. Following the Group discussion, we therefore also present unaudited IFRS financial statements for each portfolio company and a related brief results discussion.

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

NAV Statement
The Group makes indirect investments in portfolio companies, held through intermediate Georgian holding company, JSC Georgia Capital, which is the principal subsidiary of Georgia Capital PLC. The application of IFRS 10 requires us to fair value the intermediate holding company JSC Georgia Capital. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our equity capital investments and associated transactions occurring in the intermediate holding company. The financial effect from the valuation of the underlying portfolio companies are aggregated into a single value. The breakdown of the value of JSC Georgia Capital is presented in Note 12 within the IFRS financial statements. To maintain transparency in our report and aid understanding we present a NAV Statement and respective reconciliation to the IFRS Balance Sheet in Note 5 (Segment information) of the IFRS financial statements. NAV disclosed under the NAV Statement is the same as IFRS equity value as at 31 December 2023. The NAV Statement is simply a "look through" of the IFRS 10 Balance Sheet to present the underlying performance.

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

- NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital.
- Holdings in listed and private portfolio companies are carried based on the following methodology:
  - Listed portfolio companies are carried at the period-end market values based on closing share prices on respective stock exchanges.
  - Private portfolio companies are carried at fair value based on a valuation technique believed to be most appropriate to that investment as described in the Valuation Methodology on page 99.
  - NAV per share represents total NAV divided by the number of outstanding shares at the end of the period, i.e. the number of issued shares at the end of the period less unawarded shares in GCAP's management trust.

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

- The top part of the Income Statement (GCAP net operating income) represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on distributed or declared annual dividend proceeds from portfolio companies during the reporting period, b) interest income on liquid funds and loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued), d) realised/unrealised gains or losses on liquid assets and e) expenses incurred at GCAP level.
- Fair value change of portfolio companies (total investment return) represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV Statement. A detailed Valuation Methodology is described on page 99. We view fair value changes of portfolio companies as a metric to measure the total investment return of Georgia Capital's holdings, which itself reflects value creation for shareholders.
- Following the aggregation of GCAP net operating income and total investment return, we arrive at management income before foreign exchange movements for the period.
- Below the income before foreign exchange movements line, to arrive at management net income, we present GCAP gains or losses from foreign exchange movements and other costs such as non-recurring or transactions costs if there are any in a reportable period.

APM summary
In October 2015, ESMA published guidelines about the use of APMs. These are financial measures such as key performance indicators (KPIs) that are not defined under IFRS. In the Strategic Review section of the Annual Report on pages 2 to 119, Georgia Capital describes its financial performance under the adjusted IFRS 10 Income Statement and also discloses the stand-alone IFRS results for the portfolio companies, which themselves can be viewed as APMs. A number of other measures are used which are also APMs, since they are derived from the management accounts. The applicable reconciliations to the IFRS equivalent where appropriate, is provided below and should be read alongside the adjusted IFRS 10 Income Statement to IFRS reconciliation.

The table below lists all the APMs used within the Annual Report.

Read more on **financial performance** in the **Strategic Review** on **pages 101 to 119**.

Read more on about the **use of APMs** in the **Discussion of Results** on **pages 94 to 96**.

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

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

APM	Purpose	Calculation	Reconciliation to IFRS
GCAP net debt	A measure of the available cash to invest in the business and an indicator of the financial risk at GCAP level.	Net debt is calculated at GCAP level as follows: cash and liquid funds plus loans issued less gross debt; loans issued does not include investment type mezzanine loans (if any).	N/A
Net capital commitment (NCC) ratio	A metric to measure Georgia Capital's balance sheet leverage.	NCC ratio is calculated at the GCAP HoldCo level by dividing NCC by total portfolio value. NCC represents an aggregated view of all confirmed, agreed, and expected capital outflows at the GCAP holding company level.	N/A
Internal rate of return (IRR)	A metric to evaluate the historical track record of investments.	IRR for investments is calculated based on: a) historical contributions to the investment; less b) dividends received; and c) market value of the investment.	N/A
Multiple of invested capital (MOIC)	A measure to evaluate Georgia Capital's efficiency in allocating capital.	MOIC is calculated as follows: a) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date; and b) the denominator is the gross investment amount.	N/A
Return on invested capital (ROIC)	To evaluate a company's efficiency at allocating the capital under its control to profitable investments.	ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.	N/A
Return on average total equity (ROAE)	To measure the performance of a company based on its average shareholders' equity outstanding.	ROAE equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.	N/A
Value creation/investment return	To measure the annual shareholder return on each portfolio company for Georgia Capital.	Aggregation of: a) change in beginning and ending fair values; b) gains from realised sales (if any); and c) dividend income during period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation/investment return.	N/A
GCAP's liquid funds	A measure to evaluate the Company's liquidity.	Includes marketable debt securities and issued loans.	N/A

RECONCILIATION OF ADJUSTED IFRS MEASURES TO IFRS FIGURES

Reconciliation of adjusted Income Statement to IFRS Income Statement

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

GEL thousands, unless otherwise noted (Unaudited)	Adjusted IFRS income statement	Adjustment	IFRS income statement
Dividend income	235,883	(188,224)	47,659
Interest income	16,642	(16,642)	–
Realised/unrealised gain/(loss) on liquid funds / Loss on Eurobond buybacks	(1,574)	1,574	–
Interest expense	(47,808)	47,808	–
Gross operating income/(loss)	**203,143**	**(155,484)**	**47,659**
Operating expenses (administrative, salaries and other employee benefits)	(36,779)	36,779	–
GCAP net operating income/(loss)	**166,364**	**(118,705)**	**47,659**
Total investment return/gain on investments at fair value	**444,632**	**123,719**	**568,351**
Administrative expenses, salaries and other employee benefits	–	(6,563)	(6,563)
Income/(loss) before foreign exchange movements and non-recurring expenses	**610,996**	**(1,549)**	**609,447**
Net foreign currency gain/(loss)	6,491	(7,446)	(955)
Non-recurring expenses	(1,898)	1,898	–
Net gains from investments measured at fair value through profit or loss	–	125	125
Net income/(loss)	**615,589**	**(6,972)**	**608,617**

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

Retail (pharmacy) – Reconciliation to IFRS (2023)

GEL thousands, unless otherwise noted (Unaudited)	Before IFRS 16	*IFRS 16 effects*	After IFRS 16
Income Statement			
Gross profit	244,322	–	244,322
Operating expenses	(166,979)	*30,286*	(136,693)
EBITDA	**77,343**	***30,286***	**107,629**
Depreciation and amortisation	(8,468)	*(26,620)*	(35,088)
Net interest (expense)/income	(13,545)	*(8,543)*	(22,088)
Net (losses)/gains from foreign currencies	(5,342)	*16*	(5,326)
Net non-recurring (expense)/income	(3,567)	–	(3,567)
Profit before income tax expense	**46,421**	***(4,861)***	**41,560**
Income tax (expense)/benefit	(807)	–	(807)
Profit for the year	**45,614**	***(4,861)***	**40,753**
Cash flow statement			
Net cash flow from operating activities	52,361	*30,500*	82,861
Net cash flow used in investing activities	(84,130)	–	(84,130)
Net cash flow from financing activities	17,686	*(30,500)*	(12,814)
Exchange (losses)/gains on cash equivalents	(813)	–	(813)
Total cash inflow	**(14,896)**	**–**	**(14,896)**
Cash balance			
Cash, beginning balance	75,279	–	75,279
Cash, ending balance	**60,383**	**–**	**60,383**

RECONCILIATION OF ADJUSTED IFRS MEASURES TO IFRS FIGURES CONTINUED

Hospitals – Reconciliation to IFRS (2023)

GEL thousands, unless otherwise noted (Unaudited)	Before IFRS 16	*IFRS 16 effects*	After IFRS 16
Income Statement			
Gross profit	104,616	–	104,616
Operating expenses	(58,487)	*966*	(57,521)
EBITDA	**46,129**	***966***	**47,095**
Depreciation and amortisation	(31,886)	*(2,860)*	(34,746)
Net interest (expense)/income	(30,345)	*(385)*	(30,730)
Net (losses)/gains from foreign currencies	(1,144)	*(52)*	(1,196)
Net non-recurring (expense)/income	(19,369)	–	(19,369)
Profit before income tax expense	**(36,615)**	***(2,331)***	**(38,946)**
Income tax benefit/(expense)	–	–	–
Profit for the year	**(36,615)**	***(2,331)***	**(38,946)**
Cash flow statement			
Net cash flow from operating activities	10,621	*966*	11,587
Net cash flow used in investing activities	(44,746)	–	(44,746)
Net cash flow from financing activities	22,362	*(966)*	21,396
Exchange (losses)/gains on cash equivalents	(2,041)	–	(2,041)
Total cash (outflow)/inflow from continuing operations	**(13,804)**	**–**	**(13,804)**
Cash balance			
Cash, beginning balance	23,557	–	23,557
Cash, ending balance	**9,753**	**–**	**9,753**

Clinics – Reconciliation to IFRS (2023)

GEL thousands, unless otherwise noted (Unaudited)	Before IFRS 16	*IFRS 16 effects*	After IFRS 16
Income Statement			
Gross profit	24,550	–	24,550
Operating expenses	(12,845)	*1,841*	(11,004)
EBITDA	**11,705**	***1,841***	**13,546**
Depreciation and amortisation	(5,147)	*(1,117)*	(6,264)
Net interest (expense)/income	(3,095)	*(804)*	(3,899)
Net (losses)/gains from foreign currencies	(170)	*(42)*	(212)
Net non-recurring expense/(income)	(266)	–	(266)
Profit before income tax expense	**3,027**	***(122)***	**2,905**
Income tax benefit/(expense)	–	–	–
Profit for the year	**3,027**	***(122)***	**2,905**
Cash flow statement			
Net cash flow from operating activities	8,214	*1,841*	10,055
Net cash flow used in investing activities	(194)	–	(194)
Net cash flow used in financing activities	(7,649)	*(1,841)*	(9,490)
Exchange (losses)/gains on cash equivalents	(2)	–	(2)
Total cash inflow/(outflow) from continuing operations	**369**	**–**	**369**
Cash balance			
Cash, beginning balance	3,892	–	3,892
Cash, ending balance	**4,261**	**–**	**4,261**

VALUATION METHODOLOGY

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

Equity investments in listed and observable portfolio companies
Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price. The instruments are included within Level 1 of the hierarchy in JSC GCAP financial statements. Listed and observable portfolio also includes instruments for which there is a clear exit path from the business, e.g. through a put and/or call options at pre-agreed multiples. In such cases, pre-agreed terms are used for valuing the company.

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

Investment stage portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of investment stage private portfolio companies at the reporting date starting from 30 June 2022. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on DCF and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what is considered to be the most appropriate point in the provided fair value range at the reporting date.

Other portfolio companies – Fair value assessment is performed internally using one of the valuation methods described below.

Equity investments in private portfolio companies are valued by applying an appropriate valuation method, which makes maximum use of market-based public information, is consistent with valuation methods generally used by market participants and is applied consistently from period to period, unless a change in valuation technique would result in a more reliable estimation of fair value. The value of an unquoted equity investment is generally crystallised through the sale or flotation of the entire business. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgements and in making the necessary estimates.

Listed peer group multiples
This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics. The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. Peer group is identified for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles. Some peer-group companies' multiples may be more heavily weighted during valuation if their characteristics are closer to those of the company being valued than others. As a rule of thumb, LTM earnings will be used for the purposes of valuation. Earnings are adjusted where appropriate for exceptional, one-off or otherwise adjustable items.

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

Once the enterprise value is estimated, the following steps are taken:
- Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero (assuming the debt is without recourse to Georgia Capital).
- The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued, if applicable.
- Valuation based on enterprise value using peer multiples is used for businesses within non-financial industries.

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

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

VALUATION METHODOLOGY CONTINUED

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

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

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

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

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

Valuation of equity investments in private portfolio companies
The table below summarises fair valuation of equity investments in our private portfolio companies as at 31 December 2023.

GEL thousands	Valuation performed externally or internally	Valuation method	Multiple applied	Fair value
Large portfolio companies	**Externally**			**1,436,231**
Retail (pharmacy)	Externally	DCF and EV/EBITDA	9.7x	714,001
Hospitals	Externally	DCF and EV/EBITDA	13.8x	344,356
Insurance	Externally	DCF and P/E	13.0x-11.0x	377,874
Investment stage portfolio companies	**Externally**			**566,614**
Renewable energy	Externally	DCF and EV/EBITDA	12.6x[1]	266,627
Education	Externally	DCF and EV/EBITDA	16.7x	189,226
Clinics and diagnostics	Externally	DCF and EV/EBITDA	11.7x[2]	110,761
Other portfolio companies	**Internally**	**EV/EBITDA, NAV and DCF**		**284,253**

1 12.6x is the blended multiple for Hydrolea HPPs, Mestiachala HPP and Qartli WPP.
2 11.7x is the blended multiple for clinics and diagnostics businesses.

FINANCIAL REVIEW

Financial Performance Highlights (IFRS)[1]

GEL thousands, unless otherwise noted (Unaudited)

Georgia Capital NAV overview	Dec-23	Dec-22	Change
NAV per share, GEL	82.94	65.56	26.5%
NAV per share, GBP	24.23	20.12	20.4%
NAV[2]	3,378,512	2,817,391	19.9%
Shares outstanding[3]	40,736,528	42,973,462	-5.2%
Liquid assets and loans issued	117,122	438,674	-73.3%
NCC ratio[3]	15.6%	21.1%	-5.5 ppts
Georgia Capital performance	**FY23**	**FY22**	**Change**
Total portfolio value creation	680,515	34,073	NMF
of which, listed and observable portfolio	*553,255*	*205,783*	*NMF*
of which, private portfolio	*127,260*	*(171,710)*	*NMF*
Investments[4]	22,588	195,949	-88.5%
Buybacks[5]	76,477	83,108	-8.0%
Dividend income	235,883	93,875	NMF
of which, recurring dividend income[6]	*179,822*	*93,875*	*91.6%*
of which, one-off dividend income[7]	*56,061*	*–*	*NMF*
Net income	615,589	1,464	NMF
Private portfolio companies' performance[1,8]	**FY23**	**FY22**	**Change**
Large portfolio companies			
Revenue	1,345,682	1,274,794	5.6%
EBITDA	149,177	156,816	-4.9%
Net operating cash flow	92,381	148,082	-37.6%
Investment stage portfolio companies			
Revenue	155,280	141,488	9.7%
EBITDA	54,666	51,699	5.7%
Net operating cash flow	50,609	53,132	-4.7%
Total portfolio[9]			
Revenue	2,073,903	1,900,700	9.1%
EBITDA	247,556	243,293	1.8%
Net operating cash flow	135,466	206,047	-34.3%

Key Points

- NAV per share (GEL) up 26.5% y-o-y in FY23 to GEL 82.94 (up 20.4% y-o-y to GBP 24.23 in GBP terms), reflecting strong value creation across our portfolio companies.
- Significant improvement of 5.5 ppts y-o-y in NCC ratio (15.6% as at 31 December 2023), resulting from a substantial decrease in net debt, strong cash generation and continued growth in portfolio value.
- GEL 235.9 million dividend income from the portfolio companies in FY23, of which recurring dividend income was GEL 179.8 million. This represents a significant increase compared to total dividend income of GEL 93.9 million in FY22.
- 1,665,000 shares repurchased in FY23 (total bought back and cancelled now at c.4.8% of issued capital since January 2023).

1 Please read more about APMs on pages 94-96. Private portfolio companies' performance includes aggregated stand-alone IFRS results for our portfolio companies, which can be viewed as APMs for Georgia Capital, since Georgia Capital does not consolidate its subsidiaries and instead measures them at fair value under IFRS.
2 See page 190 for the reconciliation of NAV to IFRS financial statements as at 31 December 2023.
3 Please see definition in glossary on page 206.
4 FY22 number includes the non-cash conversion of GEL 169.9 million loans issued to our private portfolio businesses into equity.
5 Includes both the buybacks under the share buyback and cancellation programme and for the management trust.
6 Includes regular cash and buyback dividends.
7 One-off dividend income in FY23 includes a non-recurring GEL 26.7 million dividend collected from the retail (pharmacy) business and GEL 29.4 million buyback dividend attributable to participation in BoG's 2022 share buybacks.
8 Private portfolio companies' performance highlights are presented excluding the water utility business. Aggregated numbers are presented on a like-for-like basis.
9 The results of our four smaller businesses included in other portfolio companies (described on page 119) are not broken out separately. Performance totals, however, include the other portfolio companies' results (and are therefore not the sum of large and investment stage portfolio results).

Georgia Capital PLC Annual Report 2023

FINANCIAL REVIEW CONTINUED

Discussion of Group results

The NAV Statement summarises the Group's IFRS equity value (which we refer to as net asset value or NAV in the NAV Statement below) at the opening and closing dates for the full year (31 December 2022 and 31 December 2023). The NAV Statement below breaks down NAV into its components and provides a roll-forward of the related changes between the reporting periods.

GEL thousands, unless otherwise noted (Unaudited)	Dec-22	1. Value creation	2a. Investment and divestments	2b. Buyback	2c. Dividend	3. Operating expenses	4. Liquidity/ FX/Other	Dec-23	Change %
Listed and observable portfolio companies									
Bank of Georgia	*830,463*	*549,255*	–	–	*(153,871)*	–	–	*1,225,847*	*47.6%*
Water utility	*155,000*	*4,000*	–	–	–	–	–	*159,000*	*2.6%*
Total listed and observable portfolio value	**985,463**	**553,255**	**–**	**–**	**(153,871)**	**–**	**–**	**1,384,847**	**40.5%**
Listed and observable portfolio value change %		***56.1%***	***0.0%***	***0.0%***	***-15.6%***	***0.0%***	***0.0%***	***40.5%***	
Private portfolio companies									
Large companies	**1,437,610**	**74,786**	**–**	**–**	**(76,825)**	**–**	**660**	**1,436,231**	**-0.1%**
Retail (pharmacy)	*724,517*	*39,397*	–	–	*(50,904)*	–	*991*	*714,001*	*-1.5%*
Hospitals	*433,193*	*(81,526)*	–	–	*(6,018)*	–	*(1,293)*	*344,356*	*-20.5%*
Insurance (P&C and medical)	*279,900*	*116,915*	–	–	*(19,903)*	–	*962*	*377,874*	*35.0%*
of which, P&C insurance	*228,045*	*71,447*	–	–	*(14,888)*	–	*962*	*285,566*	*25.2%*
of which, medical insurance	*51,855*	*45,468*	–	–	*(5,015)*	–	–	*92,308*	*78.0%*
Investment stage companies	**501,407**	**47,044**	**18,388**	**–**	**(5,187)**	**–**	**4,962**	**566,614**	**13.0%**
Renewable energy	*224,987*	*38,684*	*6,218*	–	*(5,187)*	–	*1,925*	*266,627*	*18.5%*
Education	*164,242*	*12,282*	*12,170*	–	–	–	*532*	*189,226*	*15.2%*
Clinics and diagnostics	*112,178*	*(3,922)*	–	–	–	–	*2,505*	*110,761*	*-1.3%*
Other companies	**274,147**	**5,430**	**32**	**–**	**–**	**–**	**4,644**	**284,253**	**3.7%**
Total private portfolio value	**2,213,164**	**127,260**	**18,420**	**–**	**(82,012)**	**–**	**10,266**	**2,287,098**	**3.3%**
Private portfolio value change %		***5.8%***	***0.8%***	***0.0%***	***-3.7%***	***0.0%***	***0.5%***	***3.3%***	
Total portfolio value (1)	**3,198,627**	**680,515**	**18,420**	**–**	**(235,883)**	**–**	**10,266**	**3,671,945**	**14.8%**
Total portfolio value change %		***21.3%***	***0.6%***	***0.0%***	***-7.4%***	***0.0%***	***0.3%***	***14.8%***	
Net debt (2)	**(380,905)**	**–**	**(20,887)**	**(76,190)**	**235,883**	**(21,786)**	**(32,923)**	**(296,808)**	**-22.1%**
of which, cash and liquid funds	*411,844*	–	*(20,887)*	*(76,190)*	*235,883*	*(21,786)*	*(420,954)*	*107,910*	*-73.8%*
of which, loans issued	*26,830*	–	–	–	–	–	*(17,618)*	*9,212*	*-65.7%*
of which, gross debt	*(819,579)*	–	–	–	–	–	*405,649*	*(413,930)*	*-49.5%*
Net other assets/(liabilities) (3)	**(331)**	**–**	**2,467**	**(287)**	**–**	**(14,993)**	**16,519**	**3,375**	**NMF**
of which, share-based comp.	–	–	–	–	–	*(14,993)*	*14,993*	–	–
Net asset value (1)+(2)+(3)	**2,817,391**	**680,515**	**–**	**(76,477)**	**–**	**(36,779)**	**(6,138)**	**3,378,512**	**19.9%**
NAV change %		***24.2%***	***0.0%***	***-2.7%***	***0.0%***	***-1.3%***	***-0.2%***	***19.9%***	
Shares outstanding[1]	42,973,462	–	–	(2,817,070)	–	–	580,136	40,736,528	-5.2%
NAV per share, GEL	**65.56**	**15.84**	**0.00**	**2.70**	**0.00**	**(0.85)**	**(0.30)**	**82.94**	**26.5%**
NAV per share, GEL change %		***24.2%***	***0.0%***	***4.1%***	***0.0%***	***-1.3%***	***-0.5%***	***26.5%***	

NAV per share (GEL) increased by 26.5% in FY23, reflecting a) GEL 680.5 million value creation across our portfolio companies with a positive 24.2 ppts impact, b) share buybacks (+4.1 ppts impact) and c) GEL's appreciation against US$, resulting in a foreign currency gain of GEL 6.5 million on GCAP net debt (+0.2 ppts impact). The NAV per share growth was slightly offset by management platform-related costs and net interest expense with a negative 2.4 ppts impact in total.

1 Please see definition in glossary on page 206.

Portfolio overview

Total portfolio value increased by GEL 473.3 million (14.8%) in FY23:

- The value of GCAP's holding in BoG was up by GEL 395.4 million, reflecting a robust GEL 549.3 million value creation, partially offset by GEL 153.9 million dividend income from the Bank in FY23.
- The value of the water utility business increased by GEL 4.0 million, reflecting an increase in the put option valuation to GCAP's 20% holding in the business which was attributed in 2Q23.
- The value of the private portfolio increased by GEL 73.9 million in FY23, mainly reflecting the net impact of a) GEL 127.3 million value creation, b) investments of GEL 22.6 million predominantly in the investment stage businesses and c) a decrease of GEL 82.0 million due to dividends paid to GCAP.

1) Value creation

Total portfolio value creation amounted to GEL 680.5 million in FY23.

- A 52.6% increase in BoG's share price, supported by a 5.1% appreciation of GBP against GEL in FY23, led to a GEL 549.3 million value creation.
- GEL 4.0 million value was created in our water utility business in FY23, as described above.
- The value creation in the private portfolio amounted to GEL 127.3 million in FY23, reflecting:
  - GEL 87.6 million operating performance-related increase in the value of our private assets, resulting from the continued strong performance of our private portfolio companies, partially subdued by the performance of the hospitals business, which has been impacted by the recently introduced government regulations as described elsewhere in this report.
  - GEL 39.7 million net impact from changes in implied valuation multiples[1] and foreign currency exchange rates.

The table below summarises value creation drivers in our businesses in FY23:

Portfolio businesses	Operating performance[2]	Greenfields/ buy-outs/ exits[3]	Multiple change and FX[4]	Value creation
GEL thousands, unless otherwise noted (Unaudited)	**(1)**	**(2)**	**(3)**	**(1)+(2)+(3)**
Listed and observable portfolio				**553,255**
BoG				549,255
Water Utility				4,000
Private portfolio	**87,558**	**–**	**39,702**	**127,260**
Large portfolio companies	**(52,946)**	**–**	**127,732**	**74,786**
Retail (pharmacy)	*2,267*	–	*37,130*	*39,397*
Hospitals	*(154,041)*	–	*72,515*	*(81,526)*
Insurance (P&C and Medical)	*98,828*	–	*18,087*	*116,915*
of which, P&C insurance	*19,503*	–	*51,944*	*71,447*
of which, medical insurance	*79,325*	–	*(33,857)*	*45,468*
Investment stage portfolio companies	**54,471**	**–**	**(7,427)**	**47,044**
Renewable energy	*6,754*	–	*31,930*	*38,684*
Education	*15,165*	–	*(2,883)*	*12,282*
Clinics and diagnostics	*32,552*	–	*(36,474)*	*(3,922)*
Other portfolio companies	**86,033**	**–**	**(80,603)**	**5,430**
Total portfolio	**87,558**	**–**	**39,702**	**680,515**

1 Valuation multiples implied by dividing the final valuations of the business assigned as described under "Valuation overview" by the respective trailing 12-month EBITDA or net income, as applicable.
2 Change in the fair value attributable to the change in actual or expected earnings of the business, as well as the change in net debt.
3 Greenfields and buy-outs represent the difference between fair value and acquisition price in the first reporting period in which the business/greenfield project is no longer valued at acquisition price/cost. Exits represent the difference between the latest reported fair value and the value of the disposed asset (or assets in the process of disposal) assessed at a transaction price.
4 Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.

FINANCIAL REVIEW CONTINUED

The enterprise value and equity value development of our businesses in FY23 is summarised in the following table:

GEL thousands, unless otherwise noted (Unaudited)	Enterprise value 31-Dec-23	Enterprise value 31-Dec-22	Enterprise value Change %	Equity value 31-Dec-23	Equity value 31-Dec-22	Equity value Change %	% share in total portfolio
Listed and observable portfolio				**1,384,847**	**985,463**	**40.5%**	**37.7%**
BoG				1,225,847	830,463	47.6%	33.4%
Water utility				159,000	155,000	2.6%	4.3%
Private portfolio	**3,463,259**	**3,310,981**	**4.6%**	**2,287,098**	**2,213,164**	**3.3%**	**62.3%**
Large portfolio companies	**2,021,278**	**1,875,688**	**7.8%**	**1,436,231**	**1,437,610**	**-0.1%**	**39.1%**
Retail (pharmacy)	1,043,800	957,686	9.0%	714,001	724,517	-1.5%	19.4%
Hospitals	618,912	653,335	-5.3%	344,356	433,193	-20.5%	9.4%
Insurance (P&C and medical)	358,566	264,667	35.5%	377,874	279,900	35.0%	10.3%
of which, P&C insurance	*285,566*	*228,045*	*25.2%*	*285,566*	*228,045*	*25.2%*	*7.8%*
of which, medical insurance	*73,000*	*36,622*	*99.3%*	*92,308*	*51,855*	*78.0%*	*2.5%*
Investment stage portfolio companies	**856,787**	**816,023**	**5.0%**	**566,614**	**501,407**	**13.0%**	**15.5%**
Renewable energy	456,236	417,903	9.2%	266,627	224,987	18.5%	7.3%
Education[1]	228,799	218,264	4.8%	189,226	164,242	15.2%	5.2%
Clinics and diagnostics	171,752	179,856	-4.5%	110,761	112,178	-1.3%	3.0%
Other portfolio companies	**585,194**	**619,270**	**-5.5%**	**284,253**	**274,147**	**3.7%**	**7.7%**
Total portfolio				**3,671,945**	**3,198,627**	**14.8%**	**100.0%**

Private large portfolio companies (39.1% of total portfolio value)

Retail (pharmacy) (19.4% of total portfolio value) – the EV of retail (pharmacy) was up by 9.0% to GEL 1.0 billion in FY23, reflecting the continued strong outlook of the business, driven by a significant expansion and ongoing optimisation of the retail chain (the business added 40 pharmacies and 11 franchise stores in FY23), as well as the resilience of the Georgian economy. FY23 revenue was up 4.3%, reflecting a) increased sales of higher-margin para-pharmacy products and b) the chain expansion which had a positive impact on the revenue growth. The expansion also led to an increase in operating expenses (up 8.2% y-o-y in FY23) due to increased rent and salary costs. This translated into a 0.5% y-o-y increase in EBITDA (excl. IFRS 16) in FY23. See page 109 for details. Consequently, LTM EBITDA (incl. IFRS 16) was up by 2.0% to GEL 107.6 million in FY23. Net debt (incl. IFRS 16) increased by GEL 176.3 million to GEL 322.2 million as at 31 December 2023, mostly reflecting increased borrowings that partially financed the minority buyout transaction in June 2023. As a result, fair value of GCAP's 97.6% holding decreased by 1.5% to GEL 714.0 million in FY23. The implied LTM EV/EBITDA valuation multiple (incl. IFRS 16) increased to 9.7x as at 31 December 2023 (up from 9.1x as of 31 December 2022).

Hospitals (9.4% of total portfolio value) – The EV of the hospitals business, which now also incorporates the community clinics that were previously managed and presented as part of the clinics and diagnostics business, stood at GEL 618.9 million in FY23. The revenue of Large and Specialty Hospitals was up by 2.9% y-o-y in FY23, reflecting resilient underlying performance at the seven hospitals comprising the business on the back of the diversified range of services they offer, which enabled them to partially offset the impact of the new regulations, as detailed on page 111 of this report. These new regulations had a more pronounced impact on our Regional and Community Hospitals (FY23 revenue was down 4.5% y-o-y), as the 27 smaller facilities in this business offer services that are relatively more limited in scope than those of our Large and Specialty Hospitals. Consequently, the combined revenue and EBITDA (excl. IFRS 16) of the hospitals business were up by 0.1% and down 18.7% y-o-y, respectively, in FY23. In December 2023, the business signed an agreement to sell one of its regional and community hospitals for a total consideration of GEL 34.6 million at 15.2x EV/EBITDA multiple. The proceeds from this transaction were collected in the beginning of 2024 and were utilised for deleveraging the balance sheet of the business. The sale is in line with our strategy to divest low-ROIC generating assets. Taking into account the disposal, LTM EBITDA (incl. IFRS 16) stood at GEL 44.8 million in FY23, and the net debt amounted to GEL 241.1 million. As a result, the equity value of Hospitals stood at GEL 344.4 million in FY23, translating into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 13.8x at 31 December 2023.

Insurance (P&C and medical) (10.3% of total portfolio value) – The insurance business combines: a) P&C insurance valued at GEL 285.6 million and b) medical insurance valued at GEL 92.3 million.

P&C insurance – revenue was up by 21.0% y-o-y to GEL 116.9 million in FY23, mainly reflecting the growth in the motor and credit life insurance lines. The combined ratio increased by 10.3 ppts y-o-y in FY23, attributable to the following factors: a) a 6.5 ppts y-o-y increase in the loss ratio mainly due to the combined effect of an unprecedented landslide in one of the regions of Georgia and increased agricultural insurance claims due to abnormal number of hailstorms during the year, b) a 1.7 ppts increase in expense ratio driven by increased salary expenses in line with business growth and c) a 2.1 ppts y-o-y increase in FX ratio, reflecting the impact of FX movements on the business operations. Consequently, FY23 net income decreased by 11.0% y-o-y to GEL 19.1 million. See page 113 for details. Pre-tax LTM net income was up by 3.5% to GEL 22.0 million in FY23. The equity value of the P&C insurance business, which also reflects the application of the recently enforced Estonian Taxation Model, was assessed at GEL 285.6 million at 31 December 2023 (up 25.2% y-o-y), translating into an implied LTM P/E valuation multiple of 13.0x at 31 December 2023 (up from 10.6x at 31 December 2022).

Medical insurance – revenue increased by 22.0% y-o-y to GEL 91.3 million in FY23, reflecting the increase in the price of insurance policies and the number of insured clients primarily in the corporate client segment. The combined ratio was at 94.8% in FY23 (down 4.7 ppts y-o-y), mainly resulting from the well-managed loss and expense ratios (down 2.8 ppts and 1.9 ppts y-o-y, respectively), reflecting the robust revenue growth. Consequently, the net income of the medical insurance business was up 91.8% y-o-y to GEL 6.5 million in FY23. See page 114 for details. Pre-tax LTM net income was up 2.4 times y-o-y to GEL 8.4 million in FY23. As a result, the equity value of the business, which also reflects the application of the Estonian Taxation Model, was assessed at GEL 92.3 million at 31 December 2023 (up 78.0% y-o-y), translating into the implied LTM P/E valuation multiple of 11.0x at 31 December 2023.

1 Excluding the recently launched schools and non-operational assets, added to the equity value of the education business at cost.

Private investment stage portfolio companies (15.5% of total portfolio value)

Renewable energy (7.3% of total portfolio value) – The EV of the business was up by 9.7% to US$ 169.6 million in FY23 (up 9.2% to GEL 456.2 million in GEL terms), reflecting stable prospects of the business. In US Dollar terms, FY23 revenue and EBITDA were down by 0.9% and 7.1% y-o-y, respectively, reflecting the net impact of a) a 5.3% y-o-y decrease in electricity generation in FY23 due to the previously planned phased rehabilitation works of two power-generating units of Hydrolea HPPs, which were taken offline during November 2022 – June 2023 periods and b) a 4.6% y-o-y increase in the average electricity selling price in FY23, driven by exports to Türkiye the effect of which is partially offset by export-related electricity and transmission costs reflected in operating expenses. Revenue and EBITDA in GEL terms were down 9.8% and 15.3% y-o-y in FY23, respectively. See page 115 for details. The pipeline renewable energy projects continued to be measured at an equity investment cost (GEL 56.2 million in aggregate as at 31 December 2023). Net debt decreased by 1.3% to US$ 70.5 million in FY23 (down 1.7% y-o-y to GEL 189.6 million in GEL terms) due to strong cash flow generation during the quarter. As a result, the equity value of renewable energy was assessed at GEL 266.6 million in FY23 (up 18.5% y-o-y), (up 19.1% y-o-y to US$ 99.1 million in US Dollar terms). The blended EV/EBITDA implied valuation multiple of the operational assets stood at 12.6x as at 31 December 2023, up from 11.4x at 31 December 2022.

Education (5.2% of total portfolio value) – EV of the education business was up by 4.8% to GEL 228.8 million in FY23, reflecting the strong operating performance of the business. Revenue in FY23 increased by 30.3% y-o-y resulting from a) organic growth through strong intakes and a ramp-up of the utilisation and b) expansion of the business, which coupled with the overall inflation, also led to a 41.8% y-o-y increase in operating expenses. See page 116 for details. Consequently, LTM EBITDA was up by 6.3% to GEL 13.7 million in FY23. Net debt was up by 1.1% y-o-y to GEL 16.5 million in FY23, reflecting the capex investments for the expansion projects. As a result, GCAP's stake in the education business was valued at GEL 189.2 million at 31 December 2023 (up 15.2% y-o-y). This translated into the implied valuation multiple of 16.7x as at 31 December 2023. The forward-looking implied multiple is estimated at 10.5x for the 2024-2025 academic year.

Clinics and diagnostics (3.0% of total portfolio value) – In FY23, the EV of the clinics and diagnostics business was GEL 171.8 million. FY23 revenue and EBITDA of the combined clinics and diagnostics business were up by 8.9% and up GEL 7.3 million y-o-y, respectively. This growth reflects the high demand for non-COVID services and the expansion of the business. See page 117 for details. Consequently, the LTM EBITDA (incl. IFRS 16) of the business was GEL 14.7 million and the net debt stood at GEL 58.5 million in FY23. As a result, the equity value of the business was assessed at GEL 110.8 million, translating into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 11.7x at 31 December 2023.

Other businesses (7.7% of total portfolio value) – Of the "other" private portfolio businesses, auto service and beverages (other than wine) are valued based on LTM EV/EBITDA. Wine and housing development are valued based on DCF and hospitality is valued based on NAV. See performance highlights of other businesses on page 119. The portfolio value of other businesses increased by 3.7% to GEL 284.3 in FY23, mainly driven by the strong operating performance and improved prospects of our beverages and auto service businesses.

Listed and observable portfolio companies (37.7% of total portfolio value)

BoG (33.4% of total portfolio value) – In 2023, BoG delivered an annualised ROAE of 29.9% and a 20.0% loan book growth y-o-y (on a constant currency basis, the loan portfolio increased by 19.6% y-o-y). In FY23, BoG's share price was up by 52.6% y-o-y to GBP 39.8 at 31 December 2023, reflecting the strong growth in BoG's earnings. In FY23, GCAP received GEL 153.9 million dividends, including a one-off dividend of GEL 29.4 million from the participation in the Bank's 2022 buybacks. As a result of the developments described above, the market value of GCAP's equity stake in BoG increased by 47.6% to GEL 1,225.8 million. The LTM P/E valuation multiple was at 4.3x at 31 December 2023 (2.8x at 31 December 2022). BoG's public announcement of its FY23 results is available on https://bankofgeorgiagroup.com/results/earnings.

Water utility (4.3% of total portfolio value) – In FY23, the fair value of GCAP's 20% holding in the water utility business (where GCAP has a clear exit path through a put and call structure at pre-agreed EBITDA multiples) increased by GEL 4.0 million to GEL 159.0 million. This reflects the application of the put option valuation to GCAP's holding in the business. In December 2023, the Georgian National Energy and Water Supply Regulatory Commission ("GNERC"), the independent body that regulates the GCAP's water utility business, approved new tariffs for water supply and sanitation (WSS) for the 2024-2026 regulatory period. The WSS tariffs for legal entities in Tbilisi increased from GEL 6.5 to GEL 8.8 per cubic metre compared to the previous regulatory period of 2021-2023. WSS tariffs for residential customers remained unchanged.

2) Investments[1]

In FY23, GCAP invested GEL 22.6 million in private portfolio companies.

- GEL 12.2 million was allocated to the education business, mainly for the acquisition of the new campus in the affordable segment and the development of a new campus in the mid-scale segment.
- GEL 6.2 million was invested in the renewable energy business for the development of the pipeline projects.
- GEL 4.2 million was invested in the auto service business.

3) Share buybacks

During FY23, 2,817,070 shares were bought back for a total consideration of GEL 76.5 million.

- 1,665,222 shares with a total value of US$ 18.3 million (GEL 47.9 million) were bought back under GCAP's share buyback and cancellation programmes during 2023.
- 1,151,848 shares were repurchased for the management trust for a total consideration of GEL 28.6 million, fully securing the management trust in the form of unawarded shares for the next three years.

1 Investments are made at JSC Georgia Capital level, the Georgian holding company.

Georgia Capital PLC Annual Report 2023

FINANCIAL REVIEW CONTINUED

4) Dividends[1]

In FY23, Georgia Capital recorded GEL 235.9 million dividend income from its portfolio companies:

Dividend income GEL million (Unaudited)	Recurring	One-off	Total
BoG	**124.5**	**29.4**	**153.9**
of which, cash dividends	*80.5*	*–*	*80.5*
of which, buyback dividends	*44.0*	*29.4*	*73.4*
Retail (pharmacy)	**24.2**	**26.7**	**50.9**
Insurance	**19.9**	**–**	**19.9**
of which, P&C insurance	*14.9*	*–*	*14.9*
of which, medical insurance	*5.0*	*–*	*5.0*
Hospitals	**6.0**	**–**	**6.0**
Renewable energy	**5.2**	**–**	**5.2**
Total	**179.8**	**56.1**	**235.9**

A one-off dividend of GEL 29.4 million from BoG, represents the participation in the Bank's 2022 buybacks in FY23. GEL 26.7 million one-off dividend was collected from the retail (pharmacy) business, following the minority buyout transaction in 3Q23.

Net Capital Commitment overview

Below we describe the components of NCC as of 31 December 2023. NCC represents an aggregated view of all confirmed, agreed and expected capital outflows at GCAP HoldCo level.

Components of NCC

GEL thousands, unless otherwise noted (Unaudited)	31-Dec-23	31-Dec-22	Change
Cash at banks	72,122	235,255	-69.3%
Liquid funds	35,788	176,589	-79.7%
of which, internationally listed debt securities	*18,254*	*173,395*	*-89.5%*
of which, locally listed debt securities	*17,534*	*3,194*	*NMF*
Total cash and liquid funds	**107,910**	**411,844**	**-73.8%**
Loans issued	9,212	26,830	-65.7%
Gross debt	(413,930)	(819,579)	-49.5%
Net debt (1)	**(296,808)**	**(380,905)**	**-22.1%**
Guarantees issued (2)	**–**	**(18,460)**	**NMF**
Net debt and guarantees issued (3)=(1)+(2)	***(296,808)***	***(399,365)***	***-25.7%***
Planned investments (4)	**(125,143)**	**(141,396)**	**-11.5%**
of which, planned investments in renewable energy	*(77,637)*	*(81,205)*	*-4.4%*
of which, planned investments in education	*(47,506)*	*(60,191)*	*-21.1%*
Announced buybacks (5)	**(18,087)**	**–**	**NMF**
Contingency/liquidity buffer (6)	**(134,470)**	**(135,100)**	**-0.5%**
Total planned investments, announced buybacks and contingency/ liquidity buffer (7)=(4)+(5)+(6)	***(277,700)***	***(276,496)***	***0.4%***
Net capital commitment (3)+(7)	**(574,508)**	**(675,861)**	**-15.0%**
Portfolio value	**3,671,945**	**3,198,627**	**14.8%**
NCC ratio	**15.6%**	**21.1%**	**-5.5 ppts**

Cash and liquid funds. The total cash and liquid funds' balance in FY23 decreased by 73.8%, which mostly reflects the use of funds for redemption of GCAP's Eurobonds in 2023.

Loans issued. Issued loans' balance primarily refers to loans issued to our private portfolio companies and are lent at market terms. The FY23 balance was down by GEL 17.6 million, mainly reflecting the loan repayments from the hospitality and auto service businesses.

Gross debt. In US Dollar terms, the FY23 gross debt balance was down by 49.3%, representing the full redemption of US$ 300 million GCAP Eurobonds and the issuance of US$ 150 million SLB in 2023.

Guarantees issued. The balance reflected GCAP's guarantee on the borrowing of the beer business, which was reduced to zero in 2023, leaving no outstanding guarantees.

Planned investments. Planned investments' balance represents expected investments in the renewable energy and education businesses over the next two to three years. The balance in US Dollar terms decreased by 11.1% in FY23, due to the investments made in these businesses, as described above (the balance in GEL terms was down 11.5% in FY23).

1 Dividends are received at JSC Georgia Capital level, the Georgian holding company.

Announced buybacks. The balance of the announced buybacks at 31 December 2023 reflects the unutilised share buybacks under GCAP's US$ 15 million share buyback and cancellation programme.

Contingency/liquidity buffer. The balance reflects the cash and liquid assets in the amount of US$ 50 million, held by GCAP at all times, for contingency/liquidity purposes. The balance remained unchanged in US$ terms as at 31 December 2023.

As a result of the movements described above, NCC was down by 15.0% y-o-y to GEL 574.5 million (US$ 213.6 million) which, together with the 14.8% increase in the portfolio value translated into a 15.6% NCC ratio as at 31 December 2023 (down by 5.5 ppts y-o-y).

Income Statement (adjusted IFRS / APM)

Net income under IFRS was GEL 608.6 million in FY23 (GEL 12.2 million net loss in FY22). The IFRS Income Statement is prepared on the Georgia Capital PLC level and the results of all operations of the Georgian holding company JSC Georgia Capital are presented as one line item. As we conduct almost all of our operations through JSC Georgia Capital, through which we hold all of our portfolio companies, the IFRS results provide little transparency on the underlying trends.

Accordingly, to enable a more granular analysis of those trends, the following adjusted Income Statement presents the Group's results of operations for the period ending 31 December 2023 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted Income Statement, please refer to pages 94-96 of this report. A full reconciliation of the adjusted Income Statement to the IFRS Income Statement is provided on page 97.

GEL thousands, unless otherwise noted (Unaudited)	FY23	FY22	Change
Dividend income	235,883	93,875	NMF
of which, regular dividend income	*162,527*	*93,875*	*73.1%*
of which, buyback dividend income	*73,356*	*–*	*NMF*
Interest income	16,642	32,955	-49.5%
Realised/unrealised gain/(loss) on liquid funds / Gain/(Loss) on GCAP Eurobond buybacks	(1,574)	(2,717)	-41.2%
Interest expense	(47,808)	(69,774)	-31.5%
Gross operating income	**203,143**	**54,339**	**NMF**
Operating expenses	(36,779)	(39,996)	-8.0%
GCAP net operating income	**166,364**	**14,343**	**NMF**
Fair value changes of portfolio companies			
Listed and observable portfolio companies	**399,384**	**164,885**	**NMF**
of which, Bank of Georgia	*395,384*	*149,277*	*NMF*
of which, water utility	*4,000*	*15,608*	*-74.4%*
Private portfolio companies	**45,248**	**(224,687)**	**NMF**
Large portfolio companies	**(2,039)**	**(115,511)**	**-98.2%**
of which, retail (pharmacy)	*(11,507)*	*14,132*	*NMF*
of which, hospitals	*(87,544)*	*(140,622)*	*-37.7%*
of which, insurance (P&C and medical)	*97,012*	*10,979*	*NMF*
Investment stage portfolio companies	**41,857**	**5,072**	**NMF**
of which, renewable energy	*33,497*	*22,846*	*46.6%*
of which, education	*12,282*	*28,052*	*-56.2%*
of which, clinics and diagnostics	*(3,922)*	*(45,826)*	*-91.4%*
Other businesses	**5,430**	**(114,248)**	**NMF**
Total investment return	**444,632**	**(59,802)**	**NMF**
Income/(loss) before foreign exchange movements and non-recurring expenses	**610,996**	**(45,459)**	**NMF**
Net foreign currency gain	6,491	47,550	-86.3%
Non-recurring expenses	(1,898)	(627)	NMF
Net income	**615,589**	**1,464**	**NMF**

FINANCIAL REVIEW CONTINUED

The gross operating income stood at GEL 203.1 million in FY23, reflecting robust dividend income, further supported by a decrease in interest expenses due to significant deleveraging progress in 2023.

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

GCAP operating expenses components

GEL thousands, unless otherwise noted (Unaudited)	FY23	FY22	Change
Administrative expenses[1]	(10,909)	(11,779)	-7.4%
Management expenses – cash-based[2]	(10,877)	(9,741)	11.7%
Management expenses – share-based[3]	(14,993)	(18,476)	-18.9%
Total operating expenses	**(36,779)**	**(39,996)**	**-8.0%**
of which, fund type expense[4]	*(9,667)*	*(11,334)*	*-14.7%*
of which, management fee type expenses[5]	*(27,112)*	*(28,662)*	*-5.4%*

GCAP management fee expenses starting from 2024 have a self-targeted cap of 0.75% of Georgia Capital's NAV. The LTM management fee expense ratio was 0.80% at 31 December 2023 (1.02% as of 31 December 2022).

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 444.6 million in FY23, mostly reflecting the changes in the value of our portfolio companies, as described earlier in this report. We discuss valuation drivers for our businesses on pages 104-105. The performance of each of our private large and investment stage portfolio companies is discussed on pages 109-119.

GCAP's net foreign currency liability balance amounted to US$ 130 million (GEL 350 million) at 31 December 2023. As a result of the movements described above, GCAP's adjusted IFRS net income was GEL 615.6 million in FY23.

Discussion of the Statement of Cash Flows

The 2023 IFRS Statement of Cash Flows is prepared at the Georgia Capital PLC level and does not include JSC Georgia Capital's cash flows, since JSC Georgia Capital is measured at fair value under IFRS 10. Net cash flow used in operating activities was GEL 6.2 million in 2023 (GEL 9.8 million in 2022), reflecting salaries and general and administrative expenses paid at the Georgia Capital PLC level. Net cash flow from investing activities was GEL 44.3 million in 2023 (GEL 87.2 million in 2022), reflecting the net impact of purchase of redeemable securities and dividends received. Net cash flow used in financing activities was GEL 48.0 million in 2023 (GEL 54.6 million in 2022), mainly reflecting the purchases of treasury shares. The IFRS Statement of Cash Flows is included on page 175 of this report.

1 Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
2 Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
3 Share-based management expenses are share salary and share bonus expenses of management and staff.
4 Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
5 Management fee is the sum of cash-based and share-based operating expenses (excluding fund-type costs).

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

The following sections present the IFRS results and business development extracted from the individual portfolio company's IFRS accounts for large and investment stage entities, where the 2023 portfolio company's accounts and respective IFRS numbers are unaudited. We present key IFRS financial highlights, operating metrics and ratios along with commentary explaining the developments behind the numbers. For the majority of our portfolio companies, the fair value of our equity investment is determined by the application of an income approach (DCF) and a market approach (listed peer multiples and precedent transactions). Under the DCF valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. Under the market approach, listed peer group earnings multiples are applied to the LTM stand-alone IFRS earnings of the relevant business. As such, the stand-alone IFRS results and developments driving the IFRS earnings of our portfolio companies are key drivers of their valuations within GCAP's financial statements. See pages 94-100 for more background.

Large portfolio companies

Discussion of retail (pharmacy) business results

The retail (pharmacy) business, where GCAP owns a 97.6% equity interest, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 32% market share based on the 2022 revenues. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The business operates a total of 412 pharmacies (of which 397 are in Georgia and 15 in Armenia) and 23 franchise stores (of which, two are in Armenia and four in Azerbaijan).

FY23 performance (GEL thousands), retail (pharmacy)[1] (Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue, net	**823,692**	**789,893**	**4.3%**
of which, retail	*653,960*	*620,936*	*5.3%*
of which, wholesale	*169,732*	*168,957*	*0.5%*
Gross profit	**244,322**	**231,270**	**5.6%**
Gross profit margin	*29.7%*	*29.3%*	*0.4 ppts*
Operating expenses (ex. IFRS 16)	(166,979)	(154,343)	8.2%
EBITDA (ex. IFRS 16)	**77,343**	**76,927**	**0.5%**
EBITDA margin (ex. IFRS 16)	*9.4%*	*9.7%*	*-0.3 ppts*
Net loss/profit (ex. IFRS 16)	**45,614**	**58,605**	**-22.9%**
Cash flow highlights			
Cash flow from operating activities (ex. IFRS 16)	**52,361**	**77,099**	**-32.1%**
EBITDA to cash conversion	*67.7%*	*100.2%*	*-32.5 ppts*
Cash flow used in investing activities[2]	**(84,130)**	**(58,367)**	**44.1%**
Free cash flow, (ex. IFRS 16)[3]	**(56,130)**	**15,016**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**17,686**	**3,392**	**NMF**
Balance sheet highlights	31-Dec-23	31-Dec-22	Change
Total assets	**631,218**	**576,060**	**9.6%**
of which, cash and bank deposits	*60,383*	*75,279*	*-19.8%*
of which, securities and loans issued	*2,623*	*22,857*	*-88.5%*
Total liabilities	**597,611**	**515,081**	**16.0%**
of which, borrowings	*228,261*	*131,547*	*73.5%*
of which, lease liabilities	*151,916*	*107,455*	*41.4%*
Total equity	**33,607**	**60,979**	**-44.9%**

Income Statement highlights

- The y-o-y increase in retail revenues in FY23 was driven by a combination of factors:
  - The expansion of the pharmacy chain and franchise stores – the business added 40 pharmacies and 11 franchise stores over the last 12 months.
  - Increased focus on higher margin para-pharmacy product sales – the para-pharmacy revenue as a percentage of retail revenue increased from 36.5% in FY22 to 39.7% in FY23.
  - Overall economic growth in Georgia.
  - The revenue growth was partially subdued by a) implementation of the ERP model, which sets a maximum retail price for state-financed prescription medicines. The list of regulated products was further expanded in November 2023 (detailed in other valuation drivers and operating highlight section below) and b) a decrease in product prices due to the appreciation of GEL against foreign currencies (as approximately 70% of inventory purchases are denominated in foreign currencies).
  - The increase in operating expenses in FY23 reflects increased rent and salary expenses in line with the substantial expansion of the pharmacy chain and franchise stores during the year. In FY23 the business maintained the EBITDA margin (excluding IFRS 16) at 9.4%, above the targeted threshold of 9%, and we expect the investments in the recently opened stores to deliver a substantial increase in business revenues in the coming quarters as customer traffic gradually increases.
- The significant y-o-y increase in interest expense (excluding IFRS 16) in FY23 is due to the higher average net debt balance, as explained below.
- The developments described above translated into a 22.9% y-o-y decrease in FY23 net profit (excluding IFRS 16).

1 The detailed IFRS financial statements are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**. See reconciliation to IFRS 16 on page 97.
2 Of which – cash outflow on capex of GEL 34.0 million in FY23 (GEL 20.9 million in FY22); cash outflow on minority acquisition; proceeds from sale of personal protective equipment (PPE) of GEL 14.6 million in FY23 (none in FY22).
3 Calculated by deducting capex and minority acquisition from operating cash flows and adding proceeds from sale of PPE.

FINANCIAL REVIEW CONTINUED

Cash flow and balance sheet highlights

- The net debt balance was up by GEL 131.8 million y-o-y to GEL 165.3 million as at 31 December 2023, mostly reflecting increased borrowings that partially financed the minority buyout transaction in June 2023.
- The EBITDA-to-cash conversion ratio was at 67.7% in FY23, reflecting the business's strategy of making advance payments to key vendors to secure substantial supplier discounts for high-volume inventory purchases.
- GEL 50.9 million dividends were paid to GCAP in FY23.

Other valuation drivers and operating highlights

- Effective from 2023, the Government introduced two new **quality regulations**: i) Good Manufacturing Practice (GMP) and ii) Good Distribution Practice (GDP). These regulations establish the minimum standards that medicine distributors must meet to ensure the quality and integrity of medicines throughout the supply chain. Compliance with GMP and GDP ensures that medicines are consistently stored under the appropriate conditions, including during transportation, to prevent contamination. The implementation of the new standards resulted in the closure of several of our partner small pharmacies, leading to a reduction in revenues and gross profit. In FY23, the wholesale business revenue was affected by GEL 21.4 million, while the effect on gross profit was GEL 5.0 million in FY23. To meet the requirements the business incurred additional capex of GEL c.4.0 million in FY23.
- In November 2023, the state announced the third wave of **price regulations** under the ERP model, affecting both prescription and non-prescription medicine. The new prices, aligned with these latest regulations, took effect from January 2024. Overall, the anticipated impact of these price regulations on the 2024-year EBITDA is estimated at negative GEL 8.0 million. In response to these regulatory challenges, the business's strategic focus lies in the optimisation of the chain and increasing the share of para-pharmacy products in sales, which remain unaffected by regulations.
- In December 2023, the Georgian National Competition Agency (the "Agency") imposed fines on four companies in the Georgian pharmaceutical retailers' sector, including GCAP's retail (pharmacy) business, for alleged anti-competitive actions related to price quotations on certain prescription medicines funded under the state programme. The penalty amount assessed by the Agency on our retail (pharmacy) business is GEL 20.0 million derived by utilising the single rate across all the alleged participants. We have since appealed the Agency's decision in court and plan to vigorously defend our position.
- The number of pharmacies and franchise stores is provided below:

(Unaudited)	Dec-23	Dec-22	Change (y-o-y)
Number of pharmacies	**412**	**372**	**40**
of which, Georgia	*397*	*362*	*35*
of which, Armenia	*15*	*10*	*5*
Number of franchise stores	**23**	**12**	**11**
of which, Georgia	*17*	*8*	*9*
of which, Armenia	*2*	*2*	*–*
of which, Azerbaijan	*4*	*2*	*2*

- Retail (pharmacy)'s key operating performance highlights for FY23 are noted below:

Key metrics (Unaudited)	FY23	FY22	Change
Same store revenue growth	0.4%	-0.8%	1.2 ppts
Number of bills issued (million)	31.3	31.0	0.8%
Average bill size (GEL)	19.8	19.0	4.5%

Discussion of hospitals business results[1]

The hospitals business, where GCAP owns a 100% equity, is the largest healthcare market participant in Georgia, comprised of seven Large and Specialty Hospitals, providing secondary and tertiary level healthcare services across Georgia and 27 Regional and Community Hospitals, providing outpatient and basic inpatient services.

FY23 performance (GEL thousands), hospitals[2]
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue, net[3]	**313,748**	**313,407**	**0.1%**
Gross profit	**104,616**	**114,460**	**-8.6%**
Gross profit margin	*32.8%*	*36.0%*	*-3.2 ppts*
Operating expenses (ex. IFRS 16)	(58,487)	(57,704)	1.4%
EBITDA (ex. IFRS 16)	**46,129**	**56,756**	**-18.7%**
EBITDA margin (ex. IFRS 16)	*14.5%*	*17.8%*	*-3.3 ppts*
Net (loss) (ex. IFRS 16)[4]	**(36,615)**	**(1,566)**	**NMF**
Cash flow highlights			
Cash flow used in operating activities (ex. IFRS 16)	**10,621**	**31,730**	**-66.5%**
EBITDA to cash conversion (ex. IFRS 16)	*23.0%*	*55.9%*	*-32.9 ppts*
Cash flow used in investing activities[5]	**(44,746)**	**(17,443)**	**NMF**
Free cash flow (ex. IFRS 16)[6]	**(35,069)**	**12,855**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**22,362**	**(35,786)**	**NMF**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**707,614**	**680,355**	**4.0%**
of which, cash balance and bank deposits	*9,753*	*23,557*	*-58.6%*
of which, securities and loans issued	*9,557*	*14,040*	*-31.9%*
Total liabilities	**357,658**	**293,983**	**21.7%**
of which, borrowings	*281,352*	*227,960*	*23.4%*
Total equity	**349,956**	**386,372**	**-9.4%**

The FY23 performance of the hospitals business reflects the impact of the recently introduced facility regulation rules, implemented to address the oversupply of beds and enhance the quality of the healthcare industry in the country. This regulation, which became effective from September 2023, established upgraded standards for healthcare facilities and imposed minimum requirements for space allotted per hospital bed. In order to adapt to the new standards, our hospitals business initiated a number of renovation projects in all of its facilities. This resulted in certain sections of our healthcare facilities being temporarily closed and unable to accept patients. Most renovation works took place throughout the second half of 2023, with most of the work being completed by the end of November. The capex investment for the renovation projects amounted to GEL 11.3 million in 2023. The negative annualised impact of increased expenses that will result from additional requirements is estimated at GEL c.4.0 million. We believe that this new regulation's mandate of higher quality healthcare facilities in Georgia offers an opportunity to build on the competitive advantage of our high-quality healthcare businesses in the medium to long term.

To capture emerging opportunities in the healthcare sector and enhance operational efficiencies, our healthcare businesses underwent strategic restructuring. The hospitals business was split into two distinct segments: "Large and Specialty Hospitals" and "Regional and Community Hospitals". The Regional and Community Hospitals now also incorporate the community clinics that were previously managed and presented as part of the clinics and diagnostics business. For our patients, the transition was seamless and business operations continued uninterrupted. A new CEO from a local competitor joined the Regional and Community Hospitals business in December to focus on the service and efficiency from this group of hospitals.

Income Statement highlights

- In FY23, the Large and Specialty Hospitals and Regional and Community Hospitals represent approximately 65% and 35%, respectively, of the consolidated hospitals business revenue.

Total revenue breakdown (Unaudited)	FY23	FY22	Change
Total revenue, net	**313,748**	**313,407**	**0.1%**
of which, Large and Specialty Hospitals	*204,690*	*198,883*	*2.9%*
of which, Regional and Community Hospitals	*110,551*	*115,768*	*-4.5%*
of which, inter-business eliminations	*(1,493)*	*(1,244)*	*20.0%*

1 The numbers were adjusted retrospectively to account for the recent strategic reorganisation in the healthcare businesses.
2 The detailed IFRS financial statements are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results.** See reconciliation to IFRS 16 on page 98.
3 Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.
4 FY22 figure is adjusted for a GEL 2.7 million loss from the sale of the Traumatology Hospital.
5 Of which – capex of GEL 48.5 million in FY23 (GEL 27.6 million in FY22).
6 Operating cash flows less capex, plus net proceeds on sale of PPE.

FINANCIAL REVIEW CONTINUED

- The FY23 revenue of Large and Specialty Hospitals was up by 2.9% y-o-y. This growth reflects the following factors:
  - The resilient underlying performance of the hospitals and their ability to offer a diversified range of services, partially offsetting the impact of the new facility regulations.
  - The COVID-related inflation of 2022 revenue as the Government contracts continued through mid-March 2022.
  - The absence of revenues from the Traumatology Hospital, which was divested in April 2022.
- Our Regional and Community Hospitals primarily concentrate on delivering outpatient and basic inpatient services, which are smaller and offer services relatively more limited in scope than the services provided by our Large and Specialty Hospitals. The works and related facilities closures mandated by the new regulations therefore had a more pronounced impact on this group of hospitals in terms of revenue growth (down 4.5% y-o-y in FY23).
- The cost of services in the business consists mainly of salaries, materials and utilities. Trends in salary and materials costs are captured in the direct salary and materials rates[1].
  - The direct salary rates were up 3.2 ppts y-o-y to 39.6% in FY23, mainly attributable to increased minimum salary rates for medical staff.
  - The materials rate was down 0.5 ppts y-o-y to 17.2% in FY23.
  - Utilities and other costs were up 4.5% in FY23, resulting from overall inflation.
- As a result of the developments described above, FY23 gross profit margin was down 3.2 ppts y-o-y.
- Operating expenses, mainly comprising administrative salaries and other employee benefits and general and administrative expenses (excl. IFRS 16), were largely flat (up 1.4% y-o-y in FY23).
- The developments described above translated into 18.7% y-o-y decrease in EBITDA (excluding IFRS 16) in FY23.

Total EBITDA (excl. IFRS 16), breakdown (Unaudited)	FY23	FY22	Change
Total EBITDA (excl. IFRS 16)	**46,129**	**56,756**	**-18.7%**
of which, Large and Specialty Hospitals	*34,339*	*35,915*	*-4.4%*
of which, Regional and Community Hospitals	*11,790*	*20,841*	*-43.4%*

- Net interest expense (excluding IFRS 16) was up 36.3% y-o-y in FY23, reflecting the increased net debt balance (as described below) and increased interest rates on the market.
- The business posted a net loss (excluding IFRS 16) of GEL 36.6 million in FY23, which reflects a GEL 18.6 million one-off costs associated with the write-off of historic receivables due to their extremely low probability of recovery.

Cash flow and balance sheet highlights

- Net debt balance was up 37.7% y-o-y as at 31 December 2023, mainly resulting from high capex investments associated with new facility regulation. The y-o-y increase in the net debt balance further reflects the delay in the collection of receivables from the State in 2023 due to one-off processing delays related to the introduction of the Diagnosis Related Group ("DRG") financing system.
- Capex investment was GEL 48.5 million in FY23, reflecting maintenance and capex related to the new facility regulation at hospitals and renovation works in Iashvili Hospital.
- In December 2023, the business signed an agreement to sell one of its Regional and Community Hospitals for a total consideration of GEL 34.6 million at 15.2x EV/EBITDA multiple. The proceeds from this transaction were collected in January 2024 and were primarily utilised for deleveraging hospitals business's balance sheet. The sale is in line with the business's strategy to divest low-ROIC generating assets.

Other valuation drivers and operating highlights

- The business key operating performance highlights for FY23 are noted below:

Key metrics (Unaudited)	FY23	FY22	Change
Number of admissions (thousands)	1,468.1	1,640.2	-10.5%
of which, Large and Specialty Hospitals	*599.9*	*614.7*	*-2.4%*
of which, Regional and Community Hospitals	*868.2*	*1,025.5*	*-15.3%*
Occupancy rates:			
Large and Specialty Hospitals	*53.5%*	*55.5%*	*-2.0 ppts*
Regional and Community Hospitals	*49.4%*	*46.4%*	*3.0 ppts*

The decrease in the number of admissions in FY23 reflects the renovation works in our hospitals as described above.

1 The respective costs divided by gross revenues.

Discussion of insurance (P&C and medical) business results

The insurance business comprises a) property and casualty (P&C) insurance business and b) medical insurance business. The P&C insurance business is a leading player in the local insurance market with a 30% market share in property and casualty insurance based on gross premiums as of 30 September 2023. P&C also offers a variety of non-property and casualty products, such as life insurance. The medical insurance business is one of the country's largest private health insurers, with a 19% market share based on 9M23 net insurance premiums. Medical insurance offers a variety of health insurance products primarily to corporate and (selectively) to state entities and also to retail clients in Georgia. GCAP owns a 100% equity stake in both insurance businesses.

FY23 performance (GEL thousands), insurance (P&C and medical)[1]
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Insurance revenue	208,243	171,540	21.4%
Net underwriting profit	53,829	51,644	4.2%
Net investment profit	14,272	9,809	45.5%
Net profit	**25,626**	**24,866**	**3.1%**
Cash flow highlights			
Net cash flows from operating activities	33,687	42,443	-20.6%
Free cash flow	**28,821**	**39,275**	**-26.6%**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**248,906**	**217,373**	**14.5%**
Total equity	**130,538**	**121,486**	**7.5%**

- In January 2024, our medical insurance business signed a MOU to acquire the portfolio of medical insurance contracts and the brand name from "Ardi", the third-largest player in the health insurance market with a 17% market share based on 9M23 net insurance premiums. Upon the successful completion of this transaction, the combined market share of our medical insurance business will make it the largest health insurer in the country. Ardi's portfolio is concentrated in the upscale segment category, presenting an opportunity to further diversify our health insurance portfolio and achieve significant synergies from both financial and strategic perspectives. The total cash outflow for this transaction amounts to GEL 27 million, which will be fully financed by the funds available in our medical insurance business, with no cash investments required from GCAP. Following this acquisition, the insurance business will operate under three brand names: Aldagi, Imedi L and Ardi, all of which will be managed under GCAP.
- The Georgian insurance sector has adopted the Estonian Taxation Model, which came into force at the beginning of 2024. Before this change, a 15% corporate income tax was applied to the pre-tax profit of insurance businesses. With the Estonian Taxation Model, a 15% corporate income tax is now applied only to earnings distributed to individuals or non-resident legal entities. As a result, GCAP's insurance businesses are no longer subject to corporate income tax payments, freeing up resources for both business development and enhanced dividend payments to GCAP.
- In 2023, the P&C and medical insurance businesses adopted the IFRS 17 Insurance Contracts accounting standard. Comparative periods were also retrospectively restated.

Total insurance business highlights

P&C and medical insurance had a broadly equal share in total revenues in FY23, while the FY23 combined net profit was mainly attributable to P&C insurance (74.6% share in total net profit in FY23). The loss ratio was up by 2.5 ppts, the expense ratio was up by 0.1 and the FX ratio was up by 1.2 ppts y-o-y in FY23, translating into 3.8 ppts y-o-y increase in the combined ratio in FY23. As a result, ROAE[2] was 22.0% in FY23 (23.5% in FY22).

Discussion of results, P&C insurance
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Insurance revenue	116,912	96,648	21.0%
Net underwriting profit	37,700	41,011	-8.1%
Net investment profit	9,824	5,915	66.1%
Net profit	**19,109**	**21,469**	**-11.0%**
Cash flow highlights			
Net cash flows used in operating activities	23,075	37,778	-38.9%
Free cash flow	**21,258**	**35,575**	**-40.2%**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**180,206**	**151,795**	**18.7%**
Total equity	**92,411**	**86,090**	**7.3%**

1 The detailed IFRS financial statements are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**.
2 Calculated based on average equity, adjusted for preferred shares.

FINANCIAL REVIEW CONTINUED

Income Statement highlights

- The increase in FY23 insurance revenue reflects a combination of factors:
  - Motor insurance revenues were up by GEL 10.9 million in FY23, mainly attributable to the growth in the retail client portfolio.
  - Credit life insurance revenues were up by GEL 4.9 million in FY23, resulting from the growth of banks' portfolios in the mortgage, consumer loan, and other sectors.
  - Revenues from other insurance lines increased by GEL 4.5 million y-o-y in FY23.
- P&C insurance's key performance ratios for FY23 are noted below:

Key ratios (Unaudited)	FY23	FY22	Change
Combined ratio	89.5%	79.2%	10.3 ppts
Expense ratio	35.8%	34.1%	1.7 ppts
Loss ratio	53.8%	47.3%	6.5 ppts
FX ratio	-0.1%	-2.2%	2.1 ppts
ROAE[1]	24.4%	29.7%	-5.3 ppts

- The combined ratio increased by 10.3 ppts y-o-y in FY23.
  - The FY23 loss ratio was up 6.5 ppts y-o-y, reflecting the increased number of extraordinary events that occurred during 2023:
    - Increased agricultural insurance claims due to an abnormal number of hailstorms during the year resulted in a 2.9 ppts y-o-y increase in the FY23 loss ratio. The increase additionally reflects the base effect of exceptionally low agricultural insurance claims in FY22.
    - Increased property insurance claims, resulting from a) an unprecedented landslide in one of the regions of Georgia with the estimated net loss of GEL 2.6 million (2.2 ppts impact on the FY23 loss ratio); and b) a large property insurance claim incurred in 1Q23, with an estimated net loss of GEL 1.2 million.
  - A 2.1 ppts y-o-y increase in the FX ratio in FY23 reflects the impact of foreign exchange rate movements on the business's insurance operations.
  - A 1.7 ppts y-o-y increase in FY23 expense ratio, driven by increased salary expenses in line with the business growth.
- P&C insurance's net investment profit was up by 66.1% y-o-y in FY23, attributable to a) a higher average liquid funds balance, b) an increase in global interest rates, and c) a reversal of market-driven losses in FY23 on investments placed in publicly traded debt securities.

Cash flow and balance sheet highlights

- P&C insurance's solvency ratio was 171% as of 31 December 2023, significantly above the required minimum of 100%.
- A y-o-y decrease in the net cash flows from operating activities in FY23 reflects the cash outflows for the reimbursement of the abnormal amount of claims mentioned above and the timing difference of payment of some payable balances to reinsurers.
- GEL 14.9 million dividends were paid to GCAP in FY23.

Other valuation drivers and operating highlights

- In 2023, the business expanded its operations into the regional reinsurance markets of Armenia and Azerbaijan. The expansion has positively contributed to the operating performance of the business.
- In 2023, Aldagi became the first insurance company on the local market to obtain an international credit rating of bb+ from AM Best. The credit rating is expected to further support the regional expansion of the business's reinsurance operations.

Discussion of results, medical insurance

(Unaudited)

Income Statement highlights	FY23	FY22	Change
Insurance revenue	91,331	74,892	22.0%
Net underwriting profit	16,129	10,633	51.7%
Net investment profit	4,448	3,894	14.2%
Net profit	**6,517**	**3,397**	**91.8%**
Cash flow highlights			
Net cash flows from operating activities	10,612	4,665	127.5%
Free cash flow	**7,563**	**3,700**	**104.4%**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**68,700**	**65,578**	**4.8%**
Total equity	**38,127**	**35,396**	**7.7%**

Income Statement highlights

- The increase in FY23 insurance revenue is due to the increase in the price of insurance policies and a 3.3% y-o-y increase in the total number of insured clients (c.169,100 as at December 2023) mainly in the corporate client segment.
- FY23 net claims expenses stood at GEL 71.4 million (up 17.7% y-o-y), out of which:
  - GEL 28.0 million (39.3% of the total) was inpatient.
  - GEL 31.3 million (43.8% of the total) was outpatient; and
  - GEL 12.1 million (16.9% of the total) was related to pharmaceuticals.
- FY23 combined ratio decreased by 4.7 ppts y-o-y to 94.8%, reflecting:
  - Improved loss ratio, down 2.8 ppts y-o-y to 78.2% in FY23, driven by robust revenue growth.
  - Improved expense ratio in FY23 (down 1.9 ppts y-o-y to 16.6%) reflecting the top-line growth of the business.
- The developments described above translated into a 91.8% y-o-y increase in the FY23 net profit.

1 Calculated based on net income and average equity, adjusted for preferred shares.

Cash flow and balance sheet highlights

- GEL 5.0 million dividends were paid to GCAP in FY23.
- The solid operating performance of the business led to a 27.5% y-o-y increase in the net cash flows from operating activities in FY23.

Investment stage portfolio companies

Discussion of renewable energy business results

The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli wind farm. In addition, the business has a pipeline of renewable energy projects in varying stages of development. The renewable energy business is 100% owned by Georgia Capital. As electricity sales in Georgia is a dollar business, the financial data below is presented in US Dollars.

FY23 performance (US$ thousands), renewable energy[1]
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue	**14,449**	**14,583**	**-0.9%**
of which, PPA	*8,529*	*8,962*	*-4.8%*
of which, non-PPA	*5,920*	*5,621*	*5.3%*
Operating expenses	(4,068)	(3,408)	19.4%
EBITDA	**10,381**	**11,175**	**-7.1%**
EBITDA margin	*71.8%*	*76.6%*	*-4.8 ppts*
Net (loss)/profit	**(666)**	**933**	**NMF**
Cash flow highlights			
Cash flow from operating activities	**9,877**	**11,344**	**-12.9%**
Cash flow used in investing activities	**(3,561)**	**2,961**	**NMF**
Cash flow used in financing activities	**(5,170)**	**(18,255)**	**-71.7%**
Dividends paid out	*(2,000)*	*(2,800)*	*-28.6%*
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**122,579**	**122,645**	**-0.1%**
of which, cash balance	*10,525*	*9,468*	*11.2%*
Total liabilities	**83,911**	**84,288**	**-0.4%**
of which, borrowings	*80,935*	*80,570*	*0.5%*
Total equity	**38,667**	**38,357**	**0.8%**
Income Statement highlights (GEL)	**FY23**	**FY22**	**Change**
Revenue	**38,065**	**42,221**	**-9.8%**
EBITDA	**27,357**	**32,311**	**-15.3%**

Income Statement highlights

- The y-o-y decrease in FY23 revenue in US Dollar terms reflects the net impact of the following factors:
  - A 5.3% y-o-y decrease in electricity generation in FY23 due to the previously planned phased rehabilitation works of two power-generating units of Hydrolea HPPs, which were taken offline during November 2022-June 2023 periods.
  - A 4.6% y-o-y increase in the average electricity selling price in FY23 (up to US$ 56.8/MWh). This reflects the export of 32.3 GWh of electricity to the Republic of Türkiye in May-July 2023, with an average export price of US$ 68.4/MWh.
- Approximately 55% of electricity sales during FY23 were covered by long-term fixed-price power PPAs formed with a government-backed entity.

	FY23			
US$ thousands, unless otherwise noted (Unaudited)	Revenue from electricity sales	Change y-o-y	Electricity generation (MWh)	Change y-o-y
30MW Mestiachala HPP	5,491	8.0%	99,697	-4.5%
20MW Hydrolea HPPs	3,366	-12.0%	68,308	-10.8%
21MW Qartli wind farm	5,592	-1.5%	86,033	-1.5%
Total	**14,449**	**-0.9%**	**254,038**	**-5.3%**

- Operating expenses were up by 19.4% y-o-y in FY23, reflecting electricity and transmission costs incurred due to electricity export in the Republic of Türkiye.
- The developments described above led to a 7.1% y-o-y decrease in EBITDA in FY23.

1 The detailed IFRS financial statements (in both US$ and GEL) are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**.

FINANCIAL REVIEW CONTINUED

Cash flow and balance sheet highlights
- A y-o-y decrease in the FY23 cash flow from investing activities reflects the high base effect of the following factors on 2022 numbers: a) consideration received from the Mestiachala 1 HPP sale and b) the sale of financial securities, previously held for liquidity management purposes.
- A y-o-y decrease in the FY23 cash outflows from financing activities is attributable to the y-o-y decrease in the average gross debt balance.
- Subsequent to FY23, the business repurchased and cancelled US$ 5.1 million of its outstanding US$ 80.0 million green bonds. Consequently, the gross debt balance of the renewable energy business now stands at US$ 74.9 million.

Discussion of education business results

Our education business currently combines majority stakes in four private school brands operating across seven campuses acquired over the period 2019-2023: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium and international segments; Buckswood International School (80% stake), well-positioned in the midscale segment and Green School (80%-90% ownership), well-positioned in the affordable segment.

FY23 performance (GEL thousands), education[1]
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue	**55,491**	**42,577**	**30.3%**
Operating expenses	(41,053)	(28,953)	41.8%
EBITDA	**14,438**	**13,624**	**6.0%**
EBITDA margin	*26.0%*	*32.0%*	*-6.0 ppts*
Net profit	**13,263**	**11,338**	**17.0%**
Cash flow highlights			
Net cash flows used in operating activities	17,363	16,454	5.5%
Net cash flows used in investing activities	(31,254)	(24,079)	29.8%
Net cash flows from financing activities	15,897	5,500	NMF
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**191,723**	**156,320**	**22.6%**
of which, cash	*7,535*	*5,709*	*32.0%*
Total liabilities	**62,149**	**52,168**	**19.1%**
of which, borrowings	*27,750*	*21,740*	*27.6%*
Total equity	**129,574**	**104,152**	**24.4%**

Income statement highlights
- The y-o-y increase in FY23 revenues was driven by a) organic growth through strong intakes and a ramp-up of the utilisation and b) expansion of the business, as described in other valuation drivers and operating highlights section below. The revenue growth was partially subdued by the Georgian Lari's y-o-y appreciation against the US Dollar, as the tuition fees for our premium and international schools are denominated in US Dollar.
- Operating expenses were up by 41.8% y-o-y in FY23, mainly reflecting increased salary, catering and utility expenses, in line with the expansion of the business and inflation.
- Consequently, EBITDA was up by 6.0% y-o-y in FY23.
- The business posted a net income of GEL 13.3 million in FY23.

Cash flow and balance sheet highlights
- Strong cash collection rates (at 77.2% as of 31 December 2023, slightly below last year's level of 79.5%), combined with enhanced revenue streams, led to a 5.5% y-o-y increase in operating cash flow generation of the business in FY23.
- Investing cash flows of GEL 31.3 million in FY23 mainly reflect the cash outflows for the investment projects, in line with the business expansion strategy.

Other valuation drivers and operating highlights
- In 2023, the total learner capacity of the education business increased by 1,600 learners to 7,270 learners, reflecting a) the launch of a new campus in the mid-scale segment and b) the acquisition of the new campus in the affordable segment during 2023.
- The total number of learners increased by 1,665 learners y-o-y to 5,827 learners at 31 December 2023.
- The utilisation rate for the total 7,270 learner capacity was up by 6.8 ppts y-o-y to 80.2% as of 31 December 2023.
  – The utilisation rate for the pre-expansion 2,810 learner capacity was 100%.
  – The utilisation of the newly added capacity of 4,460 learners was 67.6%.
- The number of campuses across the different segments is noted below:

(Unaudited)	Dec-23	Dec-22	Change (y-o-y)
Total number of campuses	**7**	**5**	**2**
of which, premium and international segment	*1*	*1*	*–*
of which, mid-scale segment	*2*	*1*	*1*
of which, affordable segment	*4*	*3*	*1*

1 The detailed IFRS financial statements are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**.

Discussion of clinics and diagnostics business results[1]

The clinics and diagnostics business, where GCAP owns a 100% equity interest, is the second largest healthcare market participant in Georgia after our hospitals business. Following the strategic restructuring, as outlined in the hospitals business discussion section on page 111, the business comprises two segments: 1) polyclinics, comprising 19 polyclinics (providing outpatient diagnostic and treatment services) and 14 lab retail points at GPC pharmacies; and 2) diagnostics, operating the largest laboratory in the entire Caucasus region – "Mega Lab".

FY23 performance (GEL thousands), clinics and diagnostics[2]
(Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue, net[3]	**61,723**	**56,691**	**8.9%**
of which, clinics	*49,170*	*41,133*	*19.5%*
of which, diagnostics	*18,435*	*20,477*	*-10.0%*
of which, inter-business eliminations	*(5,882)*	*(4,919)*	*19.6%*
Gross profit	**29,240**	**23,622**	**23.8%**
Gross profit margin	*47.2%*	*41.6%*	*5.6 ppts*
Operating expenses (ex. IFRS 16)	(16,345)	(18,013)	-9.3%
EBITDA (ex. IFRS 16)	**12,895**	**5,609**	**129.9%**
EBITDA margin (ex. IFRS 16)	*20.8%*	*9.9%*	*10.9 ppts*
Net profit/(loss) (ex. IFRS 16)	**2,307**	**(5,187)**	**NMF**
Cash flow highlights			
Cash flow from operating activities (ex. IFRS 16)	**6,901**	**3,878**	**78.0%**
EBITDA to cash conversion (ex. IFRS 16)	*53.5%*	*69.1%*	*-15.6 ppts*
Cash flow used in investing activities	**(1,451)**	**(8,460)**	**-82.8%**
Free cash flow (ex. IFRS 16)[4]	**10,508**	**(3,985)**	**NMF**
Cash flow used in financing activities (ex. IFRS 16)	**(5,982)**	**4,117**	**NMF**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**135,848**	**125,598**	**8.2%**
of which, cash balance and bank deposits	*4,500*	*5,033*	*-10.6%*
of which, securities and loans issued	*8,357*	*3,607*	*NMF*
Total liabilities	**83,901**	**71,908**	**16.7%**
of which, borrowings	*48,630*	*47,252*	*2.9%*
Total equity	**51,947**	**53,690**	**-3.2%**

Discussion of results, clinics
(GEL thousands, Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue, net	**49,170**	**41,133**	**19.5%**
Gross profit	**24,550**	**18,990**	**29.3%**
Gross profit margin	*49.7%*	*46.0%*	*3.7 ppts*
Operating expenses (ex. IFRS 16)	(12,845)	(14,043)	-8.5%
EBITDA (ex. IFRS 16)	**11,705**	**4,947**	**136.6%**
EBITDA margin (ex. IFRS 16)	*23.7%*	*12.0%*	*11.7 ppts*
Net profit/(loss) (ex. IFRS 16)	**3,027**	**(4,529)**	**NMF**
Cash flow highlights			
Cash flow from operating activities (ex. IFRS 16)	**8,214**	**3,832**	**NMF**
EBITDA to cash conversion (ex. IFRS 16)	*70.2%*	*77.5%*	*-7.3 ppts*
Cash flow used in investing activities[5]	**(194)**	**(7,748)**	**-97.5%**
Free cash flow (ex. IFRS 16)	**13,094**	**(3,256)**	**NMF**
Cash flow used in financing activities (ex. IFRS 16)	**(7,649)**	**5,454**	**NMF**
Balance sheet highlights	**31-Dec-23**	**31-Dec-22**	**Change**
Total assets	**105,789**	**95,250**	**11.1%**
of which, cash balance and bank deposits	*4,261*	*3,892*	*9.5%*
of which, securities and loans issued	*8,357*	*3,607*	*NMF*
Total liabilities	**71,840**	**60,782**	**18.2%**
of which, borrowings	*42,340*	*43,056*	*-1.7%*
Total equity	**33,949**	**34,468**	**-1.5%**

1 The numbers were adjusted retrospectively to account for the recent strategic reorganisation in the healthcare businesses.
2 The detailed IFRS financial statements are included in a supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**. See reconciliation to IFRS 16 on page 98.
3 Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.
4 Operating cash flows less capex.
5 Of which capex of GEL 11.2 million in FY23 (GEL 7.1 million in FY22).

Georgia Capital PLC Annual Report 2023

FINANCIAL REVIEW CONTINUED

Income Statement highlights

- The increase in revenue is the result of higher demand for non-COVID regular ambulatory services and the expansion of the business, which added two new ambulatory centres in the second half of 2022 and two in 2023.
- The cost of services in the clinics business consists mainly of salaries, cost of providers, materials and utilities:
  - The trend in salary cost is captured in the direct salary rate[1]. A significant portion of direct salaries is fixed, which on the back of increased revenue improved by 2.0 ppts to 31.5% in FY23.
  - The cost of providers mainly consists of outsourced laboratory services, which as a percentage of revenue also improved y-o-y, down 0.5 ppts to 11.6% in FY23, attributable to additional discounts from the laboratory services provider.
- As a result of the developments described above, the gross profit margins improved substantially in FY23, up 3.7 ppts y-o-y.
- Operating expenses (excl. IFRS 16) in FY23 were down by 8.5% y-o-y which mainly reflects a GEL 2.9 million gain recognised from the sale of one of the polyclinic buildings in 3Q23.
- Business performance translated into a 23.7% EBITDA margin in FY23 (up 11.7 ppts y-o-y). Excluding the gain recognised from the disposal, the FY23 EBITDA margin was 17.8% (up 5.8 ppts y-o-y).
- The net interest expense (excl. IFRS 16) was up 12.9% in FY23 y-o-y, reflecting a) an increased balance of net debt during the year due to investment made for the expansion of the business and b) increased interest rates on the market.

Cash flow and balance sheet highlights

- The EBITDA to cash conversion ratio stood at 70.2% for FY23.
- In FY23, the business spent GEL 11.2 million on capex, primarily related to the expansion of the services and the polyclinics chain.

Other valuation drivers and operating highlights

- The number of admissions at our clinics is highlighted below:

(Unaudited)	FY23	FY22	Change
Number of admissions (thousands)	1,640.0	1,707.5	-4.0%

- The number of polyclinics operated by the business is provided below.

(Unaudited)	Dec-23	Dec-22	Change (y-o-y)
Number of polyclinics	19	17	2

- As at 31 December 2023, the total number of registered patients in our polyclinics reached c.301,000 (c.277,000 as at 31 December 2022) in Tbilisi and c.636,000 (c.616,000 as at 31 December 2022) in Georgia.

Discussion of results, diagnostics
(GEL thousands, Unaudited)

Income Statement highlights	FY23	FY22	Change
Revenue, net	**18,435**	**20,477**	**-10.0%**
of which, from regular lab tests	*17,910*	*14,417*	*24.2%*
of which, from COVID-19 tests	*525*	*6,060*	*-91.3%*
Gross profit	**4,690**	**4,632**	**1.3%**
Gross profit margin	*25.4%*	*22.6%*	*2.8 ppts*
Operating expenses (ex. IFRS 16)	(3,500)	(3,964)	-11.7%
EBITDA (ex. IFRS 16)	**1,190**	**668**	**78.1%**
EBITDA margin (ex. IFRS 16)	*6.5%*	*3.3%*	*3.2 ppts*
Net loss (ex. IFRS 16)	**(1,172)**	**(652)**	**-79.8%**

Income Statement highlights

- As part of the post-COVID transition, the business has been actively broadening its client base and diversifying its range of non-COVID services. This translated into a 24.2% y-o-y increase in revenues from regular lab tests in FY23.
- Overall, the 10.0% y-o-y decrease in the net revenue of the diagnostics business in FY23 was driven by the suspension of Government contracts for COVID testing in March 2022 as infections slowed and became less severe. After having been the revenue driver in 2021 and the first quarter of 2022, revenues from COVID testing decreased dramatically and were down 91.3% y-o-y in FY23.
- In FY23 gross profit was up 1.3% with 25.4% gross profit margin (up 2.8 ppts y-o-y), while in the same period, the EBITDA was up 78.1% with 6.5% EBITDA margin (up 3.2 ppts y-o-y), the latter reflecting a reduction in the operating expenses.

Other valuation drivers and operating highlights

- The key operating performance highlights for FY23 are noted below:

(Unaudited)	FY23	FY22	Change
Number of non-COVID tests performed (thousands)	2,449	2,174	12.7%
Average revenue per non-COVID test (GEL)	7.3	6.6	10.2%

1 The respective costs divided by gross revenues.

Discussion of other portfolio results

The four businesses in our “other” private portfolio are auto service, beverages, housing development, and hospitality. They had a combined value of GEL 284.3 million at 31 December 2023, which represented 7.7% of our total portfolio.

FY23 aggregated performance highlights (GEL thousands), other portfolio

(Unaudited)	FY23	FY22	Change
Revenue	572,941	484,417	18.3%
EBITDA	43,714	34,778	25.7%
Net cash flows used in operating activities	(7,525)	4,834	NMF

- **Auto service** – The auto service business includes a car services and parts business, and a periodic technical inspection (PTI) business.
  - **Car services and parts business** – In FY23, revenue was up by 28.7% y-o-y to GEL 63.3 million, reflecting an increase in retail, corporate and wholesale segments. Similarly, the gross profit was up by 37.4% y-o-y to GEL 16.3 million in FY23. Operating expenses were up by 45.8% y-o-y in FY23, reflecting the business growth. As a result, the business posted GEL 4.3 million EBITDA in FY23, up by 18.3% y-o-y.
  - **PTI business** – The PTI business's revenue was up by 24.1% y-o-y to GEL 20.8 million in FY23. Revenue growth was driven by an increase in primary vehicle inspections during the year, further supported by the introduction of fees for secondary checks in 2023 as compared to the preceding periods, when this service was provided free of charge. The number of total cars serviced was up by 10.9% y-o-y in FY23, translating into an 18.4% y-o-y increase in FY23 EBITDA of GEL 10.3 million.
- **Beverages** – The beverages business combines three business lines: a beer business, a distribution business and a wine business.
  - **Beer business** – The gross revenue of the beer business increased by 18.9% y-o-y to GEL 136.2 million in FY23, resulting from the strong recovery in tourism and increased product prices due to higher demand. Sales in hectolitres were up by 8.8% y-o-y in FY23. The average GEL price per litre (average for beer and lemonade) increased by 9.3% y-o-y in FY23. The operating expenses were down by 29.6% y-o-y in FY23, deriving from the structural changes across beer and distribution business lines. Consequently, the EBITDA of the business increased by 44.2% y-o-y to GEL 22.0 million in FY23.
  - **Distribution business** – Revenue of the distribution business increased by 9.6% y-o-y to GEL 190.8 million in FY23. The gross profit margin was up by 3.1 ppts y-o-y in FY23, reflecting the improved trade terms from the suppliers. In FY23, operating expenses were up by 45.6% y-o-y, reflecting the business growth, increased marketing expenses and inflation. As a result, the business posted GEL 9.4 million EBITDA in FY23, down by 1.2% y-o-y.
  - **Wine business** – The net revenue of the wine business was up by 22.8% y-o-y to GEL 58.1 million in FY23. The increase was driven by a 37.9% increase in the number of bottles sold in FY23, attributable to significant growth in exports. The share of exports in total sales was up by 4.1 ppts y-o-y in FY23. Operating expenses decreased by 5.7% y-o-y in FY23 due to cost savings. Consequently, EBITDA increased by GEL 3.3 million to GEL 4.4 million in FY23.
- **Real estate businesses** – The combined revenue of the real estate businesses was up by 24.9% y-o-y to GEL 238.2 million in FY23. The FY23 EBITDA decreased by GEL 6.5 million y-o-y to negative GEL 7.0 million, mainly resulting from the remeasurement of the construction budgets for ongoing residential projects at our housing development business. In FY23, the hospitality business successfully completed the sale of two operational hotels, a vacant land plot and two under-construction hotels located in Tbilisi and Kutaisi. The total consideration from these transactions amounts to US$ 38.6 million. The proceeds from these sales were utilised for deleveraging the hospitality business's balance sheet.

DIRECTORS' GOVERNANCE STATEMENT

Irakli Gilauri
Chairman and Chief Executive Officer

David Morrison
Senior Independent
Non-Executive Director

Dear Shareholders

We present this year's Governance Statement following a year of changes from a corporate governance perspective, with the main update being the transfer of the Company's listing from the Premium Listing segment to the Standard Listing segment of the London Stock Exchange ("LSE"). The Board reduced in size from seven to five Directors, with both Kim Bradley and Jyrki Talvitie choosing not to stand for re-election at the 2023 AGM. On behalf of the Board, we would like to thank Kim and Jyrki for their invaluable contribution since the demerger in 2018.

As we stated in the Circular to shareholders proposing the transfer to the Standard Listing segment, the Board reaffirms its commitment to the highest standards of corporate governance. The Board does not intend for there to be any material reduction in the standards of reporting and corporate governance which GCAP maintained as a Premium listed company. The Company continues to voluntarily comply with:

- the UK Corporate Governance Code (except for the combined Chairman and CEO structure);
- the provisions of the Listing Rules relating to pre-emption rights; and
- the requirements of Listing Rule 11 relating to related party transactions.

The provisions of the Takeover Code will also continue to apply to GCAP.

The transfer of GCAP to the Standard Listing segment, which was approved by 99.9% of voting shareholders, will assist the Company in achieving its strategic goals and producing greater value for shareholders. In particular, the Company is not required to comply with the super-equivalent provisions of the Listing Rules that apply to companies with securities admitted to the Premium Listing segment. The Board considers that certain of these super-equivalent provisions imposed obligations on the Company that affected its ability to efficiently pursue its strategy.

The reduction in the size of the Board has enabled us to absorb the Investment Committee and the responsibilities of that committee into matters reserved for the Board. All Directors continue to engage directly with our portfolio companies in much the same way as they did as members of the Investment Committee.

The Board continues to develop its approach to ESG following the implementation of the Responsible Investment Policy. Further information is included in the Resources and Responsibilities section on page 80. Details of our ESG activities are set out in our Sustainability Report. The Board remains committed to the view that good ESG processes are fundamental to the Company's success.

As mentioned previously, the Board voluntarily continues to apply the UK Corporate Governance Code 2018 ("the Code") in its entirety, except for the combined roles of Chairman and CEO. This has consistently been approved by shareholders, and the Nomination Committee and the Board continue to monitor the appropriateness of this structure as discussed below and in the Report of the Nomination Committee on pages 158 to 161, which shareholders are encouraged to read for further context.

Irakli Gilauri
Chairman and Chief Executive Officer
21 March 2024

David Morrison
Senior Independent Non-Executive Director
21 March 2024

Statement of Compliance with the UK Corporate Governance Code

The Board continues to commit to high standards of corporate governance that enhance performance, reduce risks and promote the protection of our shareholders' interests.

The Board has overall responsibility for governance and is accountable to its shareholders. This Governance Report describes how the Board has applied the Main Principles and complied with the relevant provisions of the Code during 2023. The Code is publicly available on the website of the Financial Reporting Council ("FRC") at www.frc.org.uk.

We also continue to monitor our governance framework and underlying governance structures to ensure that they meet the needs of the business. In addition to an annual review of these structures, the Board carefully considered the governance framework as part of the process of transferring to the Standard Listing segment of the LSE.

Throughout 2023, the Board considers that the Company has complied in full with the provisions of the Code with the exception of provision 9, which states that the roles of Chair and Chief Executive should not be exercised by the same individual.

The Company's Chairman, Irakli Gilauri, also serves as the Company's Chief Executive Officer and is not considered by the Board to be independent. We set out below why we regard the joint Chairman and Chief Executive Officer position to be appropriate for our Company and we also explain some of the measures we have put in place to ensure that no one individual is able to dominate the Board's decision-making. For more information on CEO succession planning, please see the Nomination Committee report on pages 158 to 161.

This statement, and the reports from the Board Committees, set out how we applied the Main Principles of the Code. The Directors' Report also contains information required to be disclosed under the Financial Conduct Authority ("FCA") Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR). To the extent necessary, certain information is incorporated into this Governance Report by reference.

Combined Chairman and CEO role

We acknowledge that our decision for the roles of Chairman and CEO to be exercised by one individual is not compliant with provision 9 of the Code. This matter continues to be reviewed by the Nomination Committee and the Board at least annually as part of the Board effectiveness evaluation exercise and, as referred to above, was considered in some detail by the Board as part of the process relating to the transfer of the Company to the Standard Listing segment. On page 121 you will find the results of the Board evaluation conducted since the last Annual Report was published, which inherently considers how the current structure of the combined Chairman/CEO role contributes to the effectiveness of the operation of the Board and more widely to the Company. The Board continues to believe that, at present, this structure best serves the Company and its stakeholders. The basis for this conclusion is summarised below.

First and foremost Georgia Capital is a holding company focused on investing in and developing businesses, with the result that we hold and operate a highly diversified group of companies.

- Our central Group management structure is quite small, with around 45 employees in the head office. It is principally at the level of the central management team at which the Board provides challenge, most importantly, on investment/divestment decisions.
- The businesses of our more than ten portfolio companies are highly diverse. Each has its own CEO and most have an unusually strong measure of operational independence.
- In these circumstances, at the small central office an independent chair would be a bureaucratic overlay; and at the level of the portfolio companies he or she would struggle to add value. The position would also come with an additional cost that given these circumstances and the additional considerations below the Board considers to be unwarranted.

The Board is highly experienced and almost entirely independent.

- All Board members other than the Chairman and CEO are Independent Non-Executive Directors. Each Non-Executive Director approaches the Company with true independence. Most of our decisions at the Board level and at the Nomination Committee (on which the CEO sits) level are typically reached through consensus – meaning that ultimately all the independent Directors and the Chairman and CEO agree on a final position. But ultimately it is a majority decision: the Chairman and CEO does not have a veto and is outnumbered four to one by Independent Non-Executive Directors.
- The Independent Non-Executive Directors are experienced businesspeople of particular high quality for a FTSE Small/MidCap company and we would invite shareholders to consider their biographies and note the degree of real expertise and experience they bring to the Board. They have a diverse range of backgrounds and nationalities, and each brings a fresh view and particular expertise to Board discussions. The Senior Independent Non-Executive Director, a former partner at a major US law firm, is highly experienced in the region and is the governance lead for the Board and the Non-Executive Directors. He also chairs the Audit and Valuation Committee. Previous roles for the other Non-Executive Directors (as detailed in the biographies later in this section) include:
  - investment officer at a major investment fund;
  - experienced non-executive director of Georgian groups listed on the LSE; and
  - extensive management consulting and private equity experience.

All the Non-Executive Directors engage directly with the team outside of the boardroom.

- The Non-Executive Directors engage directly with senior management and the workforce in Georgia (central team), ensuring unfiltered channels of access. This typically occurs around the Board meetings and often includes informal contacts in various settings.
- While the Directors delegate regular monitoring of our portfolio companies and ongoing strategic advice to the Group Chairman and CEO and his central team, the entire Board scrutinises, challenges and ultimately approves or disapproves investment and divestment proposals and initiatives, including significant add-on investment for existing portfolio companies. It also considers the commercial terms of major transactions (i.e. over GBP 2.5 million). As such, the Non-Executive Directors exercise key secondary oversight of the private portfolio businesses, engaging with the private portfolio companies' CEOs and top management on their most important decisions. During 2023, two quarterly meetings were held in Georgia, providing the Non-Executive Directors with opportunities to visit facilities and projects of the portfolio companies and meet with one or more of the portfolio companies' CEOs/executive management.

The Group's NAV is set by the Audit and Valuation Committee.

- The Group's key financial and investor communications metric is its NAV as approved by the Audit and Valuation Committee, a committee comprised of Independent Non-Executive Directors on which the Chairman and CEO does not sit.

Given the structure of the Group and the key role that Irakli Gilauri plays in it, the Board continues to believe the current combined Chairman/CEO structure best suits the Group. As mentioned in the introduction to this statement, this structure has been supported by a significant majority of shareholders at each AGM since the formation of the Company through their re-election of Irakli Gilauri. Ongoing dialogue with our shareholders confirms that they understand and support this approach, and this structure was also referred to in the Circular sent to shareholders ahead of the General Meeting in March 2023, seeking shareholder approval of the transfer to the Standard Listing segment, which was approved by 99.9% of voting shareholders.

Georgia Capital PLC Annual Report 2023

BOARD OF DIRECTORS

BOARD OF DIRECTORS COMPOSITION

Irakli Gilauri

Chairman and Chief Executive Officer

Irakli Gilauri was appointed as Chairman and CEO on 24 February 2018. He also serves as a member of the Nomination Committee. He sits on the Supervisory Board of JSC Georgia Capital.

Skills and experience:

Irakli Gilauri formerly served as the CEO of BGEO Group from 2011 to May 2018. He joined as CFO of Bank of Georgia in 2004 and was appointed as Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD banker. Mr Gilauri has more than 20 years of experience in banking, investment and finance. He also served from 2015 as a Director of Georgia Healthcare Group PLC (which delisted in 2020). Mr Gilauri is also Non-Executive Director and Chairman of the Audit Committee of Consilium Acquisition Corp I, LTD (SPAC).

Education:

Mr Gilauri received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick, Ireland, in 1998. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the Cass Business School of City University, London, where he obtained his MSc in Banking and International Finance. Mr Gilauri holds a Certificate in Winemaking from the University of California, Davis.

Reasons for appointment:

Irakli Gilauri brings significant insight of local and international strategic and commercial issues to the Board and has a distinguished career in corporate banking. Over the last decade, Mr Gilauri's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and beverages. Mr Gilauri's local expertise and business experience, in working previously with both Georgia Healthcare Group PLC and BGEO Group PLC, alongside his strong understanding of the Georgian political, economic and cultural context, is invaluable to the Board.

David Morrison

Senior Independent Non-Executive Director

David Morrison was appointed as the Senior Independent Non-Executive Director of the Company on 24 February 2018. He also serves as the Chairman of the Company's Audit and Valuation Committee and as a member of the Remuneration Committee. He sits on the Supervisory Board of JSC Georgia Capital.

Skills and experience:

Mr Morrison spent most of his career (28 years) at Sullivan & Cromwell LLP where he served as Managing Partner of the firm's Continental European offices. His practice focused on advising public companies in a transactional context, including capital raisings, IPOs, and mergers and acquisitions. The author of several publications on securities law-related topics, Mr Morrison was recognised as a leader of his profession in Germany and France. Since withdrawing from his law firm in 2008, Mr Morrison has focused on his roles as a non-executive director on corporate boards and his charitable work. Mr Morrison previously served as the Senior Independent Non-Executive Director of both BGEO Group PLC (from October 2011 until May 2018) and Georgia Healthcare Group PLC (from September 2015 until their delisting in August 2020) and served as Chairman of the Audit Committee (amongst other Committee roles) for both companies. In his charitable work, Mr Morrison has focused on conservation finance. In 2008 he became the Founding CEO of the Caucasus Nature Fund ("CNF"), a charitable trust dedicated to wilderness protection in Georgia, Armenia and Azerbaijan. He now acts as Chair of CNF's supervisory board, and serves on the board of or as an advisor to three other conservation trusts he helped to create. A principal focus of his role for all four of these charities is the investment of a portfolio of over US$ 500 million in endowment capital. Mr Morrison also served as Georgia's first Environmental Ombudsman in 2019 and 2020.

Education:

Mr Morrison received his undergraduate degree from Yale College and his law degree from the University of California, Los Angeles. He was also a Fulbright scholar at the University of Frankfurt.

Reasons for appointment:

With his background as a corporate finance and securities lawyer advising dozens of clients, including a large number of publicly held companies, David Morrison brings to the Board vast experience in corporate governance and compliance as well as a strong understanding of legal and regulatory issues. His work since 2008 has given him extensive regional experience, which includes in-depth knowledge of ESG matters in Georgia. As an experienced chairman of audit committees of Premium-listed companies, Mr Morrison has significant direct experience of ensuring integrity in financial reporting and adequate risk management and internal control procedures. This has been enhanced by his primary responsibility as CEO or CFO of the four conservation trusts with which he is involved, where he was responsible for developing the accounting and controlling systems and being the principal management counterparty for the external auditors. With its significant focus on financial disclosure and reporting, his career has prepared him well for his Audit and Valuation Committee duties.

Neil Janin

Independent Non-Executive Director

Neil Janin was appointed as an Independent Non-Executive Director of the Company on 17 October 2022. He also serves as the Chairman of the Company's Nomination and Remuneration Committees and sits on the Supervisory Board of JSC Georgia Capital.

Skills and experience:

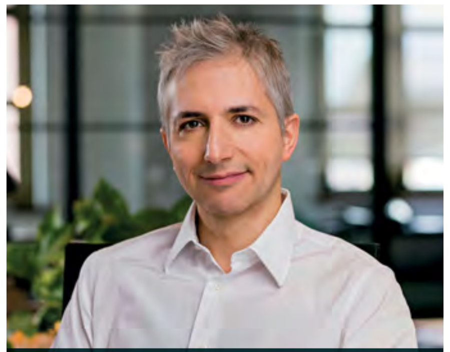
Mr Janin has extensive experience as a non-executive director of Georgian groups that are listed on the Premium Listing segment of the LSE. He was Chair and Non-Executive Director of BGEO Group PLC from October 2011 until 21 May 2018 and of Bank of Georgia Group PLC from February 2018 until March 2022, and he served as Non-Executive Director of Georgia Capital PLC's (then listed) subsidiary Georgia Healthcare Group PLC from September 2015 until April 2018. He serves as counsel to CEOs of both for-profit and non-profit organisations and continues to provide consulting services to McKinsey & Company. Mr Janin was a Director of McKinsey & Company, based in its Paris office, for over 27 years, from 1982 until his retirement. At McKinsey & Company, he conducted engagements in the retail, asset management and corporate banking sectors, and was actively involved in every aspect of organisational 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. Mr Janin has practised in Europe, Asia and North America. He is also a Director of Neil Janin Limited, a company through which he provides his ongoing consulting services.

Education:

Mr Janin holds an MBA from York University, Toronto, and a joint honours degree in Economics and Accounting from McGill University, Montreal.

Reasons for appointment:

Neil Janin has extensive experience of serving as a non-executive director of Georgian groups that are also listed on the LSE. His career spans Europe, Asia and North America, across the retail, asset management and corporate banking industries, and all areas of organisational practice, including governance, culture, design, leadership, performance enhancement, change and transformation. Mr Janin brings his considerable insight of international strategic and commercial practices, in addition to significant experience of governance and the Georgian investment climate, to the Group's future development.



Massimo Gesua' sive Salvadori

Independent Non-Executive Director

Massimo Gesua' sive Salvadori was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves as a member of the Audit and Valuation and Nomination Committees and is a member of the Supervisory Board of JSC Georgia Capital.

Skills and experience:

Dr Gesua' sive Salvadori is an analyst covering banking and other financial stocks globally. He works for Lancaster Asset Management, a London-based hedge fund, which he joined in 2011. He is responsible for generating investment ideas and understanding broad trends. Dr Gesua' sive Salvadori worked as a management consultant at the London office of McKinsey & Company. between 2002 and 2011, specialising in financial services, and served clients across different geographies in developed and emerging markets as part of the banking strategy practice.

Education:

Dr Gesua' sive Salvadori, a native of Venice, obtained an M.Phil. and a Ph.D from Oxford University, where he attended St. Antony's College. He graduated with a B.Sc in Economics from Warwick University. He attended the United World College of the Adriatic in Duino. His postgraduate studies were funded through scholarships by the Foreign and Commonwealth Office, the Economic Research council, the Fondazione Einaudi and the Ente Einaudi.

Reasons for appointment:

Massimo Gesua' sive Salvadori's background in investment and his experience as a professional investor with financial markets, strategic issues and valuation techniques brings a breadth of knowledge to and makes him an important asset to the Board and the Nomination and Audit and Valuation Committees, of which he is a member. His extensive experience of valuations and value drivers are particularly valuable to the Audit and Valuation Committee since the private portfolio companies' valuation is the key area of focus in Georgia Capital's financial accounting and reporting. His background as a management consultant is also valued in Board discussions.

Maria Chatti-Gautier

Independent Non-Executive Director

Maria Chatti-Gautier was appointed as an Independent Non-Executive Director of the Company on 19 March 2020. She also serves as a member of the Remuneration and Audit and Valuation Committees and is a member of the Supervisory Board of JSC Georgia Capital.

Skills and experience:

Ms Chatti-Gautier is a senior investment manager with over 25 years of experience in private equity in prominent financial institutions and has sat on the board of directors of over 30 companies. She currently serves as Senior Advisor of Trail Management, an independent private equity investment firm that invests in European midcap companies to develop them in China. Ms Chatti-Gautier started her career at Chase Manhattan Bank in Paris before joining BAII (Banque Arabe et Internationale d'Investissement). She spent most of her career (15 years) at Natixis Private Equity, before moving to Oddo Private Equity. Her activities included sourcing, analysing, managing and monitoring a large number of investments and exits. Through her own consulting firm, Ms Chatti-Gautier has also advised various investment and fundraising programmes in Europe, Lebanon and the MENA region, including Drake Star Partners (previously known as LDA Jupiter). Ms Chatti-Gautier currently serves as a board member and member of the Audit Committee of Groupe Pizzorno Environnement, a leading French operator in the waste management business listed on Euronext. She is also a Director of Buffet Crampon Group, a major producer of wind musical instruments and of Thés de La Pagode, producer and distributor of high-end organic teas.

Education:

Ms Chatti-Gautier holds an MBA with major in Finance from Ecole des Hautes Etudes Commerciales-HEC, with joint MBA programmes from London Business School and NYU Stern.

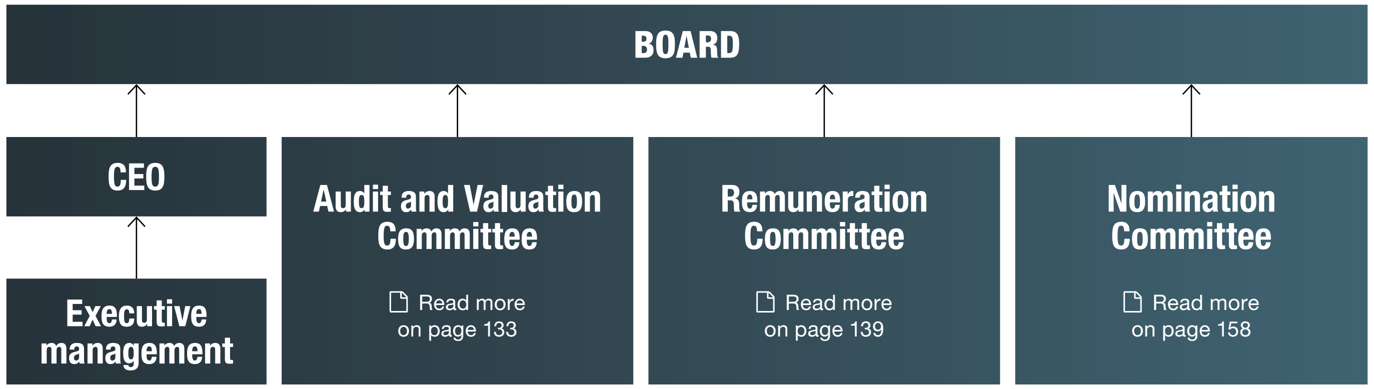
Reasons for appointment:

Maria Chatti-Gautier has extensive experience in all types of private equity transactions with a hands-on approach and leadership role in investment execution, build-up and exit strategies. Ms Chatti-Gautier's background in private equity and understanding of investment strategies, alongside her board experience, makes her well suited to her role on the Board.

Georgia Capital PLC Annual Report 2023

CORPORATE GOVERNANCE FRAMEWORK

Our Governance structure



Our governance structure Board size, composition and independence
The Board is comprised of five Directors, four of whom are Independent Non-Executive Directors, and one executive Chairman – Irakli Gilauri, who also acts as the Company CEO. The responsibilities of the Board are set out on page 125.

Director biographies can also be found here: **https://georgiacapital.ge/governance/board**.

The Board of Directors considers the five-member Board well-suited to carrying out its duties of overseeing the Company's continuing obligations and leading the Company's success in an optimal and cost-effective way. The Board is satisfied that the reduction in the number of Directors, as reported elsewhere in this Annual Report, does not impact appropriate standards of reporting and the quality of GCAP's corporate governance. Both the Audit and Valuation and Remuneration Committees continue to have three Independent Non-Executive Directors who have the requisite level and breadth of expertise. The Nomination Committee comprises two Independent Non-Executive Directors (one of which is the Committee Chair) and Mr Gilauri. As reported earlier, the Investment Committee was disbanded during the year, and its responsibilities were passed back to the Board.

Following the external evaluation of the Board's effectiveness undertaken by Amandla UK Limited ("Amandla") in 2022, Amandla was engaged to conduct further work with the Board in 2023. Details of this can be found in the report of the Nomination Committee on page 158.

The Board continues to be of the view that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities, age and gender is important to effectively govern the business. The Board and its Nomination Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

Board appointments are made based on recommendations received from the Nomination Committee. In making these appointments, the Nomination Committee ensures that appointments and succession plans are made based on merit as well as other objective criteria, whilst ensuring the Board maintains the right balance of skills and knowledge needed to address its specific needs. Due consideration is also given to diversity in the wider sense, and the benefits that stem from having a diverse Board.

Each of our Non-Executive Directors occupies, and/or has previously occupied, senior positions in a broad range of relevant associated industries, bringing valuable external perspective to the Board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to decision-making. Some of these skills include:
- Banking, investment and finance sector experience.
- Leadership knowledge.
- Understanding of local and international strategic and commercial issues.
- Investor market knowledge.
- Experience of stakeholder engagement.
- Understanding of governance practices and regulatory framework.
- Familiarity with Georgian political, economic and cultural context.
- Experience of investment execution, exit strategies and private equity.

The relationship between Directors ensures that no individual, or group of individuals, is able to dominate the decision-making process, independence of thought is maintained, and no undue reliance is placed on any individual.

At the time of this report, we have assessed the independence of each of the Non-Executive Directors and are of the opinion that each act in an independent and objective manner. We consider that, in line with the Code, all of our Non-Executive Directors are independent and free from any relationship that could impair their judgement.

Our governance structure
We understand our responsibility to shareholders and stakeholders. We are dedicated to delivering shareholder value over the long term and promoting the success of the Company for the benefit of all shareholders through the management of the Group's business. The Board is focused on shareholder returns and on opportunities which meet its investment return and growth criteria.

The Georgia Capital Board is assisted in fulfilling its responsibilities by three Committees: Audit and Valuation, Remuneration, and Nomination. The Terms of Reference are reviewed annually, approved by each Committee and the Board, and can be found at: **https://georgiacapital.ge/governance/cgf/terms**.

Following the Company's transfer to the LSE Standard Listing segment, the Investment Committee was integrated into the full Board following the 2023 AGM, and its responsibilities merged into those of the Board. The membership of each of the other Committees was also considered by the Nomination Committee, following which Neil Janin became Chair of the Nomination and Remuneration Committees. Massimo Gesua' sive Salvadori joined the Nomination Committee and Maria Chatti-Gautier stepped down as a member of that Committee and joined the Audit and Valuation Committee. David Morrison became a member of the Remuneration Committee. Furthermore, Maria Chatti-Gautier was designated as the Non-Executive Director responsible for engagement with the workforce.

For further information about the Committees, including membership, see the Audit and Valuation Committee report on page 133, the Remuneration Committee report on page 139 and the Nomination Committee report on page 158.

The Board is responsible to shareholders for creating and delivering shareholder value over the long term through the oversight of the Group's operations. Our responsibilities include setting and overseeing the execution of the Group's strategy within a framework of effective risk management and internal controls, demonstrating ethical leadership and upholding best practice corporate governance.

All decisions are made through Directors exercising independent objective judgement, and following open and rigorous challenge. While our ultimate focus is long-term growth, the Company also needs to deliver on short-term objectives, and we seek to ensure that management strikes the right balance between the two.

Each Director also recognises their statutory duty to consider and represent the Company's various stakeholders in its deliberations and decision-making. You can read more about how Directors had regard to their duties under section 172 (1) of the Companies Act 2006 and how Directors performed these duties on page 62 of the Strategic Report.

Matters reserved for the Board
In order to ensure that we meet our responsibilities, specific key decisions have been reserved for approval by the Board. The Board conducts an annual review of these matters; amendments were made during the year to accommodate the disbandment of the Investment Committee and the Board's evolving focus on sustainability.

The key matters reserved to the Board are:
- The Group's long-term objectives and strategy.
- Shareholder engagement and general meetings.
- Overall corporate governance arrangements including Board and Committee composition, Committee Terms of Reference, Directors' independence and conflicts of interest.
- Internal controls, governance and risk management frameworks.
- Changes to the corporate or capital structure of the Company.
- Annual Report and Accounts, and financial and regulatory announcements.
- Significant changes in accounting policies or practices.
- Annual budgets and financial expenditure.
- Oversight of risk management and performance, and of environmental and social risks.
- Allocation of capital, including dividends and buybacks, significant investments and divestments, consideration of material environmental and social issues in respect of potential investments.

A full formal schedule of matters specifically reserved for the Board can be found on our website at: **https://georgiacapital.ge/governance/cgf/schedule**.

In October, the Board revised the schedule of matters reserved for the Board, including to cover any duties previously reserved to the Investment Committee, and further to make it clear that the Board had primary responsibility for overseeing environmental and social risks and that the Company's strategic direction is regularly informed by material environmental and social issues. Given the small size of the Board and the importance of these matters, including climate change, the Board believes that it is appropriate for the whole Board to be responsible for these issues.

Outside of these matters, the Board delegates authority for the day-to-day management of the business to the CEO. The CEO delegates aspects of his own authority, as permitted under the corporate governance framework, to the Management Board.

Operation of the Board
We maintain a corporate calendar, which sets out rolling agenda items that must be considered during the year. This annual schedule of items ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle.

The Chairman receives regular input from the Non-Executive Directors ahead of each Board meeting in order to ensure that any matters they have raised are on the agenda to be discussed at the meeting. The Senior Independent Non-Executive Director supports the Chairman in his role, acts as an intermediary for other Non-Executive Directors when necessary and liaises with the Non-Executive Directors outside of the Board and Committee meetings. The Senior Independent Non-Executive Director met with the Non-Executive Directors without the Chairman present at least once during the year to appraise the Chairman's performance.

Georgia Capital PLC Annual Report 2023

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Board activities during 2023
Details of the areas that the Board considered this year are set out below and comprise:

Strategy	• Ongoing consideration and monitoring of the Company's progress in meeting its strategic goals including transitioning to a capital-light investment business. • Transferring the Company's listing on the LSE to the Standard Listing segment. • Deleveraging the Group – issuance of a US$ 150 million SLB and reduction of the gross debt balance from US$ 300 million to US$ 150 million. • Approved capital allocations to and discussed the capital allocation outlook for portfolio companies. • Reviewed Group and portfolio company performance against strategy. • Regularly reviewed the Georgian, regional and global political and economic climate, particularly in light of the ongoing war between Russia and Ukraine. • Continued with share buyback and cancellation programmes totalling US$ 25 million (US$ 10 million buyback programme announced in April 2023 and US$ 15 million programme announced in October 2023). • Reviewed the ESG matters, TCFD reporting and ESG target-setting implementation processes.
Governance, assurance and risk management	• Focused on high-level governance issues and developments that may affect the Company strategy. • Received reports from different Committees. • Reviewed Board and governance structure following the transfer of the Company to the Standard Listing segment of the LSE. • Conducted an externally facilitated Board evaluation looking at Board effectiveness and process. • Considered the proxy voting agency approaches and the impact on the Company. • Reviewed and approved governance documents, including the schedule of matters reserved for the Board, Terms of Reference for the Audit and Valuation Committee, Remuneration Committee and Nomination Committee and Group-level policies. • Embedded ESG considerations into the governance framework.
Financial reporting	• Received reports on the financial performance of the Group. • On the recommendation of the Audit and Valuation Committee, reviewed and approved financial reporting including approval of accounts, Notice of AGM, half-year and full-year announcements, and trading updates to the market.
ESG	• See separate Sustainability Report. • External training on ESG.
Succession	• Board and Committee succession planning. • CEO succession plan.
Stakeholders	• Considered and implemented s172 duties: – Re-confirmed identity of key stakeholder groups. – Considered how Board decisions impact the interests and priorities of each group. – Actively engaged with different stakeholders.
Investment matters	• Reviewed investment and exit strategy.
Standing items	Each quarter the following topics are usually discussed in the Board meeting: • Financial update (with formal financial results announcements and trading updates to the market typically being approved in separate phone meetings). • Monitoring of financial performance against budget. • Macroeconomic developments, including a focus on both the Georgian and regional markets. • An assessment of current and potential future risks to the Company. • Regulatory and legislative updates, including corporate governance as appropriate. • Updates from the Committee meetings, typically including at least an Audit and Valuation Committee report on accounting issues and valuations and Internal Audit. • Business updates from selected portfolio companies. The Board reviews the capital allocation pipeline and takes action as necessary on new investments or divestments.

Board and Committee meeting attendance
Details of Board and Committee meeting attendance in 2023 are as follows:

Members	Board	Audit and Valuation Committee	Nomination Committee	Remuneration Committee
Irakli Gilauri	4/4 Scheduled 6/6 Ad hoc	n/a	2/2	n/a
David Morrison	4/4 Scheduled 6/6 Ad hoc	5/5 Scheduled 6/6 Ad hoc	2/2	2/2
Kim Bradley	3/3 Scheduled 2/2 Ad hoc	3/3 Scheduled 2/2 Ad hoc	n/a	1/1
Massimo Gesua' sive Salvadori	4/4 Scheduled 6/6 Ad hoc	5/5 Scheduled 6/6 Ad hoc	n/a	n/a
Neil Janin	4/4 Scheduled 6/6 Ad hoc	n/a	2/2	2/2
Jyrki Talvitie	3/3 Scheduled 2/2 Ad hoc	n/a	n/a	1/1
Maria Chatti-Gautier	4/4 Scheduled 6/6 Ad hoc	2/2 Scheduled 3/3 Ad hoc	n/a	3/3

Note 1 The Investment Committee was disbanded at the conclusion of the AGM of the Company held on 17 May 2023.
Note 2 Kim Bradley and Jyrki Talvitie stepped down as members of the Board and its Committees from the conclusion of the AGM on 17 May 2023.
Note 3 Following the conclusion of the AGM of the Company held on 17 May 2023, Neil Janin (Chair) and Massimo Gesua' sive Salvadori were appointed as members of the Nomination Committee; Neil Janin (Chair) and David Morrison were appointed as members of the Remuneration Committee; and Maria Chatti-Gautier was appointed as a member of the Audit and Valuation Committee.

For Board and Committee meetings, Directors' attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

Purpose, culture and values
The Board has responsibility for the overall purpose, culture, and values of the Company, and their pursuit and development are at the core of each Board meeting.

The Board believes that there are three features in particular that will allow the Company to capitalise on the fast-growing Georgian economy: access to capital, access to management and strong corporate governance. Our culture and values are designed to strengthen all of these.

Purpose
Georgia Capital's purpose is to provide investors with an opportunity to invest in the historically fast-growing Georgian economy by giving them access to attractive investments with long-term growth potential. The Company then seeks to develop these into viable independent businesses on which value can be realised through sale or otherwise. By investing in Georgia to create multiple strong private companies/institutions, we will foster Georgia's development and help it succeed.

Culture
The Board continued to focus on developing, monitoring and assessing corporate culture and thinking about the ways in which our culture might serve as a long-term differentiator, both in terms of strategy and of recruitment and retention. We are proud of the culture that we built at Georgia Capital and recognise it is important to clearly articulate this culture, drive it and ensure that it permeates the entire business.

Helping Georgia to succeed is at the heart of Georgia Capital. During the year the Board looked closely at our mission, vision and values and how we could reinforce through shaping the Company's long-term strategy. The Board is of the view that this will benefit all of the Company's stakeholders.

In order to create strong private business institutions, we will continue with our plan to develop our leaders so that they become future entrepreneurs of Georgia, through personal and professional development. The Chairman and CEO met regularly with key management personnel at Georgia Capital to share this vision and coordinate the Group's actions and priorities. The Chairman and CEO and Georgia Capital's key management personnel monitored portfolio companies' performance on at least a monthly basis, also reinforcing key messages. These messages are cascaded down from the management team to the wider employees.

Values
Being entrepreneurial:
Our current culture is entrepreneurial in nature, and this is something that is grounded in our ability to see and seize opportunities and to develop business strategies whilst remaining disciplined and rational. All of our portfolio companies have been founded or substantially developed by entrepreneurs, and this is at the core of what we do. Our objective moving forward is to empower our people, continue to develop this spirit and pursue the excellence of execution within our businesses.

Having a learning mindset:
We seek to develop a learning mindset as part of our wider culture and we recognise the need to improve the ways in which we communicate, provide feedback and help our people to develop. We approach this by looking at ways we can mentor and coach people throughout the organisation, and we aim to create an environment where independent thinking and curiosity are encouraged.

Maintaining the high standard of ethics:
This has been an aspect of our culture that we have maintained since our inception, and it is a priority of ours to ensure it stays this way. In order to maintain high ethical standards, we will draw on principles of transparency and accountability and seek to sustain high standards of corporate governance.

Creating a culture relies on the participation and leadership of our Board of Directors, as this vision can then be communicated through executive management and onward to the wider businesses. By setting the tone at the top, establishing the core values of the Company and demonstrating our leadership, we are creating a culture that clearly sets an expectation that every employee acts ethically and transparently in all of their dealings. This, in turn, fosters an environment where business and compliance are interlinked.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

The process for evaluating the Chairman's performance:
In light of his role as Chairman and CEO, Irakli Gilauri's performance was evaluated. In addition, the full Board met to consider the Remuneration Committee's recommendations and Mr Gilauri's performance as Board Chairman. David Morrison as the Senior Independent Non-Executive Director led the overall review. The CEO was not present during the full Board's discussions around his own performance. The Board also reached consensus on his performance as Chairman as reflected in the favourable Board self-evaluation and the decision to recommend the maintenance of the current combined role of Chairman/CEO as discussed above.

The Board's objectives for 2024 are:

- monitoring the implementation of the updated strategy and continuing to adjust as necessary, with particular focus on capital allocation and divestments;
- addressing the uncertainties created by the Russia-Ukraine war as regional tensions continue;
- keeping ESG at the forefront of our decision-making, and monitoring and enhancing Key Performance Indicators relating to climate change risks and opportunities;
- maintaining focus on succession planning;
- monitoring and assessing culture and how this aligns with our purpose, values and strategy; and
- ensuring continued active shareholder and stakeholder engagement.

Succession planning

Board appointments and senior management

We continue to believe that effective succession planning mitigates the risks associated with the departure or absence of well-qualified and experienced individuals. Our aim is to ensure that the Board and management are always well resourced with the right people in terms of skills and experience, in order to effectively and successfully deliver our strategy. We also recognise that continued tenure brings a depth of Company-specific knowledge that is important to retain.

The Board's Nomination Committee is responsible for both Director and senior management succession planning. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, including a review of other significant commitments Directors may have and, typically, a period of service in a Board advisory role.

More detail on the role and performance of the Nomination Committee is on pages 158 to 161.

Non-Executive Directors' terms of appointment

On appointment, our Non-Executive Directors are provided with a letter, which sets out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Each Non-Executive Director is expected to commit approximately 25-35 days per year to the role. An additional time commitment is required to fulfil their roles as Board Committee members and/or Board Committee Chairs, as applicable. Having reviewed all Directors' current time commitments, we are confident that all Non-Executive Directors are sufficiently able to dedicate the amount of time necessary to contribute effectively to the Board.

The letters of appointment for our Non-Executive Directors are available for inspection at our Company's registered office address during normal business hours.

Prior to accepting any external appointments, Directors are required to seek the Board's approval. The Board believes that the other external directorships/positions held provide the Directors with valuable expertise, which enhances their ability to act as a Non-Executive Director of the Company. Despite our Non-Executive Directors holding external directorships and other external positions, the Board believes they still have sufficient time to devote to their duties as a Director of the Company. In order to form a view of this, we conduct an annual review of individual Director's conflicts, which is recorded in the Conflicts of Interest Register, and as part of the review we consider other appointments held by each Director.

Stakeholder engagement

The Code reinforces and expands the requirements of the UK Companies Act for directors to remain mindful of their duties to consider the interests of key stakeholders. The Board understands the importance of effective engagement with stakeholders to gain an understanding of the issues that relate to each stakeholder and those that impact the Company so that the Board can appropriately consider these views and their concerns when having Board discussions, when considering the long-term success of the Company.

The Board has structured its meeting agendas to take account of each of the provisions in s172 of the Companies Act 2006, and focused on long-term value generation opportunities, considering political and macroeconomic circumstances and stakeholder considerations. Shareholders' considerations are sought out and incorporated into our discussions and decisions. For example, members of the Board and management participated in more than 500 online and physical investor meetings. The Company was able to organise several investor road-shows this year.

In 2023 to early 2024, the Company also wrote a new Stakeholder Engagement Plan, which describes, informs and guides the stakeholder engagement process of the Group. The Plan seeks to define a technically and culturally appropriate approach to consultation and disclosure. The goals are to ensure that adequate and timely information is provided to stakeholders, that these groups are given sufficient opportunity to voice their opinions and concerns, and that these concerns influence the Group and its various decision-making processes.

The table on pages 129 to 130 sets out our key relationships with stakeholders and how we have engaged with them over the financial year. The table also shows examples of how we have considered our stakeholders when making key decisions and how this has influenced certain decisions.

More information about how the Directors have discharged their duty under s172 of the Companies Act 2006 is available in the Strategic Report, on pages 62 to 64.

Key stakeholders	Activities undertaken throughout year	How this stakeholder group influenced the Committee/Board agenda and decision-making
Investors	**Types of engagement:** • Meetings with the Chairman and CEO • Meetings and calls with the Advisor to the CEO • Investor Relations team • LSE announcements • Investor Day • Investor roadshows • Corporate website with investor section • AGM and General Meeting • Quarterly results • Senior Independent Non-Executive Director as an intermediary • Meeting with Committee Chairs and other Non-Executive Directors • Annual Report • Sustainability Report **How the Board engages with investors:** We will engage with shareholders through the Company's forthcoming AGM to be held in May 2024 but will also continue to communicate with shareholders on important developments throughout the year. Our quarterly results are supported by a combination of presentations and conference call briefings, as was the announcement of our annual results in February 2024. The Company has established a comprehensive shareholder engagement programme and encourages an open and transparent dialogue with existing and potential shareholders. For example, our UK General Counsel and our Company Secretary also have an ongoing dialogue with shareholder advisory groups and proxy voting agencies. The Company was able to organise several investor roadshow visits this year.	• The Board receives feedback from investors at our Investor Days and during meetings about how they view Georgia Capital within the wider market. Raised matters of interest are then discussed at Board meetings. • The Board receives feedback from investors via the Chairman and CEO and the CFO who are in regular contact with the Company's major shareholders. This feedback informs the Board's decision-making. • The Chairman and CEO, the CFO, the Advisor to the CEO and the Head of Investor Relations each provide a standing invitation to shareholders to meet and discuss any matters they wish to raise. • The Senior Independent Non-Executive Director acts as an intermediary for shareholders. • Committee Chairs also make themselves available to answer questions from investors. The Non-Executive Directors attend regular Investor Days and are available to answer questions. • The Chairman has overall responsibility for ensuring that the Board understands the views of major shareholders. The Board is regularly kept informed of these views by the Chairman as well as executive management and the Investor Relations team and, to the extent deemed appropriate, the Company has taken active steps to adopt different ways of working in response to feedback received from shareholders and other stakeholders. Informal feedback from analysts and the Company's corporate advisors is also shared with the Board. • We hold regular meetings with JSC Georgia Capital's existing bondholders and actively engage with potential lenders to discuss our funding strategy. The Chairman and CEO, Senior Independent Non-Executive Director and members of the Board make themselves available to meet with institutional investors when requested. • Our comprehensive investor website **https://georgiacapital.ge** is updated and reviewed on a regular basis to ensure that information, including matters relating to sustainability, is up to date. It provides shareholders with access to the Company's results, press releases, investor presentations, analyst reports, details on our corporate governance and corporate and social responsibility framework and our leadership, as well as other information relevant to our shareholders. We also ensure that shareholders can access details of the Company's results and other news releases through the LSE Regulatory News Service. • Please refer to the Resources and Responsibilities section on page 80 of this report and the Sustainability Report for further details on investor-led engagement activities carried out throughout the year and the output of that engagement.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Employees	**Types of engagement:** • Nominated Non-Executive Director • Regular town halls • Off-site and on-site meetings • Feedback systems, e.g. employee satisfaction surveys at our businesses **How the Board engages with employees:** The Board is encouraged to engage with employees outside of formal channels. Workforce engagement includes both formal and informal meetings, not only with the central staff but also, when important strategic or capital allocation questions arise in the portfolio companies, with the management of those companies. We believe that communicating with our employees is vital and we provide information in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. We communicate information about our corporate culture, the Company's strategy and performance, risks relating to its performance, such as financial and economic factors, and our policies and procedures. The Board has oversight of whistleblowing and routinely receives reports arising from its operation.	• Employee surveys are conducted across the portfolio companies, and this year we conducted an employee survey at the holding company level. Since the survey, actions have been taken on some of the most important issues raised by employees. • Management has been instructed to ensure that proposals to the Board are made in line with stakeholders' interests. • The Nomination Committee continues to look at succession planning and are conscious of ensuring a diverse pipeline for the future. • Please refer to the Resources and Responsibilities section on page 80 of this report and the Sustainability Report for further details on workforce engagement activities carried out throughout the year, and the output of that engagement.
Wider community and the environment	**Types of engagement:** • Investments to support diversified economy • Engagement with local communities • Education • Corporate website • Volunteering **How the Board engages with employees:** The Group considers the interests of its main stakeholders when developing the strategy and the processes to improve its operations. Investing in local businesses helps us to diversify and modernise the Georgian economy, and this can be seen in the development of our different portfolio companies. Our hospitals and clinics and diagnostics businesses are driving the modernisation and improvement of healthcare in the country. Our renewable energy business is involved in infrastructure programmes and ongoing structural market reforms. Our auto service business contributes to overall cleaner air and improved vehicle safety. The Company believes that educating young people is extremely important for the development of the community as a whole. Georgia Capital is investing in schools to give more learners access to high-quality education and facilities. As part of our sponsorship and charitable activities, the Group acts to conserve nature, promote and enhance access to education and supports people with disabilities and special needs. Our Senior Independent Non-Executive Director volunteers as Chairman of the CNF, a charitable foundation providing financial and technical support to Georgia's national parks.	• Board agendas from time to time consider governmental issues that influence the wider Georgian market, which can influence key investment decisions. • Investments are made in local businesses that will be beneficial to the Georgian economy. This is evidenced in the Company's Responsible Investment Policy. • Please refer to the Resources and Responsibilities section on page 80 of this report and the Sustainability Report for further details on community engagement activities carried out throughout the year, and the output of that engagement.

Directors' responsibilities
Statements explaining the responsibilities of the Directors for preparing the Annual Report and financial statements can be found on page 162 of this Annual Report.

A further statement is provided confirming that the Board considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Division of responsibilities
The Board has adopted written statements setting out the respective responsibilities of the Chairman, Senior Independent Non-Executive Director and Non-Executive Directors. Biographies for the Board members are set out on pages 122 and 123. A summary of the responsibilities of the Directors is set out below.

Chairman
- Guardian of the Board's decision-making process.
- Ensures the Board as a whole plays a full and constructive part in strategic decision-making.
- Sets the Board agenda.
- Ensures the Board receives accurate, timely and clear information.
- Shapes the boardroom culture and sets clear expectations.
- Ensures a formal and rigorous evaluation of the Board takes place each year.
- Develops the Group's strategy and commercial objectives.
- Leads communication with stakeholders.
- As CEO, is responsible for the operational and strategic management of the Group and for running the Group's business.

Senior Independent Non-Executive Director
- Provides a sounding board for the Chair and serves as a trusted intermediary for the other Directors.
- Responsibility for an orderly succession process for the Chairman.
- Available to Non-Executive Directors and shareholders if they have concerns which normal channels fail to resolve.
- Meets with other Non-Executive Directors for an annual appraisal of the Chairman's performance.

Non-Executive Directors
- Provide constructive challenge and specialist advice.
- Provide strategic guidance.
- Take into account the views of shareholders and other stakeholders.
- Scrutinise the performance of management.

Internal controls and risk management
The Company has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Company's objectives are attained. The Board is accountable for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operational and compliance controls, and risk management. The Board recognises its responsibility in respect of the Company's risk management process and system of internal control and oversees the activities of the Company's external auditors and the Group's risk management function (supported by the Audit and Valuation Committee), and accordingly the Board's reviews its internal controls and risk management framework on an annual basis (including once in the current year of reporting).

A review of the Company's risk management approach is further discussed in the Strategic Report on pages 66 to 70.

For details on the management and mitigation of each principal risk see pages 71 to 79.

The Group's Viability Statement is detailed on pages 69 to 70.

Please refer to pages 133 to 138 for further detail in relation to the role of the Audit and Valuation Committee.

The Group's governance structure for risk management is illustrated on pages 66 to 70.

Board induction, ongoing training, professional development and independent advice
Board members are advised by the Company Secretary and the UK General Counsel of the legal and regulatory obligations of a Director of a company listed on the LSE. All Directors have access to the advice of the Company Secretary and the UK General Counsel, as well as independent professional advice at the Company's expense, on any matter relating to their responsibilities. Details on induction, ongoing training and professional development for Board members are provided in the report of the Nomination Committee, see pages 158 to 161.

Company Secretary
The Board has appointed Link Company Matters Limited to act as Company Secretary to Georgia Capital PLC. Link Company Matters Limited is one of the UK's largest professional services secretarial teams.

Re-election of Directors
All Directors are required under the Code to be elected or re-elected by shareholders at the Company's AGM in May 2024. The Board has set out in its Notice of Annual General Meeting the qualifications of each Director and support for election as applicable.

Workforce engagement
As Georgia Capital is a relatively small holding company with a diverse number of portfolio companies, and given the relative independence of these companies, the steps and tools used to encourage employee engagement are developed within the companies themselves, and shared with other portfolio companies as deemed useful, rather than following a "top-down" approach directed by Georgia Capital. While formal intragroup exchanges occur (e.g. head office staff and staff from the portfolio companies coming together to celebrate the Company's fifth anniversary), it is the exception rather than the rule. Regular monitoring of our portfolio companies and ongoing strategic advice is the responsibility of the Group Chairman and CEO and his central team. In light of the above, for workforce engagement purposes, the Board has determined that the relevant workforce is the central team.

The Board is mindful that attracting and retaining talent in a highly competitive sector is crucial to the success of the Group. As such, we are keen to understand the employee voice on an ongoing basis. GCAP has a small number of employees, which enables regular formal and informal access to Board Directors, irrespective of seniority. Maria Chatti-Gautier, as the Non-Executive Director responsible for leading employee engagement, promotes informal discussions – such as over coffee, at dinners and during walk-arounds of the office – and also hosts more formal discussion groups. This creates channels of communication between the Board and the workforce and allows the team to offer their views, ensuring the Board understands employee motivations and concerns. Constructive conversations were held on workforce matters, morale, turnover and the engagement of senior management with the rest of the team.

In addition, an employee satisfaction survey of head office staff was undertaken. The overall positive results are being reviewed by Ms Chatti-Gautier and senior management. Ms Chatti-Gautier regularly reports back to the Board for discussion, and this feedback forms an important part of our consideration of the Group's culture and operations.

Furthermore, site visits and management presentations that occur in connection with important strategic or investment decisions provide the Board access to the management teams of the portfolio companies.

These meetings are occasions for the Board to test firsthand how well the Group's culture is being transmitted.

Please refer to the Resources and Responsibilities section on page 80 of this report and the Sustainability Report for further details on workforce engagement activities carried out throughout the year, and the output of that engagement.

Georgia Capital: As our people are our main asset, we invest significantly in engaging and motivating our staff. The Company has a small head office (c.45 people) and we encourage an open-door policy – staff can approach management at any time with any concern.

In 2023, attendance at the office was voluntary. Distance and hybrid working environments facilitated staff engagement through online platforms. Regular meetings organised by the Chairman and CEO were held with senior and middle management. Messages from these meetings were cascaded down to all employees.

At our regular Board and Committee meetings, interaction with a number of GCAP holding company personnel occurs naturally as part of the meeting where they present to the Board and/or participate in the discussion. The designated Non-Executive Director for workforce engagement, the Senior Independent Non-Executive Director and other Non-Executive Directors also "walk the halls" during their visits and engage informally with the team.

Annual General Meeting

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting. All shareholders are invited to attend the AGM, where there is an opportunity for individual shareholders to question the Chairman and the Chairs of the principal Board Committees.

After the AGM, shareholders can talk informally with the Directors.

As recommended by the Code, all resolutions proposed at the 2024 AGM will be voted on separately and the voting results will be announced to the LSE and made available on the Company's website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, together with all proxies lodged prior to the meeting. In the event that 20% or more of the votes are cast against a resolution, an explanation will be provided in the announcement to the LSE of the actions the Company will be taking to address shareholders' concerns. A follow up announcement would then be made within six months of the AGM regarding feedback received from shareholders and the subsequent actions taken by the Company.

See page 207 for further shareholder information and page 129 for further information on shareholder engagement.

Diversity Policy

The Board and senior leadership's gender identity and ethnicity data presented in accordance with Listing Rule 14.3 can be found on page 160.

For further information, please see the Company Diversity Policy, which incorporates the Board's Diversity Policy, at: **https://georgiacapital.ge/governance/cgf/policies**.

For a breakdown of the gender diversity figures for the Company, please refer to the Resources and Responsibilities section on page 84 of this report.

AUDIT AND VALUATION COMMITTEE REPORT

David Morrison
Chairman of the Audit and Valuation Committee

COMMITMENT TO COMPREHENSIVE AND TRANSPARENT REPORTING

Committee membership	Meeting attendance[1]
David Morrison (Chairman)	5/5 Scheduled 6/6 Ad hoc
Maria Chatti-Gautier[2]	2/2 Scheduled 3/3 Ad hoc
Massimo Gesua' sive Salvadori	5/5 Scheduled 6/6 Ad hoc

Dear Shareholders

I am pleased to present the Audit and Valuation Committee's ("the Committee") report for the year ended 31 December 2023.

During the year, the Committee has kept its focus on its key responsibilities: oversight of financial reporting matters, monitoring the effectiveness of risk management and internal control systems, reviewing and providing constructive challenge to the detailed investment valuation process, and overseeing the relationship with the external auditors.

One of the Committee's primary responsibilities is to assist the Board in ensuring the robustness of the Group's investment and valuation processes including monitoring compliance with the Valuation Policy and the fair value measurements under IFRS 13. The Committee has spent considerable time providing independent challenge to management when considering the specific performance and valuations of individual investments and of the portfolio. The Committee concluded that management's approach was appropriate and was satisfied with the fair value recognised throughout the year and as at 31 December 2023.

The Committee continues to review the provision of external audit and audit-related services provided by PricewaterhouseCoopers LLP ("PwC"). The Committee reviewed the external auditors' independence, and, through its evaluation of the external audit, is satisfied that the external auditor continues to be independent and provides an effective audit service, which is described later in this report. We are pleased to recommend to shareholders that PwC be re-appointed as the Company's auditors at the forthcoming AGM.

This Group's successful issuance of the SLB – the first of its size and kind in Georgia – is described elsewhere in this Annual Report. The Committee oversaw a complete tender process to secure external verification services for the Group's GHG emissions, which was one of the requirements of the SLB Framework. The process concluded with the appointment of EY.

Through the Head of Internal Audit, the Committee, along with management, oversees the Internal Audit functions of the Group's portfolio businesses. The Head of Internal Audit and the Committee continue to work together to further develop the Internal Audit function.

Other important areas of focus in 2023 included a review of dividend income from portfolio companies, regulatory changes in the region and the continued progress against the strategic priority of deleveraging the Company. Although the Georgian economy has demonstrated great resilience in 2023, tensions in the region continue to present challenges.

Kim Bradley stepped down as a member of the Board and Maria Chatti-Gautier was appointed a member of the Committee, both with effect from the 2023 AGM on 17 May 2023. The Committee held a mixture of in-person and virtual meetings throughout the year. Further details about our work are set out on the following pages.

David Morrison
Chairman of the Audit and Valuation Committee
21 March 2024

1 The number of meetings of the Committee attended by each member during the year, together with the number of meetings they were entitled to attend.
2 Maria Chatti-Gautier joined as a member of the Committee with effect from the 17 May 2023.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Introduction and key purposes and responsibilities
This report outlines the functioning and activities of the Committee during the reporting period, including an overview of the key areas of activity and principal topics covered at each Committee meeting.

The Committee's role is to recommend the financial statements to the Board and review the Group's financial reporting and accounting policies, including formal announcements and trading statements relating to the Company's financial performance, ensuring the integrity of the Company's published financial information, and reviewing the judgements made by management, along with the underlying assumptions and estimates on which they were based. In addition, the Committee oversees the role of the Internal Audit function (internal control environment), risk management and the relationship with the external auditor. The Committee also received reports and held regular discussions regarding the ongoing viability of the Company and its liquidity status. The Committee continued to focus on the key issues relevant to the Group's financial reporting, and worked with management, and PwC, to review any changes required in response to the introduction of new accounting or regulatory guidance.

On behalf of the Board, the Committee monitors the integrity of the valuation process. The Company is an investment entity as defined in IFRS 10 and, as a result, measures its investments in portfolio companies at fair value (through profit or loss) instead of consolidating them.

The Chairman of the Committee reports to the Board on how it has discharged its responsibilities at a subsequent Board meeting and makes recommendations to the Board. Details of the Committee's roles and responsibilities are outlined in the Committee's Terms of Reference and can be found on the Company's website at **https://georgiacapital.ge/governance/cgf/terms**.

Composition and operations of the Committee
The Committee members – David Morrison (Chairman), Massimo Gesua' sive Salvadori, and Maria Chatti-Gautier – are all Independent Non-Executive Directors.

For the purposes of the Code and of DTR 7.1, the Board is satisfied that all members of the Committee have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. Please refer to the detailed biographies of the Committee members on pages 122 to 123, which include their financial experience and reasons for appointment to the Board and the Committee.

The meeting attendance of the Audit and Valuation Committee can be seen on page 127. The Company Secretary is Secretary to the Committee and attends all meetings. Meetings are also attended by the Chief Financial Officer, the Head of Technical Accounting and Valuation, the Head of Finance and the Head of Internal Audit.

In addition, representatives of PwC, the Company's external auditor, are invited to attend several meetings of the Committee each year. On some occasions, invitations to attend are extended to other members of the Board and management where necessary, to provide a deeper level of insight into key issues and developments. The Committee also met with the external auditor, without management present, to allow discussion of any issues or concerns in greater detail. The external auditor confirmed it was satisfied with the communication between all the stakeholders. In addition, the Chair of the Committee has maintained regular dialogue with the lead partner of the external auditor during the period.

Activities of the Committee in 2023
The table below summarises the Committee's activity during 2023.

Area of focus	Core activities
Financial reporting	• Reviewed the appropriateness and disclosure of accounting policies and practices. • Reviewed the Annual Report and Accounts content and advised the Board on whether the Annual Report and Accounts was fair, balanced and understandable. • Reviewed the Company's annual and interim financial statements and quarterly accounts relating to the Company's financial performance, including the significant financial reporting policies and judgements contained in them and, in particular, the valuation of portfolio companies (see below). • Reviewed and recommended to the Board for its approval the Going Concern and Viability Statements. • Reviewed overall presentation of APMs, evaluated clarity of reconciliations and challenged the nature of adjusting items. • Reviewed the Company's Sustainability Report and TCFD disclosures and referred it to the Board for approval.
Valuation	• Ensured that the Valuation Policy is continuously and consistently applied and complies with IFRS 13, Fair Value Measurement, and with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company. • Reviewed quarterly valuations of the Company's portfolio investments considering recent market developments and the future business plans of portfolio companies prepared and presented to it by management based in part on reports by an independent valuation firm. • Received updates and reports from the Group's IFRS technical accounting group and valuation workgroup. • Considered the extent of valuation disclosure in the Company's annual and interim reports.
Risk and control environment	• Reviewed and assessed the effectiveness of the Company's internal controls and risk management processes. • Reviewed IFRS 10 requirements and ensured that the Company continues to meet the definition of investment entity. • Reviewed the results of risk identification and assessment work performed by management. • Reviewed the Board's approach to assessing the Company's long-term viability. • Reviewed reports from the external auditor where they have looked at internal controls as part of the annual audit process. • Reviewed the Company's principal risks and uncertainties statement included in the Annual Report and Accounts and supporting stress test scenarios. • Regularly monitored the internal and external environment to ensure that any new or emerging risk is identified in a timely manner and responded to appropriately. • Reviewed compliance with regulatory rules and monitoring findings.
Internal audit	• Reviewed reports of internal audits, monitored action points and addressed actions arising from audit visits. • Reviewed, approved and oversaw the implementation of the 2023 Internal Audit Plan and budget. The plan is designed using a risk-based approach aligned with the overall strategy of the Group. • Monitored and reviewed (i) the effectiveness of the Company's Internal Audit function via a quality assessment report; and (ii) implementation of the enhanced Internal Audit function agreed with Internal Audit. • Reviewed the Group Internal Audit Charter. • Monitored the scope and effectiveness of the Group's Internal Audit function.
External audit	• Monitored the effectiveness and performance of the external auditor. • Oversaw the audit engagement, including the degree to which the external auditor was able to assess key accounting and audit judgements. • Reviewed the annual audit plan including the approach, scope, level of materiality and risk assessments and significant audit risks. • Reviewed the audit results report, including the results from testing key audit matters, judgements, level of errors and underlying reasoning. • Reviewed and confirmed the objectivity and independence of the external auditor and compliance with ethical, professional and regulatory requirements. • Reviewed the qualifications, expertise and resources of the external auditor. • Agreed the terms of the external auditor's engagement and fees. • Approved the policy for non-audit fees. • Recommended the re-appointment of the external auditor. • Conducted an annual evaluation of external audit effectiveness. • Monitored management's responsiveness to the external auditor's findings and recommendations.
Governance	• Reviewed governance processes in place to oversee the valuation of portfolio companies. • Reviewed and approved the Committee's Terms of Reference. • Reviewed and recommended to the Board for approval: the Whistleblowing, Anti-Bribery and Anti-Corruption and Non-Audit Services Policies. • Evaluated the effectiveness of the Committee. • Received information and regulatory updates that could impact the work of the Committee, including briefing on IFRS S1 and IFRS S2.

Significant accounting and financial judgement matters considered	How the Committee addressed the matter
Portfolio company fair value estimation and disclosure	Reviewed quarterly valuations of the Company's portfolio investments presented to it by management. Reviewed and challenged assumptions and judgements applied by management and third-party valuation experts and the appropriateness of their scope of work. The Committee considered and challenged whether management followed appropriate valuation standards as reflected in the Valuation Policy and used appropriate judgement. The Committee considered in discussions with the external auditor the methods used to account for valuations. The Committee also challenged the implications relating to climate change and global macroeconomic trends in the valuations of the Company's portfolio investments. Earnings and multiple assumptions: Earnings data, received from portfolio companies and closely monitored by management, was presented at the Committee meetings. Subsequently, actual earnings might have been adjusted in management's proposed valuations. Any material adjustments were highlighted to the Committee for review and approval. All multiples used by management, including those that have been adjusted, were presented to the Committee quarterly. Assets valued using a DCF basis: For assets valued using a DCF basis, material assumptions in the DCF valuations and any changes to these assumptions are reviewed by the Committee. Sensitivity to assumptions is also noted. Any material changes are reviewed by the Committee and external advice is sought from time to time. The Committee reviewed and challenged the cash flow projections, terminal values and discount rates selected by management with reference to market transactions, WACC calculations and other public data. Any material changes are reviewed by the Committee. As a result, the Committee was satisfied with the appropriateness of valuation methods used and the reasonableness of assumptions and judgements applied in valuation.
Going concern and viability	On an annual basis the Committee reviews and approves the long-term viability review prepared by management and satisfies itself that the going concern basis for the preparation of the Group's results remains appropriate. The long-term viability review was based on the Group's three-year strategic plan, including forecast investment, realisations, overheads, financing cash flows and dividends. The Committee considered management's assessment of the Company's ability to continue as a going concern and its long-term viability, taking into consideration the ongoing impact of global macroeconomic trends. The result was the Committee's recommendation of the Viability and Going Concern statements to the Board for approval. You can read more about the Going Concern assessment and Viability Statement on pages 69 to 70.
Investment entity status	The Committee continued assessing the Company's compliance with IFRS 10 criteria for meeting investment entity status. In making this assessment, the Committee considered each criteria and characteristic described in IFRS 10, as well as developments during the year, and is satisfied that the Company continues to meet the definition of an investment entity as of 31 December 2023.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Alternative performance measures (APMs)	The Committee considers it important to take into account both the statutory measures and the APMs when reviewing the financial statements. In particular, items excluded from adjusted profit before tax were reviewed by the Committee. As part of that review, the Committee considered the prominence of APMs used by the Company in the reporting and challenged management where appropriate. The Committee is satisfied that the requirements of DTRs and the mandatory guidelines issued by the European Securities and Markets Authority on APMs were met and the reconciliation between the APMs and the IFRS and presentation of these items is clear, applied consistently across years and that the level of disclosure is appropriate. You can read more about APMs, including the applicable IFRS reconciliations, on pages 94-98 of the Annual Report and Accounts.
Fair, balanced and understandable reporting	Under the UK Corporate Governance Code, the Board should establish arrangements to ensure the Annual Report presents a fair, balanced and understandable assessment of the Group's position and prospects. It has asked the Committee to support it in coming to that conclusion. In making this assessment, the Committee: • satisfied itself that there was a robust process of review and challenge at different levels within the Group to ensure balance and consistency; • reviewed several drafts of the 2023 Annual Report and Accounts and directly reviewed the overall messages and tone of the Annual Report and Accounts with the Chairman and CEO, and the CFO; and • considered the reporting of the Group's performance, business model and strategy, the competitive landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its portfolio companies during the period, both from management and the external auditor. After consideration of all this information, we are satisfied that, when taken as a whole, the Annual Report and Accounts is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Key activity highlights

Financial reporting and valuation

The valuation of investments remains the most material area of judgement in the financial statements and is a key audit risk for the Group. The principal responsibility of the Committee is to consider significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. The Committee assists in the formalisation and documentation of management's valuation judgements in line with the Group's accounting policies and industry valuation guidance from IPEV. This includes ensuring that the Annual Report and Accounts and half-year reporting, taken as a whole, are fair, balanced and understandable and comply with disclosure requirements as discussed in greater detail below.

The Committee's responsibilities include monitoring the integrity of narrative and non-financial reporting, including sustainability and reporting on related significant issues (a concept that has gained greater emphasis in recent years due to additional ESG reporting through disclosure frameworks such as TCFD).

During 2023, the Committee received detailed reports from the external auditor in respect of the main areas of audit focus and these were, in some instances, discussed without management present. In addition, regular reports were received from the CFO on the financials and internal controls and where appropriate.

As the investment portfolio is comprised of private companies, the Committee and external auditors spent a significant amount of time reviewing and challenging management's valuations. The assessment of fair value is subjective and requires the consideration of significant and complex judgements to be made by management. In 2023, the Committee oversaw the independent valuations, performed by third-party valuation experts, establishing fair value ranges for all large and investment stage private portfolio companies. The appointment of third-party valuation experts increases the integrity of the process which includes consideration of how other market participants approach valuations for year-end reporting. The valuation methodology applied by the independent experts was reviewed in detail by the Committee, as well as key assumptions used and the most appropriate point in the established range was selected for each business.

The Committee is responsible for the review and approval of the fair value of investments at the end of each reporting period proposed by Georgia Capital's Management Board. With the external auditors, the Committee reviewed in detail both (i) the auditors' assessment of the methodologies applied by the independent valuation company for the large and investment stage private portfolio companies and by management for "other" assets, and (ii) the basis for their independent assessment of the valuations. The Group continued to apply its Valuation Policy consistently across investments at the year end and the Committee also ensured that the valuations reflected climate change, global and regional economic trends, as well as the future business plans of portfolio companies.

Full details on our valuation policies and procedures which are overseen by the Committee can be found on page 69 (please see valuation workgroup) and page 99 (please see valuation methodology). For the value drivers within the Group's portfolio in the year, please see pages 104-105.

The Committee also considered whether the external valuation expert provides meaningful additional scrutiny and challenge to the valuation process. The Committee concluded that it was satisfied with the current level of scrutiny and challenge by the external valuation expert, this Committee, management and the external auditors.

Management, under the supervision of the Committee, considers the suitability of the accounting policies which have been adopted, ensuring that key reporting estimates and judgements were appropriate, including the assessment of appropriateness of continuing the investment entity accounting, and ensuring that the external auditors were afforded timely and full access to relevant information.

Using the Committee's own independent knowledge of the Company and its portfolio investments, but also considering the external auditor's assessment of risk, the Committee has, where necessary, challenged the actions, estimates and judgements of management in relation to the preparation of the financial statements. When considering financial reporting, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. In particular, the Committee continues its robust review of going concern and viability assessments under a number of scenarios.

Risk management and control environment

The Committee assists the Board in fulfilling its responsibility to review the adequacy and effectiveness of the controls over reporting and risk. It reviews the effectiveness of the policies, procedures and systems in place related to operational risks, compliance, information technology (IT) and information systems (IS) and assesses the effectiveness of the risk management and internal control framework. Where areas for improvement are identified, the Committee ensures that there are the correct processes in place to effectively take action to address them. Key developments affecting our principal risks and associated mitigating actions are reviewed by the Committee. Further information on risk management and internal controls can be found on pages 66 to 70. Principal risks the Group faces are set out on pages 71 to 79.

The Committee is supported by several sources of internal assurance within the Group to discharge its responsibilities. As part of the regular reporting from the Chief Financial Officer and the Finance team regarding the operating performance of the portfolio companies, the strength of the internal control environment is considered. Management also provides updates on how risks, for example, bribery and information security, are managed within business areas, and updates are presented to the Board or the Committee as appropriate. Further, during the year, the Internal Audit function continued to assist management to perform certain risk identification and assessment activities at the private portfolio companies, the results of which were presented and discussed at the Committee meetings.

Internal Audit

The Head of Internal Audit has direct access to the Committee and the opportunity to discuss matters with the Committee without other members of management present. The Committee also monitor the resources dedicated to Internal Audit as well as the relevant qualifications and experience of the team.

Throughout the year, the Committee received regular reports from Internal Audit on the progress against the approved Internal Audit Plan and on the audits themselves, including significant findings as well as the corrective measures recommended to management. The Committee also reviewed and monitored management's responsiveness to the corrective measures and found that, in general, management agreed to the recommendations where control deficiencies were identified, and used them as a basis to improve processes. Implementation of the remedial actions was reviewed by Internal Audit and reported to the Committee. The Committee was pleased to review reports from Internal Audit outlining actions being taken by management in the portfolio businesses to maintain and enhance the control environment in the year post implementation of the Group's updated strategy last year and the new internal audit framework. The Committee also reviewed the Head of Internal Audit's proposals to enhance the effectiveness of the Internal Audit function and to raise its profile across the Group.

The processes described above ensure that the effectiveness of the controls is reviewed on an ongoing basis, and the Committee are pleased to report that no significant weaknesses in our risk management processes or internal controls were identified this year.

Internal Audit effectiveness

The Committee fulfils its responsibility to review the effectiveness of the Internal Audit department by considering progress against the agreed plan, reviewing the outcomes of their reports and recommendations, management's implementation of recommendations and closure of the audits, access to experts, the annual strategy and a management assessment of quality in the year taking into account the need to respond to changes in the Group's business and the external environment. On this basis, the Committee concluded that the Internal Audit function is effective and respected by management, and that it conforms to the standards set by the Institute of Internal Auditors, the "International Standards for the Professional Practice of Internal Auditing" ("Standards") contained in the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors ("IIA"). Adherence to the professional Standards has been self-assessed by the Group Head of Internal Audit within the year. The Head of Internal Audit is a Certified Internal Auditor (CIA) accredited by the Institute of Internal Auditors. The Committee has endorsed a plan by the new Head of Internal Audit to have an external assessment of the Internal Audit function completed by the end of 2024, to provide assurance over the quality and professionalism of the Group's internal audit provision.

The Committee values the work of the Internal Audit department in providing independent and objective assurance in meeting its corporate governance and regulatory responsibilities.

External auditor

Oversight of the relationship between the Group and the external auditor is one of the Committee's key responsibilities. PwC was appointed by the Board as the statutory auditor in 2022, following a competitive tender process, and was re-appointed by shareholders at the 2023 AGM.

Auditor effectiveness

The Committee has an established framework for assessing the effectiveness of the external audit process. This includes:

- considering reports from the auditor on the process they have adopted to identify financial statements risks and key areas of audit focus;
- regular communications with the external auditor (without management present) and management (without the external auditor present);
- a review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached;
- a review of the annual FRC Audit Quality Inspection Report of the external auditor;
- use of a questionnaire completed by all the necessary stakeholders; and
- review of the audit plan.

The Committee concurred with management's view that there had been appropriate focus and challenge of the primary areas of audit risk and the Committee concluded that the substantive and detailed approach taken by the auditor was entirely appropriate and effective. The Committee was able to see first-hand how the auditor challenged management on their assumptions used when determining valuations at each Committee meeting, when PwC was in attendance. PwC utilised in-house specialisms to support its audit work of the Group and, overall, the auditors' risk-based approach drew on both their knowledge of the business and the wider economic and business environment.

The Chairman engages directly with the relevant PwC audit Lead Partner, Allan McGrath.

Auditor independence

The Committee has undertaken a formal assessment of PwC's independence, which included a review of a report from PwC describing their arrangements to identify, report and manage any conflicts of interest, and their policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and the value of non-audit services provided by PwC. PwC have reviewed its own independence in line with the FRC's Ethical Standards for auditors, other professional standards, and its own ethical guideline standards. PwC has confirmed that they believe they remained independent throughout the year from the date of their reappointment at the May 2023 AGM, within the meaning of the regulations on this matter and in accordance with their professional standards. PwC has provided the Committee with details of the safeguards in place which include a culture of regular training, internal accountability, and independent review controls. Having considered the safeguards, the level of non-audit services provided in the year and a formal statement of independence the Committee is satisfied that the independence of the auditor has been maintained.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Non-Audit Services Policy

The Group's Non-Audit Services Policy safeguards the external auditor's independence and objectivity. The provision of non-audit services by our external auditors aligns with the Revised Ethical Standard. Any work other than for audit or review of interim statements to be undertaken by the external auditor now requires authorisation by the Committee except in very narrow circumstances. The Group's Non-Audit Services Policy is available on our website at:
https://georgiacapital.ge/governance/cgf/policies.

The ratio of non-audit fees to audit fees for 2023 is 0:1. As indicated in Note 9 to the financial statements, the total fees paid to the external auditor for the year ended 31 December 2023 was GEL 1.5 million. In 2023, Georgia Capital paid US$ 30 thousand to PwC for services related to the issuance of SLB. The Committee is of the view that engaging PwC on occasions for non-audit work is likely to be the most efficient method of having those particular services delivered to the Company and does not consider this work would compromise the independence of the external auditor. Where PwC has been chosen, they have demonstrated the relevant skills and experience, making them an appropriate supplier to undertake the work in a cost-effective and time-efficient manner, with appropriate safeguards in place.

Governance

The Committee received regular updates from the Company Secretary and PwC on the progress of UK audit and governance reforms and specifically reviewed BEIS's Response Statement following its consultation on reforms aimed at restoring trust in audit and corporate governance and a timetable on the key areas of significance to the Group arising from the Response Statement. Additionally, while the Group will not be required to comply with the FRC's Minimum Standard for Audit Committees which is mandatory for FTSE 350 entities, the Committee has considered the Standard (described elsewhere in this report), accepting that it forms part of good governance principles.

Compliance

Ensuring regulatory compliance remains a priority from the perspective of the Committee. The Committee conducts an annual review of the Company's Whistleblowing and Non-Audit Services Policies and their impact in its remit, and it is the responsibility of the Committee to ensure that there is a robust governance framework and effective procedures are in place.

PwC carried out fraud risk assessment and determined that there was a low risk of fraud occurring undetected.

For the audit of the financial statements in this Annual Report, the Company complied with the Code and mandatory audit processes, including The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("CMA Order"), and the Committee complied with the responsibility provisions set out in the CMA Order relating to: (a) putting the audit services engagement on tender every ten years; and (b) strengthening the accountability of the external auditors to the Committee, including: requiring that only the Committee is permitted to agree to the external auditors' fees and scope of services; influence the appointment of the audit engagement partner; make recommendations regarding the appointment of auditors; and authorise the auditors to carry out non-audit services. External audit services were last tendered in 2022, resulting in the appointment of PwC as the Group's statutory auditor for a three-year period spanning 2022, 2023 and 2024. Currently, the Company is considering the possibility of re-tendering for external audit services beginning with the review of financial statements for six months ending 30 June 2025. If initiated, the re-tender for the provision of external audit services will be launched in the second half of 2024, and will reflect an appropriate balance of factors such as the auditor knowledge of controls and risks, maintaining audit quality, independence and objectivity, and providing value for money.

The Committee will ensure that the decision regarding re-tendering is in the best interest of our shareholders.

Committee effectiveness review

An internal effectiveness review of the Committee was facilitated by the Company Secretary. The effectiveness evaluation concluded that the composition of the Committee was appropriate, there was the right level of stakeholder engagement and debate (acknowledging the technical and detailed nature of the Committee's discussions), it provided an effective and appropriate level of challenge and oversight of the areas within its remit, and its Chair continued to perform effectively with no significant concerns, noting that sufficient time is allocated at Board meetings for the Chair to report to the Board on the work of the Committee.

Priorities for 2024

Our priorities for 2024 include continued focus on:
- working with management to position the Group prudently in response to the changing macroeconomic conditions, remaining cognizant of, and ready to respond to, any new areas of emerging risk;
- monitoring compliance with the Group's Valuation Policy, individual portfolio company valuations and the effectiveness of external valuations;
- monitoring the financial reporting implications of strategic actions taken by the Group, including dispositions and acquisitions;
- ensuring continued integrity and balance in the Group's financial reporting;
- monitoring the control environment and its appropriate roll-out at the various portfolio companies;
- continued development of the Internal Audit function around the Head of Internal Audit;
- compliance with TCFD requirements and referred these matters to the Board and other sustainability-related reporting requirements;
- following developments on the planned enactment of legislation in the UK around audit and corporate governance reform; and
- continuing to build a good working relationship with PwC.

David Morrison
Chairman of the Audit and Valuation Committee
21 March 2024

DIRECTORS' REMUNERATION REPORT

Neil Janin
Chairman of the Remuneration Committee

INNOVATIVE ALIGNMENT OF REMUNERATION WITH SHAREHOLDERS' INTERESTS AND EXPERIENCE

Committee meetings and attendance

Neil Janin (Chairman)	2/2
David Morrison	2/2
Maria Chatti-Gautier	3/3

Dear Shareholders,
I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023.

I became Chair of the Remuneration Committee during the year, after the May 2023 AGM when Jyrki Talvitie did not stand for re-election after our change to a Standard listed company. I would like to thank my predecessor Jyrki for all his work and dedication to the Committee.

I am pleased to bring the experience of several years' membership on the Remuneration Committees of Georgian groups that are or were also listed on the LSE – of Georgia Healthcare Group PLC, BGEO Group PLC and Bank of Georgia Group PLC.

At the 2023 AGM, the Directors' Remuneration Report received 99% approval. The Committee has been strongly encouraged by this level of shareholder support.

Overview of remuneration structure

We believe that our Executive Director should fully share the shareholder experience and are pleased that our shareholders strongly supported at the 2023 AGM that our innovative shareholder-aligned approach to remuneration should be retained.

Our Executive Director Irakli Gilauri's salary, as well as his performance-based remuneration, is comprised of deferred shares alone. Salary and the maximum opportunity for the performance-based remuneration (discretionary deferred shares) are set in a number of shares. By setting a fixed number of shares (rather than a cash figure) our Executive Director salary is aligned with the share price performance of the Company and ensures that the Executive Director will not receive a windfall gain by receiving a higher number of shares when awarded at a lower share price.

When renewed in 2022, the Remuneration Policy (the "Policy") retained the same number of shares for the salary and for the maximum opportunity of the Executive Director as presented to shareholders for their approval three years previously. Indeed, there has been no increase in salary or incentive since 2018 when the Company listed.

The structure of the Policy follows relevant guidance including:
- Executive pension contributed by the Company will be the same as for employees (although our Executive Director Irakli Gilauri has waived his pension entitlement entirely).
- Shareholding guidelines with an equivalent of 200% of salary (as compensation vests in tranches, the shareholding is built up organically). Shareholding requirements are to be maintained for two years' post-employment.
- Both fixed salary and variable compensation vest over several years and Irakli Gilauri has no cash salary and no cash bonus.
- Malus and clawback provisions are consistent with best practice. Unusually, malus may also be triggered in certain circumstances over the salary shares.

Our Group's purpose is to provide investors with an opportunity to invest in the historically fast-growing Georgian economy by giving them access to attractive investments with long-term growth potential. Through our structure, which remunerates our Executive Director solely in deferred shares, he is also similarly invested in the Georgian economy and our investment companies. Shareholder interests and experience are strongly aligned with those of Mr Gilauri.

Our values are being entrepreneurial, having a learning mindset and maintaining the highest standard of ethics including by setting the tone at the top. The structure encourages the Executive Director to be entrepreneurial and to grow the Group according to high standards (on the basis that a short-term view negatively impacts share price in the medium to long term), so that the value of his long-vesting remuneration increases or decreases in line with that of the Company share price over time.

DIRECTORS' REMUNERATION REPORT CONTINUED

What's in this report
This Directors' Remuneration Report includes the Annual Statement by the Chair of the Remuneration Committee, the Annual Report on Remuneration and a Summary of the Director's Remuneration Policy approved at the 2022 AGM.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the FCA Listing Rules.

The Committee retains discretion under the Policy, including to override formulaic outcomes in accordance with the UK Corporate Governance Code. In response to stakeholder feedback, however, we note that in 2020, we began disclosing (i) threshold, target and outperformance targets alongside (ii) the weighting, for each key performance indicator (KPI), and we continue that practice this year.

In line with increasing market practice, we also disclose our mechanisms of enforcement of malus and clawback. The malus and clawback triggers are set out in the Executive Director's contract. Furthermore, under the rules of the share plan, the trustee may cause shares to lapse (malus) or to be recovered (clawback) including in accordance with the provisions of the Executive Director's contract. Lastly, as part of each grant process, the Executive Director signs a confirmation that they agree to be bound by the terms and conditions set out in the rules of the share plan, including its malus and clawback provisions.

Similarly, the Committee also confirms that the 200% shareholding requirement, to be built up and held for two years' post-employment, is included as an express provision in Irakli Gilauri's contract, and further that all unvested shares (his remuneration vests in tranches) are held in the employee benefit trust (EBT).

At the most recent vote on the Directors' Remuneration Policy, which was the 2022 AGM, 94% of shareholders supported the Policy.

2023 performance outcomes
The Committee considered the CEO's performance during 2023. Under Mr Gilauri's leadership, during 2023 there was deleveraging through the successful issuance of a US$ 150 million sustainability-linked bond (SLB) on the Georgian market. This issuance, combined with GCAP's existing liquid funds, was utilised to fully redeem our US$ 300 million Eurobond. The Group's retail (pharmacy) business completed the buyout of the minority shareholders to increase GCAP's stake to 97.6%. The hospitality business successfully completed the sale of two operational hotels, two under-construction properties, and a vacant land plot for a total consideration of US$ 38.6 million and the proceeds from these sales were utilised for deleveraging the hospitality business's balance sheet. These transactions marked further substantial progress towards two of our core strategic priorities: to divest, over the next few years, subscale portfolio companies, and to significantly reduce leverage in the Group's balance sheet.

We noted the excellent performance of the Company over 2023 reflected both in the results and the stakeholder experience. The share price increased from GBP 7.30 at FY22 to GBP 10.22 at FY23. The share buyback and cancellation programme benefitted shareholders, under which the Group repurchased shares for a total consideration of US$ 18.3 million during the year. The Committee was also pleased to note that average employees' cash salaries increased by 23%, share salaries increased by 20% y-o-y and employee's average bonus increased y-o-y by 33%.

In accordance with his performance in financial year 2023, taking into account the 83% performance against KPIs and the wider stakeholder experience, the Remuneration Committee determined to award Irakli Gilauri 160,000 deferred shares (80% of maximum opportunity) with vesting and holding periods of up to six years from the beginning of the work year. The Committee is satisfied that the overall number of deferred discretionary shares awarded to Mr Gilauri for FY23 was fair and appropriate in the circumstances.

You can read the KPI calculations and disclosures in the section "Basis for determining Mr Gilauri's discretionary share compensation in respect of 2023" below.

Non-Executive Directors' fees
The Board considered the appropriate level of fees following the changes to the composition of the Board Committees made on 17 May 2023 after Kim Bradley and Jyrki Talvitie did not stand for re-election. The Investment Committee's work was absorbed into that of the Board as explained in the Corporate Governance Statement section of this Annual Report.

The Board reformulated the Board Committees in May 2023 as well as the composition of the Committees, and it was noted that fees for membership and Chair of the Nomination Committee were significantly lower than the fees for other Committees. Under the Company's Remuneration Policy, the amount of remuneration for Board fees and Committee fees may be reviewed from time to time, which may take into account time commitment, responsibilities and technical skills. It was, however, determined that the current fees did not reflect the responsibilities of the Nomination Committee, particularly given the increased stakeholder and cultural focus on Committee matters. The Board therefore agreed a small increase of US$ 5,700 to each of the members and Chair of the Nomination Committee with effect from 17 May 2023. The fees payable for membership of the Nomination Committee nevertheless continue to remain lower than the total fees for the Audit and Valuation Committee and the Remuneration Committee.

For each Non-Executive Director, their overall fees paid in 2023 took into account the changes in Board and Committee membership during the year as covered in the Governance section on page 150. Overall this reflects that total fees decreased.

Remuneration Committee activities and workforce engagement
During 2023 the Committee received insights into topics which were the most pertinent to our investors and an overall view of remuneration practices and investor response for the FTSE Small Cap market. The UK General Counsel updated the Committee on guidelines of proxy agencies and on proxy agency reports on the Company. The Committee noted the 99% shareholder support of the 2023 Directors' Remuneration Report.

The Committee considered benchmarking against the FTSE Small Cap and peers, alongside possible bonus projections. It was noted that Georgia Capital's structure remained unusual, with no cash salary or bonus for the Executive Director and long deferral periods for salary shares and discretionary deferred shares, and therefore comparison was made more difficult, especially as Georgia Capital itself is an unusual company. The most comparable peers were the other UK listed companies in Georgia, Bank of Georgia Group PLC and TBC Group PLC.

The Committee determined the bonus pool on aggregate level and rewards on individual level for senior management. The Committee considered each manager's performance and discussed the level of differentiation appropriate to distinguish between individual performance.

While the portfolio companies do not form part of the workforce of the holding companies, the Committee considered the wider workforce policies in 2023 and employee compensation. This covered salaries (cash, share and phantom shares), pension contributions (which is set by Georgian legislation at 0%-2%), benefits, leave and working hours, training and development, and number of staff by salary band. This was covered at the holding company level and the Committee considered the same for the main portfolio businesses including real estate, renewables, beer, wine, distribution, healthcare, insurance and the largest schools. Average employees' cash salaries increased by 23% and share salaries increased by 20% y-o-y, and employee's average bonus increased by 33% y-o-y.

Maria Chatti-Gautier is the Company's designated Non-Executive Director for workforce engagement, and a member of the Remuneration Committee. Employees were able to raise matters relating to the workforce (including remuneration) through Ms Chatti-Gautier. Further details on how the Board engages with its workforce can be found on page 131 in the Corporate Governance Framework section. There are only c.45 employees at the holding company level.

An external evaluation of the effectiveness of the Board was again undertaken by Amandla UK Limited ("Amandla") in 2023 which encompassed the Remuneration Committee. The Board and its members also underwent in-depth evaluations. Further details are set out on page 161.

Neil Janin
Chair of the Remuneration Committee
21 March 2024

Georgia Capital PLC Annual Report 2023

DIRECTORS' REMUNERATION REPORT CONTINUED

How the Remuneration Committee addressed the factors in provision 40 of the Code

The Remuneration Committee considered the requirements of the Code in determining the remuneration structure and Policy, taking each of the factors of provision 40 of the Code in turn:

Principle	Approach
Clarity	Remuneration arrangements are transparent and competitive. The Remuneration Policy describes the purpose, operation and maximum potential of each remuneration element and illustrates a range of potential outcomes for the Executive Director. There are only two main components of remuneration for Irakli Gilauri; the deferred share salary and the discretionary deferred share incentive remuneration. There is no LTIP and salary is paid in a fixed number of shares
Simplicity	The rationale is simple – this structure focuses the Executive Director and senior management on sustainable, long-term performance of the Company by remunerating them wholly (in the case of the current Executive Director) or predominantly (with respect to senior management) in deferred shares.
Risk	By its nature, setting all of the CEO's remuneration in shares which are deferred for up to six years from the start of the work year means the remuneration structure drives the CEO and senior management to mitigate reputational, behavioural and undue strategic risks as the outcome of such would be likely to affect the share price over the years. It also helps to avoid conflicts of interest. Further, the Executive Director's salary and bonus is calculated by reference to a fixed maximum number of shares. By setting a fixed number of shares (rather than a cash figure) the salary structure aligns our Executive Director's salary with the share price performance of the Company and ensures that the Executive Director will not (unlike in other companies) receive a windfall gain by receiving a higher number of shares when awarded at a lower share price.
Predictability	The range of possible values is set out in the Policy voluntarily, including the impact of share price appreciation and depreciation, to aid predictability. Further, by calculating the maximum opportunity to a fixed number of shares, the Company and its shareholders have certainty regarding the Executive Director's and senior management's remuneration.
Proportionality	Outcomes reward performance proportionately by reference to performance target ranges (threshold, target and outperformance) and weightings. Further, to allow appropriate adjustment, the Committee retains discretion over the bonus. For further considerations on proportionality, see section "Chief Executive's pay and comparators" on pages 150 to 151.
Alignment to culture	The current Executive Director's entire remuneration, which is comprised of deferred shares rather than cash, promotes alignment with the long-term success of the Company. Alignment with culture is supported by the inclusion of mentorship and development, as well as personal development, within the CEO's performance KPIs. Further information on alignment with the Company's purpose and values is set out in the Annual Statement of the Chairman on page 139.

Shareholder context

The Directors' Remuneration Policy applicable to this section of the Annual Report on Remuneration was approved by shareholders at our AGM on 20 May 2022 (the "2022 Policy" or the "Policy"). The Policy received the following votes from shareholders.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy	26,599,621	93.68	1,795,458	6.32	28,395,079	590

Set out below are the shareholder voting figures for the Directors' Remuneration Report (including the Annual Statement of the Chairman of the Remuneration Committee) presented at our 17 May 2023 AGM.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Report	29,108,979	99.02%	286,694	0.98	29,395,673	50

The Remuneration Committee and its advisers

The Remuneration Committee is principally responsible to the Board for establishing a remuneration policy for the Executive Directors, the Chairman and designated members of the executive management team that rewards fairly and responsibly, and is designed to support the Company's strategy and promote its long-term sustainable success. The Remuneration Committee ensures that performance-related elements of Executive Directors' remuneration are transparent, stretching and rigorously applied. The Remuneration Committee's full Terms of Reference are available on our website: **https://georgiacapital.ge/governance/cgf/terms**.

From 17 May 2023, the Remuneration Committee has been comprised of three Independent Non-Executive Directors: Neil Janin, who serves as Chairman, Maria Chatti-Gautier (designated Non-Executive Director for workforce engagement) and David Morrison. Prior to 17 May 2023, the Remuneration Committee was comprised of Jyrki Talvitie as Chairman, Maria Chatti-Gautier and Neil Janin. The members' attendance during 2023 is shown in the Board and Committee meetings attendance table on page 127. No other changes to the composition of the Remuneration Committee were made in 2023.

In addition to the formal meetings held during the year, the Remuneration Committee participated in various discussions by videoconference outside of these meetings. Other attendees at the Remuneration Committee meetings who provided advice or assistance to the Remuneration Committee on remuneration matters from time to time included the CEO, the other Board members and the UK General Counsel. Attendees at the Remuneration Committee meetings do not participate in discussions or decisions related to their own remuneration, which helps avoid any conflicts of interest.

The Remuneration Committee did not use remuneration consultants in 2023 (or 2024 to date). The Remuneration Committee received advice on compliance from Baker & McKenzie LLP, the Company's legal advisers. The Remuneration Committee is of the view that the advice received from Baker & McKenzie LLP is objective and independent.

Directors' remuneration

Single total figure of remuneration for the Executive Director (audited)

The table below sets out the remuneration earned by Georgia Capital PLC's sole Executive Director, Irakli Gilauri, in respect of his employment for the years ended 31 December 2023 and 31 December 2022. Mr Gilauri's compensation as set out in the table below is in the form of deferred shares that vest in tranches with a vesting and holding period of up to six years from the beginning of the work year. The values shown in the table are calculated at a fixed share price as described in footnotes 2 and 4 to the table. The actual value of the compensation as it is received over time will fluctuate with increases and decreases in the value of the share price as illustrated in the graph on page 150.

The decrease in dollar equivalent for the deferred share salary between 2022 and 2023 reflects the decline in the share price between the award date under Mr Gilauri's original Service Agreement and his prolonged agreement signed in October 2022 (which extended the contract beyond May 2023) as described in footnote 3 to the table.

The increase in dollar equivalent for the discretionary deferred shares between 2022 and 2023 reflects both the higher percentage of the maximum opportunity awarded for performance (60% in 2022 compared to 80% in 2023) but also the increase in share price between 2022 and 2023 award decision dates as described in footnote 4 to the table, illustrating the rationale behind the Policy of alignment between Mr Gilauri's and the shareholders' experiences. The maximum discretionary opportunity remains constant at 200,000 deferred shares.

	Cash salary[1] (US$)	Deferred share salary[2] (US$)	Taxable benefits[3] (US$)	Pension benefits[3] (US$)	Total fixed pay (US$)	Discretionary deferred shares[4] (US$)	Total variable pay (US$)	Single total figure (US$)
2023	**–**	**1,931,097**	**–**	**–**	**1,931,097**	**2,038,400**	**2,038,400**	**3,969,497**
2022	–	2,730,000	–	–	2,730,000	1,078,800	1,078,800	3,808,800

Notes:

1 Mr Gilauri does not receive a cash salary.

2 Deferred share salary. The figures show the Georgia Capital PLC shares underlying nil-cost options granted in respect of the relevant year. 200,000 deferred salary shares were awarded for the work year 2023 and for the work year 2022 for his role as CEO of Georgia Capital PLC (20,000 shares) and his role as CEO of JSC Georgia Capital and its subsidiaries (180,000 shares). Deferred share salary in respect of a work year will vest over six years (from the beginning of the work year) with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year. Mr Gilauri does not receive any remuneration with respect to his role as Chairman of the Group. To discharge the UK income tax and employee National Insurance contributions arising upon the grant of the salary shares, Georgia Capital PLC and the Executive Director agreed to waive his entitlement to such number of the salary shares as needed for the payment of the Executive Director's UK income tax and employee National Insurance contributions by the Company. Under this arrangement, the Executive Director waived his entitlement to 8,601 deferred salary shares with respect to work year 2023 and 8,166 deferred salary shares with respect to work year 2022.
Calculation of dollar value: US$ 1,931,097 value of deferred share salary in 2023 consist of 81,644 shares granted under Service Agreement ended May 2023 year and 118,356 shares under the prolonged Service Agreement signed in October 2022. The value of 81,644 shares granted for the work year 2023 and 200,000 shares granted for 2022 is calculated by reference to the share price on 12 July 2018, being the date of the Committee meeting at which the deferred share salary was determined. The share price on 12 July 2018 was US$ 13.65 per share (the official share price of GBP 10.324 converted into US Dollars using an exchange rate of 1.322, being the official exchange rate published by the Bank of England on the same date). The value of 118,356 shares granted for the work year 2023 under the prolonged employment agreement is calculated by reference to the share price on the effective date of prolongation of service agreement. The share price on 24 October 2022 was US$ 6.90 (the official share price of GBP 6.10 converted into US Dollars using an exchange rate of 1.131, being the official exchange rate published by the Bank of England on the same date).

3 There are no taxable benefits or pension benefits for 2023 and 2022. Mr Gilauri has agreed for all pension contributions to be waived. Mr Gilauri was reimbursed for reasonable business expenses, on the provision of valid receipts in line with the approved Policy. No money or other assets have been received or are receivable by Mr Gilauri in respect of a period of more than one financial year.

4 Discretionary deferred share remuneration. The figures show the value of Georgia Capital PLC shares underlying nil-cost options granted in respect of the bonus award for the year. For 2023, awards were granted over 160,000 shares. The value is calculated by reference to the share price on 19 December 2023, which is the last working day prior to the date of the Remuneration Committee meeting which determined the discretionary deferred share award on 20 December 2023, being US$ 12.74 per share (the official share price of GBP 10.000 converted into US Dollars using an exchange rate of 1.2739 being the official exchange rate published by the Bank of England on the same date). For 2022, awards were granted over 120,000 shares. The value is calculated by reference to the share price on 16 December 2022, which is the last working day prior to the date of the Remuneration Committee meeting which determined the discretionary deferred share award on 19 December 2022, being US$ 8.99 per share (the official share price of GBP 7.40 converted into US Dollars using an exchange rate of 1.2153 being the official exchange rate published by the Bank of England on the same date). Discretionary deferred shares vest 25% in each of the second, third, fourth and fifth years following the end of the work year and are subject to a further holding period of a year. The basis for determining Mr Gilauri's discretionary deferred share remuneration is set out below.

5 The number of shares awarded pursuant to the deferred share salary and discretionary deferred share remuneration is fixed at grant. No discretion has been exercised as a result of share price appreciation or depreciation. Discretionary deferred shares are subject to one-year targets which are satisfied pre-grant and the Company does not operate an LTIP. No amount of the remuneration in 2023 is attributable to share price remuneration. No amounts were recovered or withheld in 2023. No dividend equivalents have been received.

6. The Executive Director received 80,000 fewer discretionary deferred shares (120,000) in 2022 compared to 2021 (200,000).

Alternative remuneration table showing the Executive Director's 2023 and 2022 remuneration discounted for time value of money (unaudited)

For investor information, the alternative table below sets out the share remuneration earned by Irakli Gilauri in 2023 and 2022 as per the previous table (Single total figure of remuneration for the Executive Director) but taking into account the time value of money discounted at 15%, given that both the salary shares and discretionary deferred shares vest over a number of years. Further, the Executive Director may forfeit the shares on cessation of employment in certain circumstances.

	Deferred share salary (US$)	Discretionary deferred shares (US$)	Total salary and discretionary deferred shares remuneration (US$)
2023	**1,125,303**	**1,264,643**	**2,389,946**
2022	1,590,845	669,376	2,260,221

DIRECTORS' REMUNERATION REPORT CONTINUED

The following table sets out details of total remuneration for the Chairman and Chief Executive Officer, Mr Gilauri, for the years ended 31 December 2018 to 31 December 2023 and his discretionary compensation as a percentage of maximum opportunity.

	2018	2019	2020	2021	2022	2023
Single total figure of remuneration (US$)	4,066,962	3,790,000	3,898,000	4,414,000	3,808,800	**3,969,497**
Discretionary compensation as a percentage of maximum opportunity (%)	85%	50%	80%	100%	60%	**80%**

Note: Maximum opportunity is 100% of total number of salary shares in accordance with the approved Policy.

Basis for determining Mr Gilauri's discretionary deferred share compensation in respect of 2023 (audited)

Mr Gilauri's KPIs included financial targets, strategic targets and non-quantifiable components. The financial and strategic elements largely track the Group's KPIs as he is expected to deliver the Group's strategy. The non-quantifiable targets take into account factors such as leadership and mentoring, corporate culture and personal development. The Committee's practice is to set ambitious financial targets and would normally expect to award 70% of the maximum available for meeting the target, depending on the circumstances, including business and wider economic developments during the year. For strategic and development targets, measurement is more difficult, but here again we have high expectations of Mr Gilauri and would typically plan to award 70% of the maximum available for meeting these targets.

The individual KPI weightings are shown in the table below, which sets out the targets for Mr Gilauri's 2023 KPIs as well as a summary of the Committee's assessment of his performance against them. In line with the Policy, the Committee retains the discretion to increase or decrease the amount awarded. More details on performance are provided in the table on the following pages. The maximum award of award is discretionary deferred share compensation is 200,000 deferred shares.

We specifically link each KPI to the relevant Group priority and disclose ranges of targets for each KPI (threshold, target and maximum). We would typically expect to award 25% for threshold, 70% for target and 100% for outperformance for each KPI, with a sliding scale between categories. In accordance with feedback from shareholders, we continue to provide full information to better explain how the KPIs link to strategic targets and to explain the weightings. The Group is young and non-financial strategic targets are also key. The Group priorities have been cross-referenced against each performance metric chosen in the below KPI table.

Group priorities:

1. NAV per share growth
2. Diversifying access to capital
3. Efficient management structure
4. The right people in management and strong corporate governance
5. Deleveraging
6. Progress towards ESG targets
7. Continued divestiture of subscale portfolio companies
8. Institutionalising portfolio companies and meeting portfolio targets
9. Returning GCAP's cash inflows to our shareholders

KPI	Refers to Group priority, above	Weighting	2023 Target and range: Threshold	Target	Outperformance	Performance and evaluation	Weighted result
Financial targets							
NAV per share growth	1	25% 5% for overall	10%	14.5%	19%	Overall NAV per share growth: 26.5%	5%
		20% for private portfolio	10%	16.8%	21%	Private portfolio share growth: 15.7% NAV per share grew by 26.5% overall (4% in 2022) at an outperforming level for this key figure for investors, and 15.7% for portfolio share growth (-11.5% in 2022).	12%
Achieving budget of GCAP (net income) and portfolio companies (total revenue), including cash flow generation	5, 8	15%	GEL mln 160	GEL mln 379	GEL mln 570	GCAP standalone net income: GEL 616 million	9%
			GEL mln (275)	GEL mln (225)	GEL mln (175)	GCAP standalone cash flow: GEL (126) million	
			GEL mln 1,800	GEL mln 2,233	GEL mln 2,400	Portfolio aggregate revenue: GEL 2,074 million	
			GEL mln 180	GEL mln 230	GEL mln 270	Aggregate net operating cash flow: GEL 135 million GCAP standalone net income has grown from GEL 1.5 million in 2022 to GEL 616 million in 2023. This strong net profit was driven by: (a) high dividend inflow and value appreciation in Bank of Georgia share price and value creation in private businesses; (b) deleveraging of GCAP's debt; and (c) savings in operating expenses, including from change from Premium to Standard listing. In 2023 GCAP refinanced US$ 150 million Eurobonds and executed US$ 18 million share buybacks while target assumed refinancing of US$ 200 million Eurobonds and no share buybacks, and standalone cash flow was GEL (126) million adjusted for buybacks and paydown of net debt. Portfolio aggregate revenue increased 9% y-o-y. However, while above threshold it was below target, with regional and community clinics businesses being one of the main causes of this. Aggregate net operating cash flow was disappointing at GEL 135 million, as the hospitals business underperformed and required increased working capital.	
Expense ratio	3	7.5%	1.3%	1.03%	0.8%	Expense ratio: 0.8%, well below the target of 1.03% and at outperformance level	7.5%

DIRECTORS' REMUNERATION REPORT CONTINUED

KPI	Refers to Group priority, above	Weighting	2023 Target and range	Performance and evaluation	Weighted result
Financial targets			Threshold / Target / Outperformance		
Broaden access to capital including active seeking of price discovery of assets held (including strategic priority of divestment of subscale portfolio companies)	2	20%		Refinancing of the US $300 million Eurobond ahead of schedule with local US$ 150 million SLB, resulting in substantial de-risking of GCAP. Divestment from the hospitality business led to deleveraging and de-risking of the real estate businesses and receipt of US$ 38.6 million. In accordance with the strategy to divest subscale portfolio companies and in particular low return on invested capital (ROIC) businesses, sale of real estate assets (former headquarters of GHG) and Batumi hospital. Actively engaged in potential monetisation on several other businesses.	20%
Strategic targets			Threshold / Target / Outperformance		
Disciplined pursuit of investment opportunities, and asset and capital allocation, including Net Capital Commitment (NCC) targets	7, 9	20%	18% / 16.7% / 16%	NCC ratio decreased from 21.1% in 2022 to 15.6% in 2023. This was a result of increased dividend inflows combined with an increase in value of our portfolio companies. Given that the medium to long-term target was 15% by 2025, this is well ahead of schedule. Successful buyback of US$ 18 million equity on-market in addition to decreasing leverage, leading to a 4.1% increase in NAV. Investments made in businesses where GCAP's strategy is to have a longer-term view, notably in retail (pharmacy) (purchased the minority stake) and education (underperforming school purchased and built one mid-level school), and in insurance.	20%
Progress towards achieving mid to long-term strategic priorities in portfolio companies	8	7.5%		Ahead or well on-track in insurance, renewable energy, education, clinics and diagnostics, beverages, real estate and auto service businesses to achieve mid to long-term goals. Retail (pharmacy) is largely on-track given the ongoing regulatory pressures from cap prices on prescription drugs. The hospitals business is undergoing structural changes.	5.5%
Professional development and mentoring of management including successor(s) Progress towards ESG targets	4, 6	5%		Major development in progress of senior management at GCAP, stepping up to increased roles. Strong group of individuals now achieved, with senior management at HoldCo and at portfolio companies ready to move into more senior positions in portfolio companies as needed for succession planning. Placed the largest SLB in the region, including all work and adjustments needed to put in place underlying ESG structures and processes and solidification of pathways to Net-Zero emissions.	4%
TOTAL KPI PERFORMANCE ASSESSMENT					**83%**

The Committee noted the excellent performance of the Company over 2023 reflected both in the results and in the stakeholder experience. The share price increased from GBP 7.30 at FY22 to GBP 10.22 at FY23. The share buyback and cancellation programme benefitted shareholders, under which the Group repurchased shares for a total consideration of US$ 18.3 million during the year. The Committee was also pleased to note that average employees' cash salaries increased by 23%, share salaries increased by 20% y-o-y and employees' average bonus increased y-o-y by 33%.

Under Mr Gilauri's leadership during 2023, there was deleveraging through the successful issuance of a US$ 150 million SLB on the Georgian market. This issuance, combined with GCAP's existing liquid funds, was utilised to fully redeem our US$ 300 million Eurobond. The Group's retail (pharmacy) business completed the buyout of the minority shareholders to increase GCAP's stake to 97.6%. The hospitality business successfully completed the sale of two operational hotels, two under-construction properties, and a vacant land plot for a total consideration of US$ 38.6 million and the proceeds from these sales were utilised for deleveraging the hospitality business's balance sheet. These transactions marked further substantial progress towards two of our core strategic priorities: to divest, over the next few years, subscale portfolio companies, and to significantly reduce leverage in the Group's balance sheet.

In accordance with his performance in financial year 2023, taking into account the 83% performance against KPIs and the wider stakeholder experience, the Remuneration Committee determined to award Irakli Gilauri 160,000 deferred shares (80% of maximum opportunity) with vesting and holding period of up to six years from the beginning of the work year. The Committee is satisfied that the overall number of deferred discretionary shares awarded to Mr Gilauri for FY23 was fair and appropriate in the circumstances.

The Committee notes that there has not been an increase in Irakli Gilauri's salary since the Group listed in 2018 (including when the new Policy was approved in 2022) and that the 2018 salary reflected a decrease from the predecessor company. Similarly, the maximum bonus opportunity remains at 200,000 deferred shares. The Committee did not change its implementation of the Policy in 2023. The monetary value increases or decreases with the share price and alignment with shareholders is built into the structure as described extensively in this report. There is no annual cash bonus and no LTIP. The above exercise of discretion (80% awarded compared to 83% against KPIs) represents a reduction of 6,000 shares.

Percentage change in remuneration of Directors and employees
The following table sets out details of the percentage change in the remuneration awarded to the Directors, compared with the average percentage change in the per capita remuneration awarded to the employees at the holding companies' level only (c.45 employees) on a full-time equivalent basis as a whole, in line with the requirements in the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019.

Given the small number of employees employed by the Georgia Capital PLC entity is less than five and the Company's status as an investment entity under IFRS 10, we considered comparison against the holding companies' employees. See note 8 to the table below for a comparison of the full-time UK employees in compliance with the requirements of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. See the single total figure of remuneration table on pages 142 to 143 for an explanation of deferred share salary, taxable benefits and discretionary deferred remuneration of Mr Gilauri.

From 1 April 2020 to 31 December 2020, the members of the Nomination Committee waived their fees (and only the additional fee received by the Chair of the Committee (as Chair) on top of the normal Committee fees was retained by the Chairman), to show solidarity with the impact of the COVID-19 pandemic. The normal fees were reinstated in January 2021. After a review of the workload of the Nomination Committee, the fees were increased slightly for the Nomination Committee members and Chair from May 2023. The Audit and Valuation Committee's responsibilities were increased from 31 December 2019 when the Audit Committee became the Audit and Valuation Committee. To show solidarity with the impact of the COVID-19 pandemic the Audit and Valuation Committee did not receive an increase for financial year 2020, and instead the fees of the Chair and members were increased from January 2021.

Any further y-o-y movements in Non-Executive Director fees are attributable to a number of factors including the different Committee roles undertaken by each Non-Executive Director over the period.

For Irakli Gilauri, the change in dollar equivalent for the discretionary deferred shares between 2022 and 2023 is reflective of both the higher percentage of the maximum opportunity awarded for performance (60% in 2022 compared to 80% in 2023) but also the increase in share price between 2022 and 2023 resulting in a higher monetary equivalent at the decision date. The maximum discretionary opportunity remains constant at 200,000 deferred shares.

Similarly, Irakli Gilauri's salary remained 200,000 deferred shares but the basis of calculation changed, as explained in the notes to and in the paragraphs around the Single total figure of remuneration table earlier in this report.

DIRECTORS' REMUNERATION REPORT CONTINUED

Y-o-y change in pay for Directors compared to the employees at the holding companies level as a whole

2023	Average employees	Executive Director: Irakli Gilauri	Non-Executive Directors: David Morrison	Kim Bradley	Jyrki Talvitie	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier	Neil Janin
Total cash salary	23.3%	–	0%	-64.2%	-62.1%	0%	3%	NMF
Total deferred share salary	19.7%	-29.3%	–	–	–	–	–	–
Taxable benefits	16.6%	–	–	–	–	–	–	–
Total bonus	33.2%	89.0%	–	–	–	–	–	–

Y-o-y change in pay for Directors compared to the employees at the holding companies level as a whole

2022	Average employees	Executive Director: Irakli Gilauri	Non-Executive Directors: David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier	Neil Janin
Total cash salary	4.1%	–	–	9.7%	–	-61.3%	–	–	100%
Total deferred share salary	20.6%	0%	–	–	–	–	–	–	–
Taxable benefits	3.5%	–	–	–	–	–	–	–	–
Total bonus	-16.6%	-35.9%	–	–	–	–	–	–	–

Y-o-y change in pay for Directors compared to the employees at the holding companies level as a whole

2021	Average employees	Executive Director: Irakli Gilauri	Non-Executive Directors: David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier
Total cash salary	6.5%	–	3.9%	3.9%	4.7%	5.0%	5.0%	36.2%
Total deferred share salary	-26.0%	0%	–	–	–	–	–	–
Taxable benefits	22.7%	–	–	–	–	–	–	–
Total bonus	23.1%	44.2%	–	–	–	–	–	–

Year-on-year change in pay for Directors compared to the employees at the holding companies level as a whole

2020	Average employees	Executive Director: Irakli Gilauri	Non-Executive Directors: David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier
Total cash salary	11.0%	–	-3.7%	7.2%	-3.6%	-4.8%	-4.8%	N/A
Total deferred share salary	0%	0%	–	–	–	–	–	–
Taxable benefits	7.3%	–	–	–	–	–	–	–
Total bonus	20.0%	10.2%	–	–	–	–	–	–

Notes:

1 The Investment Committee was dissolved on 17 May 2023 and its duties were absorbed by the Board. Kim Bradley and Jyrki Talvitie did not seek re-election at the 2023 AGM and therefore ceased to be Directors on 17 May 2023. On 17 May 2023, David Morrison became a member of the Remuneration Committee, Maria Chatti-Gautier stepped down as member of the Nomination Committee and become a member of the Audit and Valuation Committee, Massimo Gesua' sive Salvadori became a member of the Nomination Committee, and Neil Janin became Chair of the Remuneration Committee and Chair of the Nomination Committee. The Nomination Committee member and Chair fees were increased after consideration of their comparative workload.

2 Kim Bradley was appointed as a member of the Audit and Valuation Committee from 20 May 2022, and stepped down as a member of the Nomination Committee and the Remuneration Committee on 20 December 2022. Caroline Brown did not seek re-election at the 2022 AGM and therefore ceased to be a Director on 20 May 2022.

3 Neil Janin was appointed as a member of the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital, and the Nomination Committee and the Remuneration Committee on 17 October 2022, and as a member of the Investment Committee on 20 December 2022.

4 Maria Chatti-Gautier was appointed to the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital, and the Remuneration Committee and Nomination Committee on 19 March 2020.

5 On 19 March 2020, David Morrison, Caroline Brown and Massimo Gesua' sive Salvadori stepped down as members of the Nomination Committee.

6 For the period of 1 April 2020 to 31 December 2020 the members of the Nomination Committee waived their fees, and for the Chairman of the Committee only the difference between the level of fees for the Chair against the member's fees was retained, to show solidarity with the impact of COVID-19.

7 The Audit and Valuation Committee's responsibilities were increased from 31 December 2019; to show solidarity with the impact of the COVID-19 pandemic the Committee did not receive an increased fee for their expanded role for year 2020, but the fees of the Chair and members were instead increased from 1 January 2021.

8 The Company has less than five UK employees and the percentage changes could be considered to be distortive. Y-o-y change on a full-time basis for UK employees from 2019 to 2020 for cash salary is 1.8%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is 30.1%. Y-o-y change on a full-time basis for UK employees from 2020 to 2021 for cash salary is -2.7%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is -1.8%. Y-o-y change on a full-time basis for UK employees from 2021 to 2022 for cash salary is 10.5%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is -5.3%. Y-o-y change on a full-time basis for UK employees from 2022 to 2023 for cash salary is 3.7%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is 15.3%.

Details of fixed and discretionary deferred share remuneration granted during 2023

The table below sets out details of the nil-cost options over GCAP shares which have been granted to Mr Gilauri in 2023 in respect of the 2022 work year as reflected on a combined basis in the accounts of Georgia Capital PLC and JSC Georgia Capital. Please note that the information presented in this section relates to Mr Gilauri's performance in the 2022 financial year.

	Deferred share salary	Discretionary deferred share remuneration
Number of underlying shares and basis on which award was made	200,000 granted pursuant to the Policy available at **https://georgiacapital.ge/governance/cgf/policies**	120,000 (with respect to his FY22 bonus) granted pursuant to the Policy available at **https://georgiacapital.ge/governance/cgf/policies**
Type of interest	Nil-cost option	Nil-cost option
Cost to Group (as reflected in accounts)	US$ 2,730,000[1]	US$ 1,078,000[2]
Face value	US$ 2,730,000[1] Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).	US$ 1,078,000[2] Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).
Percentage of award achievable if minimum performance achieved	100% of the award will be receivable, since the award is part of the Executive Director's salary for 2022 and accordingly is not subject to performance measures or targets over the vesting period.	100% of the award will be receivable, since the award is based on 2022 performance (and is not an LTIP award) and accordingly is not subject to performance measures or targets over the vesting period.
Exercise price	Nil. The options form part of the Executive Director's salary under the Policy and so no payment is required upon exercise. The exercise price has not changed.	Nil. The options make up the entirety of the Executive Director's performance-based remuneration (with respect to his performance in the previous financial year) so no payment is required upon exercise. The exercise price has not changed.
Vesting period	20% in each of 2024, 2025, 2026, 2027 and 2028.	25% in each of 2024, 2025, 2026 and 2027. Holding period of a further one year on each tranche.
Performance measures	None. See the 2022 Policy available at **https://georgiacapital.ge/ir/annual-reports**	See the 2022 Policy available at **https://georgiacapital.ge/ir/annual-reports**

1 Deferred share salary. The value is calculated as described in footnote 2 to the table of Single total figure of remuneration for the Executive Director.
2 Discretionary deferred share remuneration. The value is calculated as described in footnote 4 to the table of Single total figure of remuneration for the Executive Director.

CEO pay and comparators

The Group has less than 250 UK employees and therefore is not required to disclose ratios of the CEO pay against the UK employees' pay (and indeed given it has less than five UK employees, to do so would be distortionary).

The remuneration structure is very unusual with all salary and bonus being in deferred shares (no cash) to create very strong alignment with shareholders. It is difficult to compare our overall remuneration to others in monetary value given the time value of money and the delayed receipt of the Executive Director's remuneration (as the salary and bonus shares are released across several years). It is also difficult to quantify the risk of these salary and bonus shares lapsing (due to malus but also in the event of early termination under certain circumstances). When formulating the Policy, we presented the overall package (without factoring in the time value of money or risk of lapse) to investors.

The Committee also considered the fact that the CEO's salary was 35% less than the CEO salary in our predecessor company, BGEO Group PLC. The most comparable peers are the two other UK listed companies in Georgia, Bank of Georgia Group PLC and TBC Group PLC.

Moreover, the renewed Policy in 2022 retained the same number of shares for salary and for the maximum opportunity as was presented to shareholders for their approval in 2019; there was no increase in salary nor incentive.

DIRECTORS' REMUNERATION REPORT CONTINUED

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the remuneration received by each Non-Executive Director in 2023 and 2022.

The Non-Executive Directors do not receive any variable remuneration or pension contributions.

	Georgia Capital PLC fees (US$)		JSC Georgia Capital fees (US$)		Total fees (US$)	
	2023	2022	**2023**	2022	**2023**	2022
Neil Janin	**62,451**	10,953	**87,984**	17,140	**150,435**	28,094
David Morrison	**67,890**	67,890	**133,736**	133,736	**201,626**	201,626
Massimo Gesua' sive Salvadori	**57,784**	52,341	**99,169**	104,609	**156,953**	156,950
Kim Bradley	**24,929**	77,768	**51,491**	135,646	**76,420**	213,414
Jyrki Talvitie	**24,819**	65,481	**35,998**	94,973	**60,817**	160,454
Maria Chatti-Gautier	**54,831**	58,911	**99,407**	90,885	**154,238**	149,796
Total	**292,704**	353,605	**507,785**	617,484	**800,489**	971,089

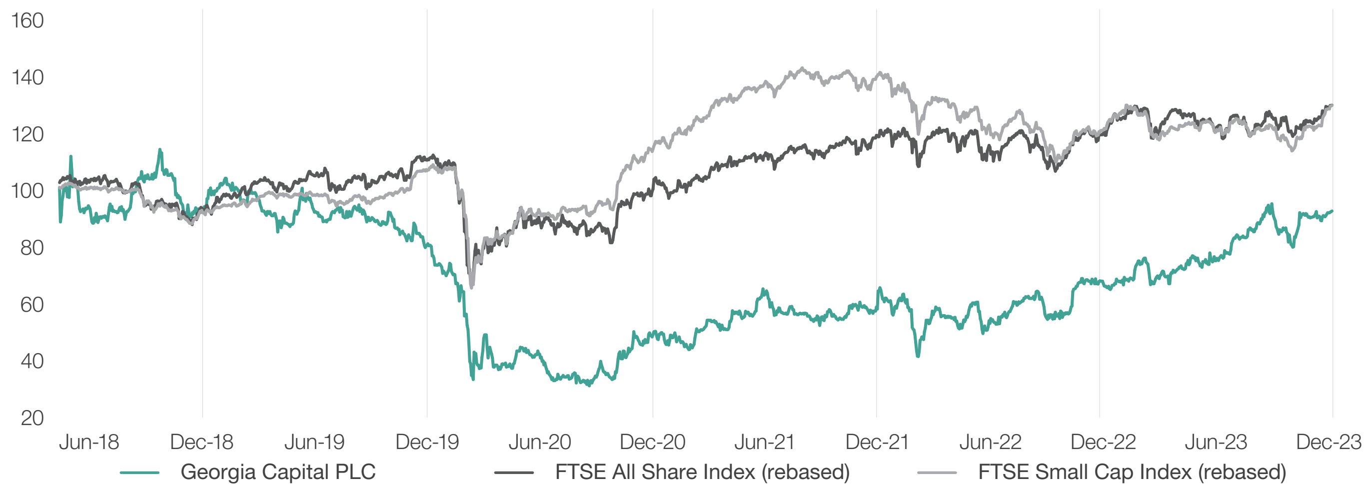
Notes:
1 The Investment Committee was dissolved on 17 May 2023 and its responsibilities were absorbed by the Board.
2 Kim Bradley and Jyrki Talvitie did not seek re-election at the 2023 AGM and therefore ceased to be Directors on 17 May 2023.
3 On 17 May 2023, David Morrison became a member of the Remuneration Committee, Maria Chatti-Gautier stepped down as member of the Nomination Committee and became a member of the Audit and Valuation Committee, Massimo Gesua' sive Salvadori became a member of the Nomination Committee, and Neil Janin became Chair of the Remuneration Committee and Chair of the Nomination Committee.
4 Neil Janin was appointed as a member of the Board of Directors of Georgia Capital PLC and the Supervisory Board of JSC Georgia Capital, and of the Nomination Committee and Remuneration Committee, on 17 October 2022, and as a member of the Investment Committee on 20 December 2022.
5 Kim Bradley was appointed as a member of the Audit and Valuation Committee from 20 May 2022, and stepped down as a member of the Nomination Committee and the Remuneration Committee on 20 December 2022.
6 The Non-Executive Directors do not receive any taxable benefits, pension benefits or variable remuneration.

Payments to former Directors and for loss of office (audited)

No payments were made to former Directors or for loss of office during the year ended 31 December 2023.

Total Shareholder Return

Georgia Capital PLC has been a member of the FTSE All Share Index since its listing on 29 May 2018. The following graph compares the Total Shareholder Return (TSR) of Georgia Capital PLC with the companies comprising the FTSE All Share Index and FTSE Small Cap Index for the period from 29 May 2018 until 31 December 2023.



Relative importance of spend on pay

The following table shows Georgia Capital's actual spend on pay at the holding company's level only (c.45 employees in total) between 2022 and 2023. We considered comparison against these employees to be the most appropriate given the Company's status as an investment entity under IFRS 10.

	Remuneration paid to all employees of the Group	Distribution to shareholders by way of buyback
Year ended 31 December 2022 (US$ thousands)	10,004	18,071
Year ended 31 December 2023 (US$ thousands)	13,453	18,242
Percentage change	34.5%	0.9%

Notes:
1 There were no dividends in 2022 or 2023. The US Dollar amount is calculated using an average GEL/US$ exchange rate for each of 2022 and 2023.
2 The buyback and cancellation programmes returned value to shareholders.
3 1,665,222 shares with a total value of US$ 18.3 million (GEL 47.9 million) were bought back under GCAP's share buyback and cancellation programmes during 2023.

Share ownership requirement (audited)

Executive Directors are required to build over five years and maintain a shareholding equivalent to 200% of base salary, which is 400,000 shares. Mr Gilauri already holds above this requirement as at 31 December 2023 – see table and table note 2 below. In accordance with the Policy, beneficially owned shares as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares count towards the requirement, noting that such unvested and vested shares are not subject to performance conditions after their grant.

Directors' interests in shares (audited)

The following table sets forth the respective holdings of GCAP shares of each Director as at 31 December 2022 and 2023.

	As at 31 December 2022				As at 31 December 2023			
	Number of GCAP shares held directly	Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in GCAP shares	Number of GCAP shares held directly	Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in GCAP shares
Irakli Gilauri	1,322,320	–	954,221	2,276,541	**1,589,028**	**–**	**934,766**	**2,523,794**
David Morrison	101,368	N/A	N/A	101,368	**101,368**	**N/A**	**N/A**	**101,368**
Kim Bradley	35,383	N/A	N/A	35,383	**35,383**	**N/A**	**N/A**	**35,383**
Jyrki Talvitie	12,585	N/A	N/A	12,585	**12,585**	**N/A**	**N/A**	**12,585**
Massimo Gesua' sive Salvadori	13,739	N/A	N/A	13,739	**13,739**	**N/A**	**N/A**	**13,739**
Marie Chatti-Gautier	6,860	N/A	N/A	6,860	**6,860**	**N/A**	**N/A**	**6,860**
Neil Janin	–	N/A	N/A	–	**7,000**	**N/A**	**N/A**	**7,000**

Notes:
1 As at 31 December 2023, Mr Gilauri's vested and unvested shareholding was 2,523,794 GCAP shares, representing approximately 5.8% of the Company's share capital. In January 2024, Mr Gilauri received awards of 200,000 nil-cost options over ordinary shares in respect of deferred salary shares for the 2023 work year, out of which 8,601 were waived by Mr Gilauri to discharge the UK income tax and employee National Insurance contributions. In January 2024, Mr Gilauri exercised 321,157 nil-cost options over ordinary shares, of which 62,080 shares were withheld to meet tax liabilities. These will be reported in the 2024 Annual Report and Accounts and are not included in the table above, which is at 31 December 2023.
2 On 6 January 2023, Mr Gilauri received awards of 200,000 nil-cost options over ordinary shares in respect of deferred salary shares for the 2022 work year, out of which 8,166 were waived by Mr Gilauri to discharge the UK income tax and employee National Insurance contributions. In January 2023 Mr Gilauri exercised 331,289 nil-cost options over ordinary shares, out of which 64,581 shares were withheld to meet tax liabilities. In May 2023, Mr Gilauri received awards of 120,000 nil-cost options over ordinary shares in respect of discretionary deferred shares for the 2022 work year. As of 31 December 2023, all vested nil-cost options of the CEO were exercised. None of Mr Gilauri's connected persons have any interest in the shares of the Company.
3 Kim Bradley and Jyrki Talvitie did not seek re-election at the 2023 AGM and therefore ceased to be Directors on 17 May 2023.
4 On 27 December 2023, Neilco EURL, a PCA of Neil Janin, sold 7,000 GCAP shares to Neil Janin at market price.

The Remuneration Policy focuses on base salary in deferred salary shares and discretionary compensation in discretionary deferred shares. The long vesting periods naturally result in the Executive Director, Irakli Gilauri, building up large holdings of unvested nil-cost options. The Policy naturally results in Mr Gilauri and our executive management team holding a significant number of unvested shares and achieves a delay between performance and vesting. We believe these results are consistent with the principles of the Investment Association. As at 31 December 2023, Mr Gilauri met the shareholding requirement.

Under the Directors' Remuneration Policy, the Group does not require Non-Executive Directors to hold a specified number of shares in GCAP. Notwithstanding this, some Non-Executive Directors have chosen to become shareholders. The Non-Executive Directors are not awarded incentive shares and are not remunerated in shares. Non-Executive Directors are not subject to a shareholding requirement.

There have been no changes in the Directors' interests in shares in the Company between the end of the financial year and the last practicable date of 15 March 2024, with exception of Irakli Gilauri who as at 15 March 2024 holds total of 2,653,112 vested and unvested shares.

DIRECTORS' REMUNERATION REPORT CONTINUED

Details of Non-Executive Directors' letters of appointment
Georgia Capital has entered into letters of appointment with each Non-Executive Director. The letters of appointment require Non-Executive Directors to provide one month's notice prior to termination. The letters of appointment for the majority of current Non-Executive Directors are effective from 24 February 2018, with Maria Chatti-Gautier's effective from her appointment on 19 March 2020 and Neil Janin's from his appointment on 17 October 2022. Each Non-Executive Director is put forward for election at each AGM following his or her appointment. Continuation of a Non-Executive Director's employment is conditional on his or her continued satisfactory performance and re-election by shareholders at each AGM.

A succession plan adopted by the Board provides for a tenure of six years on both the Georgia Capital PLC and JSC Georgia Capital Boards. Upon the expiry of such six-year tenure, the appointment of the relevant Non-Executive Director may cease at the next upcoming AGM.

Notwithstanding the foregoing, if the Board determines that, in order to maintain the balance of appropriate skills and experience required for the Board, it is important to retain a Non-Executive Director on the Board beyond the relevant six-year period, the Board may offer the Non-Executive Director a letter of appointment for an additional one-year term. Such a one-year "re-appointment" may be renewed no more than two times, with the effect that the usual six-year tenure may be extended to a maximum of nine years if circumstances were to warrant such extension.

Implementation of Remuneration Policy for 2024
Details of how the Policy will be implemented for the 2024 financial year are set out below. There will be no significant change in the way that the 2022 Policy will be implemented in 2024 and no deviations from the procedure for the implementation of the Policy as set out in the Policy.

For Irakli Gilauri

2024 fixed pay

Total deferred share salary	200,000 Georgia Capital deferred shares underlying nil-cost options per annum pro rata.
Pension benefits	Mr Gilauri has agreed for all pension contributions to be waived. Details of the benefits received by Executive Directors are on page 150.

The circumstances in which unvested deferred shares may lapse, and the narrow circumstances in which such shares may vest immediately, are set out in detail in the 2022 Policy.

2024 discretionary deferred share remuneration

Deferral terms	The Committee will determine whether an award is merited based on an Executive Director's achievement of the KPIs set by the Committee for the work year and the performance of the Group during the work year. If Mr Gilauri is awarded discretionary deferred shares with respect to the 2024 work year, the award will vest 25% in January of each of 2026, 2027, 2028 and 2029. Each tranche will be subject to a further holding period of one year. This decision will be set out in the 2024 Directors' Report. Upon vesting, Mr Gilauri will receive (in addition to the vested shares) cash payments equal to the dividends paid (if any) on the underlying shares between the beginning of the year immediately following the work year and the vesting date.
Performance measures	For 2024, the Remuneration Committee has determined that the performance measures will be based on KPIs (see below). The Remuneration Committee has considered the details of each KPI and ensured that measurable targets are included. The KPIs will be reviewed by the Remuneration Committee throughout the year and by the Board as appropriate.
See notes to the Policy for malus and clawback provisions.	

2024 CEO KPIs
The 2024 KPIs were selected based on our strategy and ongoing key metrics. Consequently, the 2024 KPIs are as follows:
- NAV per share;
- Achieving budget of GCAP and portfolio companies, including cash flow generation;
- Expense ratio;
- Broaden access to capital including active seeking of price discovery of assets (including strategic priority of divestment of subscale portfolio companies);
- Disciplined pursuit of investment opportunities and asset and capital allocation, including NCC targets;
- Progress towards achieving mid to long-term strategic priorities in portfolio companies;
- Professional development and mentoring of management; and
- Progress towards ESG targets.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and appropriate detail will therefore be disclosed in the 2024 Remuneration Report following the completion of the financial year. KPIs and targets will be reviewed and may be revised by the Remuneration Committee and the Board as appropriate throughout the year, subject to the terms of the Policy.

Non-Executive Director remuneration
The table below shows the fee structure for Non-Executive Directors for 2024. Non-Executive Directors' fees are determined by the Board.

Component	Purpose and link to strategy	Operation	Opportunity
Base cash fee	The fee for the Board is competitive enough to attract and retain individuals. The Chairman receives a fee which reflects the extra time committed and responsibility. However, no Chairman's fee is received when Chairman and CEO roles are combined. The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time and responsibility.	Cash payment on quarterly basis.	The amount of remuneration may be reviewed from time to time by the Board. The fees may be amended and varied if there are genuinely unforeseen and exceptional circumstances. Any significant increase shall be the minimum reasonably required. The maximum aggregate for all Non-Executive Directors which may be paid by Georgia Capital PLC for the PLC fees is GBP 750,000 which is consistent with the current limit in the PLC's Articles of Association.
Cash fee for each Committee membership	Additional fee to compensate for additional time spent discharging Committee duties.	Cash payment on quarterly basis.	The amount of remuneration for the membership may be reviewed from time to time by the Board. The Chairman of the PLC does not receive any Committee fee.

Summary of Directors' Remuneration Policy
The Remuneration Policy was approved at the AGM on 20 May 2022 and took effect from that date. It is intended that approval of the Policy will be sought at three-year intervals, unless amendments to the 2022 Policy are required, in which case further shareholder approval will be sought; no changes are proposed for 2024. The full 2022 Policy is available at **https://georgiacapital.ge/governance/cgf/policies**. The tables in this section provide a summary of the Policy.

Remuneration Policy table for Executive Directors

Deferred share salary

Purpose and link to strategy To reflect the role and required duties, skills, experience and individual contribution to the Group whilst promoting long-term value creation and share price growth.	**Opportunity** The maximum number of deferred share salary shares is 200,000 per annum for Irakli Gilauri, of which 20,000 shares per annum are for his work as the CEO of Georgia Capital PLC and 180,000 shares per annum are for his work as a CEO of JSC Georgia Capital and its subsidiaries.
Operation The level of base salary for an Executive Director is fixed in his or her service agreement(s). Salary is comprised entirely of long-term deferred shares ("deferred share salary") in the form of nil-cost options annually in respect of the work year with no cash salary. Deferred share salary is awarded annually in the form of nil-cost options in respect of the work year and vest over five years with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year. At vesting the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date. Lapse provisions (natural malus) are built into the deferred share salary. Extended malus and clawback provisions do not apply to the deferred share salary as the awards attach to salary already earned.	**Performance measures** N/A

DIRECTORS' REMUNERATION REPORT CONTINUED

Discretionary deferred shares

Purpose and link to strategy	Opportunity
To motivate and reward an Executive Director that meets or exceeds the KPIs set for him or her by the Remuneration Committee for the relevant period. Performance-based remuneration is solely in the form of deferred shares (no cash), designed to closely align the interests of an Executive Director with shareholders, avoid inappropriate risk taking for short-term gain and encourage long-term commitment to the Group.	The maximum number of discretionary deferred shares that may be awarded in respect of the previous work year for Mr Gilauri is capped at 200,000 shares (i.e. 100% of deferred share salary). For an Executive Director (other than Mr Gilauri), the maximum opportunity in respect of the previous work year is 100% of total salary.
Operation	**Performance measures**
Performance-based remuneration is awarded annually entirely in the form of nil-cost options over the Group shares subject to vesting ("discretionary deferred shares"). The Group does not award cash bonuses. The Remuneration Committee will determine annually the number of shares to be awarded based on the Executive Director's achievement of the KPIs set for the work year and the performance of the Group during that year. Any discretionary deferred shares are expected to be granted following the end of the work year and vest 25% in each of the second, third, fourth and fifth years following the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the award. Each tranche of vested discretionary deferred shares must then be held for a further one year. At vesting, the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the beginning of the year immediately following the work year and the vesting date. There is no contractual right to discretionary deferred shares and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Group's performance is unsatisfactory. Extended malus and clawback, in addition to lapse provisions (natural malus) apply.	KPIs for the Executive Director are set towards the beginning of each work year and reflect the Executive Director's targeted contribution to the Group's overall key strategic and financial objectives for the coming work year. KPIs may also include non-tangible factors such as self-development, mentoring and social responsibility. If appropriate, where a strategic change or change in business circumstances has made one or more of the KPIs an inaccurate gauge of the Executive Director's performance, the Remuneration Committee may decide to base its assessment on alternative measures.

Pension

Purpose and link to strategy	Opportunity
The Group complies with pension requirements set by the Georgian Government. The same arrangement applies to employees across the Group in Georgia.	In line with current Georgian legislation, the Executive Director and Group each contribute 0%-2% of total remuneration from the Group, and the Georgian Government may contribute a further small amount (0%-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.
Operation	**Performance measures**
Pension provision will be in line with Georgian pension legislation, which may change from time to time. There is no provision for the recovery or withholding of pension payments.	N/A

Benefits

Purpose and link to strategy	Opportunity
Non-cash benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high-calibre talent.	There is no prescribed maximum on the value of benefits payable to an Executive Director. The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the Executive Director is based. Other benefits may be provided from time to time if considered reasonable and appropriate.
Operation	**Performance measures**
Benefits consist of: life insurance; health insurance; incapacity/disability insurance; Directors' and Officers' liability insurance; physical examinations; tax gross-ups and tax equalisation payments; company car and driver; mobile phone costs; personal security arrangements (if requested by the Executive Director); assistance with completing tax returns (where required); relocation costs for Executive Director and close family; and legal costs.	N/A

Shareholding guidelines

Purpose and link to strategy	Opportunity
To ensure Executive Directors build and hold a significant shareholding in the Group over the long term and to align Executive Directors' interests with those of shareholders. To ensure departing Executive Directors make long-term decisions and maintain an interest in the ongoing success of the Group post- employment.	Executive Directors are required to build and then maintain a shareholding equivalent to 200% of salary, such amount to be built up within a five- year period from appointment as an Executive Director (the "Required Shareholding"). All beneficially owned shares, as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares count towards the Required Shareholding (as such awards are not subject to any performance conditions after grant). Executive Directors are to retain the lower of (i) the Required Shareholding, or (ii) the shareholding at the time employment ceases, for a period of two years from the date on which employment ceases unless the Remuneration Committee determines otherwise. In very exceptional circumstances, for example in the event of a serious conflict of interest, the Remuneration Committee has the discretion to vary or waive the Required Shareholding, but must explain any exercise of its discretion in the Group's next Remuneration Report. It should be emphasised that there is no present intention to use this discretion.

Clawback and malus

Discretionary deferred shares are subject to malus, and clawback for up to two years from vesting, in the following circumstances:

- misconduct in the performance or substantial failure to perform duties;
- significant financial losses, serious failure of risk management or serious damage to the reputation of Georgia Capital PLC or JSC Georgia Capital, caused by misconduct or gross negligence (including inaction in performance of his/her duties by the Executive Director);
- material misstatement or material errors in the Financial Statements that relates to the area of responsibility of the Executive Director or can be attributed to their action (or inaction in performance of his/her duties);
- deliberately misleading Georgia Capital PLC or JSC Georgia Capital in relation to financial performance; and
- an award being made on the basis of erroneous or misleading data, provided that for payments based on erroneous or misleading data (other than where such error has been caused by fraud, wilful misconduct, deliberate action/inaction and/or gross negligence of the Executive Director), malus and clawback applies to discretionary deferred remuneration awarded for the year in question.

The above provisions form part of Mr Gilauri's service contract. Further, the Group has also amended the Executive Equity Compensation plan to allow shares to be lapsed, including to zero, or clawed back in accordance with the provisions in the Executive Director's contract.

For the Group's current Executive Director, Mr Gilauri, the Group also has unusually strong malus provisions where all unvested shares (deferred share salary and discretionary deferred shares) lapse when the service contract is terminated under certain circumstances, including for cause such as gross misconduct, substantial and repeated failure to perform duties, fraud or conviction of a felony. This may be several years of salary deferred shares and discretionary deferred shares. Please see "Termination of the JSC Georgia Capital service agreement" in the Policy for more information.

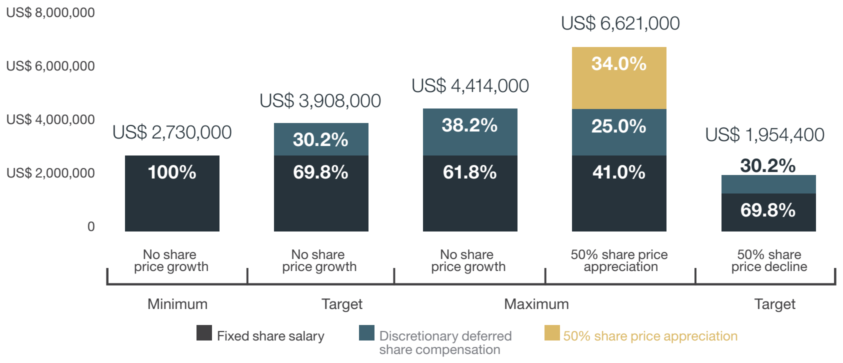
DIRECTORS' REMUNERATION REPORT CONTINUED

Illustration of application of Remuneration Policy

The chart below shows an estimate of the remuneration that could be received by Mr Gilauri, the Group's sole Executive Director and CEO, in respect of 2022 under the proposed Policy at five different performance levels.

The 50% share price appreciation disclosure is made voluntarily by the Group (as performance measures are limited to one year) for investor information.

Below is an extract from the 2022 Policy.



Notes:
1. Salary is comprised of deferred share salary and benefits. Mr Gilauri does not receive a cash salary and has waived all pension contributions. For illustration purposes, the value of the deferred share salary payable to Mr Gilauri is US$ 2,730,000, calculated by reference to the share price of US$ 13.65 on 12 July 2018, being the date of the Remuneration Committee meeting (the official share price of GBP 10.324 converted into US Dollars using an exchange rate of 1.3223, being the official exchange rate published by the Bank of England on the same date) to approve the contract.
2. For the purpose of calculating the value of discretionary deferred shares for illustration in this chart a share price of US$ 8.42 per share was used which was the share price of the most recent discretionary deferred remuneration award (ahead of the Policy implementation). The actual value of the discretionary deferred share award in respect of the performance of the 2022 work year is reported in the 2022 Annual Report and Accounts as at latest closing share price before the Remuneration Committee meeting at which the award is decided.
3. Minimum opportunity reflects a scenario whereby Mr Gilauri receives only fixed remuneration which is deferred share salary and benefits. No share price growth assumptions have been made.
4. On-target opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and 140,000 discretionary deferred shares, being 70% of the maximum opportunity. No share price growth assumptions have been made.
5. Maximum opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% being the number of shares granted under the deferred share salary. No share price growth assumptions have been made.
6. Maximum plus 50% share price growth reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% of the maximum opportunity and share price grows by 50%.
7. Target with 50% share price depreciation reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 70% of the maximum opportunity and share price depreciates by 50%.
8. For long-term incentive awards, disclosure of the value of the award in the event of a 50% share price appreciation is required by the Companies (Miscellaneous Reporting) Regulations 2018. Such disclosure is not required for short-term incentive awards, such as those made by the Group, where performance measures are limited to one year, nor is it required for salary compensation in the form of shares. The reason for this is that an increase in the value of the deferred shares resulting from share price appreciation in the period through to the vesting date is not considered to constitute remuneration for the purposes of the regulations. However, the Group has decided to voluntarily disclose information showing the value of a 50% share price appreciation.

Remuneration Policy table for Non-Executive Directors

Base fees

Purpose and link to strategy	Opportunity
To attract and retain high-performing Non-Executive Directors with the requisite skills, knowledge, experience, independence and other attributes to add value to the Group.	The maximum aggregate Georgia Capital PLC fees for all Non-Executive Directors which may be paid under Georgia Capital PLC's Articles of Association is GBP 750,000. A specific maximum has not been set for the individual base cash fee. The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time commitment and responsibility. The Chairman receives a fee which reflects the extra time commitment and responsibility. However, no Chairman's fee is received when the Chairman and CEO roles are combined.
Operation	**Performance measures**
All fees are paid in cash on a quarterly basis. The fee of the Chairman will be determined by the Remuneration Committee. Fees for Non-Executive Directors will be determined by the Board. Fees may be reviewed from time to time by the above, taking into account the time commitment, responsibilities and the technical skills required to make a valuable contribution to the Board, and by reference to comparators, benchmarking, results of the annual review and other guidance. The Board also reserves the right, in their discretion, to amend and vary the fees if there are genuinely unforeseen and exceptional circumstances which necessitate such review and, in such circumstances, any significant increase shall be the minimum reasonably required. The Board reserves the right to structure the Non-Executive Directors' fees differently in its absolute discretion. Non-Executive Directors are reimbursed for reasonable business expenses, including travel and accommodation, which are incurred in the course of carrying out duties.	N/A

Committee fees

Purpose and link to strategy	Opportunity
Compensate for additional time spent discharging Committee duties.	The Chairman does not receive Committee fees.
Operation	**Performance measures**
Cash payment on a quarterly basis. The amount of remuneration for Committee membership is reviewed as above.	N/A

Service agreements and policy on payments for loss of office for our Directors

Mr Gilauri is the sole Executive Director of the Group. Mr Gilauri has a service contract effective 29 May 2018 with Georgia Capital PLC for an indefinite term which is terminable by either party on not less than four months' notice unless for cause where notice served by the Group shall have immediate effect.

Mr Gilauri also has a service agreement with JSC Georgia Capital effective from 29 May 2018 until 31 December 2025 which is terminable by the Executive Director on not less than three months' notice.

For information on our policy on payments for loss of office, please see our full Policy at **https://georgiacapital.ge/governance/cgf/policies**.

Letters of Non-Executive Directors' appointments

Each Non-Executive Director is required to submit himself or herself for annual re-election at the AGM. The letters of appointment for Non-Executive Directors provide for a one-month notice period although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-Executive Director has committed any material breach or non-observance of his or her obligations to the Group, is guilty of fraud or dishonesty, brings the Group or him/herself into disrepute or is disqualified as acting as a Director, among other circumstances. Upon termination, the only remuneration a Non-Executive Director is entitled to is accrued fees as at the date of termination together with reimbursement of properly incurred expenses incurred prior to the termination date.

The service agreements and letters of appointment are available for inspection at the Company's registered office.

Signed on behalf of the Remuneration Committee and the Board of Directors

Neil Janin
Chair of the Remuneration Committee
21 March 2024

NOMINATION COMMITTEE REPORT

Neil Janin
Chairman of the Nomination Committee

DEVELOPING AND RECRUITING THE TALENT PIPELINE FOR A UNIQUE GROUP

Committee membership	Meeting attendance[1]
Neil Janin (Chairman)	2/2
Massimo Gesua' sive Salvadori[2]	2/2
Irakli Gilauri	2/2

Dear Shareholders
I am delighted to present the Nomination Committee's ("the Committee") report for the year ended 31 December 2023, this being my first report to you having succeeded Jyrki Talvitie to the role of Committee Chair immediately following the AGM on 17 May 2023. I would like to thank both Jyrki and Kim Bradley for their outstanding contribution to the Company and as members of this Committee.

The Committee's focus during the year was on ensuring that following the reduction in the size of the Board, the three Board Committees were properly and effectively constituted and that a replacement designated Non-Executive Director for employee engagement was identified.

The Committee's principal responsibility is to lead the process of appointing Directors to the Board and recruiting into other senior management positions. Having considered the results of the Board evaluation reported on later in this report, the Committee is satisfied that the composition of the Board and Committees overall remains appropriate with regards to the successful delivery of the Company's strategic and financial objectives. The Committee also concluded the same of the composition of the Audit and Valuation Committee continues to be appropriate.

The Committee continues to monitor the ongoing combination of the roles of Chairman and CEO and is satisfied that this remains the best structure for the Company for the time being. Mr Gilauri recuses himself from any discussion on this subject.

The Board has carried out a further evaluation, reported on later in this report and is satisfied that the size and composition of the Board is appropriate for the Group and that it comprises the right combination of skills, experience and knowledge. The Committee considers that there continues to be strong leaders across our portfolio companies. Succession planning, aligned to the Group's strategy, is an ongoing priority for the Committee at both Board and senior management level.

More details on the matters above are set out later in this Report.

Neil Janin
Chairman of the Nomination Committee
21 March 2024

1 The number of meetings of the Committee attended by each member during the year, together with the number of meetings they were entitled to attend.
2 Massimo Gesua' sive Salvadori joined as a member of the Committee with effect from 17 May 2023.

The role of the Nomination Committee
The role of the Nomination Committee is to ensure that the Board is comprised of individuals best able to discharge the responsibilities of Directors, having regard to the highest standards of governance, the strategic direction of the Company and the Board's Diversity Policy.

We also help to ensure that the Company appoints excellent executive managers within our portfolio of companies, and who are capable of successfully executing our strategic objectives.

In summary, the key responsibilities of the Nomination Committee include:
- regular review of the composition of the Board and its Committees to ensure they are appropriately constituted and balanced in terms of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and balance in terms of skills, experience, independence and knowledge;
- responsibility for identifying and nominating candidates for the approval by the Board to fill Board vacancies as and when they arise;
- giving full consideration to succession planning for Directors, including the Chairman and CEO and other senior management, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keeping under review the Group's leadership needs, both executive and non-executive, and ensuring plans are in place for senior management succession, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and
- making recommendations to the Board concerning the re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code ("the Code"), having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and their independence, bearing in mind the need for progressive refreshing of the Board.

The Committee undertook a review of its Terms of Reference, and the Committee is satisfied that these continue to be aligned to the Code and best practice, and appropriate for the Company. The full Terms of Reference of the Committee can be found on our website here: **https://georgiacapital.ge/governance/cgf/terms**.

Composition and meeting attendance
The composition of the Committee and the members' meeting attendance for the year 2023 are set out in the Board and Committee meeting attendance table on page 127, and the skills and experience each member contributes can be found on pages 122 to 123. Up until 17 May 2023, the date of the Company's most recent AGM, the Committee was comprised of Jyrki Talvitie as Chair, Maria Chatti-Gautier, Irakli Gilauri and myself. I succeeded Jyrki Talvitie as Committee Chair following the 2023 AGM. At the same time Maria Chatti-Gautier stepped down from this Committee and Massimo Gesua' sive Salvadori was appointed.

From time-to-time members of management may be invited to meetings to provide a fuller picture and deeper level of insight into key issues and developments.

The Committee also reviewed the time commitment of the Non-Executive Directors, and considered any external directorships, length of service as well as independence of character and integrity. Alongside these factors the Committee took into account the Company's strategic direction and the required skills and competencies required of the Board as a whole. The Committee concluded that it was happy to recommend that each Non-Executive Director and the Executive Director be re-elected at the 2024 AGM.

With the continuing service of David Morrison (Chair) and Massimo Gesua' sive Salvadori, who are now joined by Maria Chatti-Gautier (see pages 122 to 123 for a description of their experience and reason for appointment), the Committee considers that the financial expertise of the Audit and Valuation Committee's members is recent and relevant. The changes to the composition of the Remuneration and this Committee were also part of the Committee's work during 2023.

The tenure for David Morrison and Massimo Gesua' sive Salvadori is six years as at the date of this report (appointed in February 2018), Maria Chatti-Gautier's tenure is four years (appointed in March 2020) and my tenure is one year (appointed in October 2022). As part of a wider assessment, the Committee noted that David Morrison and I previously held roles as Directors of BGEO Group PLC. The business of Georgia Capital demerged from BGEO Group PLC, into a new group which listed in May 2018. Georgia Capital is a platform for buying, developing and selling businesses in Georgia. Importantly therefore, the nature of the business of Georgia Capital is substantially different to that of BGEO Group PLC at the date of the demerger, which primarily consisted of the regulated bank. I recused myself from the Committee's consideration of this matter but I can report that the Committee concluded that from our previous long careers, Mr Morrison and I have very strong experience, knowledge and authority to demonstrate objective judgement and provide constructive challenge among the Board members for this Company's business as an investment platform. The Committee has also noted the continuing contribution of all Board members in Board meetings and outside the meetings. Taking all the foregoing into consideration, the Committee determines that all Board members are independent in character and judgement.

You can read more on the balance of the Board in the section on "Board size, composition, tenure and independence" on page 124.

Role of the Chairman of the Board
The Committee keeps the current practice of combining the role of Chairman and CEO roles and remains satisfied that, notwithstanding this is not compliant with provision 9 of the Code, the continuing combination of the two roles (i.e. the current structure) best serves our Company and recommends that it should continue for the time being. Mr Gilauri did not participate in these discussions. The Committee and the Board will keep the structure under review. Shareholders have, for the last five years, been supportive of this structure and from our discussions with shareholders, we believe this continues to be the case. The basis for this conclusion, and our shareholder engagement on this matter, is set out in the Directors' Governance Statement on page 120.

Inclusion and diversity
Our Board embraces diversity in all its forms and the Board understands the importance of developing a diverse pipeline for succession to senior management and the Board.

The Committee and the Board recognise the role that diversity plays in promoting balanced decision-making, which aligns with our values and strategy. Diversity of skills, background, experience, knowledge, outlook, approach, gender, nationality and ethnicity, amongst other factors, are taken into consideration when seeking to appoint a new director to the Board. Above all, any Board appointment will always be based on merit.

Equally, we are clear that diversity of outlook and approach, while inevitably difficult to measure, is a key determinant in maintaining an effective Board. We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity, and the Board is aligned with recommendations for ethnic minorities on UK boards, with the inclusion of Board members Maria Chatti-Gautier, of Syrian (Middle Eastern) heritage and Irakli Gilauri, an ethnic Georgian. The Committees and individual members of the Board wish to note that, given that the Board also consists of Massimo Gesua' sive Salvadori, who is Jewish and Italian, David Morrison, a US National, and Neil Janin, a Canadian, the Board's diversity extends beyond ethnicity alone.

NOMINATION COMMITTEE REPORT CONTINUED

It is recognised that ethnic heritage draws upon a number of factors in tandem, and that the Group is primarily based in Georgia, where the Georgian majority ethnic group may not always fit neatly into UK-centric diversity metrics. Georgian (Kartuli) is the only prominent language of the Kartvelian language family, and has its own script, and the majority religion in Georgia is the Orthodox Church of Georgia. Georgia sits geographically and culturally at the intersection of Europe, Asia and the Middle East, and Georgians tend to identify themselves as a distinct indigenous group of the Caucasus.

Diversity is a core feature of the Committee's work and as such, is an integral part of the Board recruitment process as described in more detail elsewhere in this report, and is part of the search specification agreed with external agents.

We remain committed to having a Board that is diverse in all respects and the Committee will continue to examine ways in which we can build on its current diversity. We support the FTSE Women Leaders Review regarding gender diversity, and the Committee is working to improve the gender balance of those in senior management positions and their direct reports, as described in the Resources and Responsibilities section on page 84 and in the Sustainability Report.

Georgia Capital recognises that it does not currently satisfy the LR 14 target, given that less than 40% of the individuals on our board are women and no woman occupies the position of Chair, SID or CEO.

We have made a concerted effort to reduce the number of non-executive directors on our Board and have succeeded in meaningfully reducing the cost of the Board without compromising on its quality. Given these recent changes, we believe it to be in our shareholders' best interests to proceed on further Board changes with caution. We strongly believe that diversity targets are not just an end goal, but a continuous journey. Our long-term ambition is to increase diversity on our Board, in all its forms, to ensure a wider representation of both gender and the society in which we operate. With David Morrison's and Massimo Gesua' sive Salvadori's tenures as independent directors expiring in three years, the Committee will continue to ensure that diversity is always considered when drawing up candidate shortlists, with the aim of increasing the representation of women on the board, and in senior Board positions, and achieving the targets under the UK Listing Rules.

On 31 December 2023, Georgia Capital, as an investment holding company, had a total of 47 employees, of which 27 are females, and 20 are males. You can view our further gender diversity statistics on page 84 in the Resources and Responsibilities section and in the Sustainability Report.

Our gender identity and ethnicity data in accordance with LR 14.3.33R(2) at 31 December 2023 was as follows. The data was collected through self-reporting by the Directors and management:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	80%	3	6	66.66%
Women	1	20%	–	3	33.33%
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Notes:
- The CFO is a member of management team but not a member of the Board.
- The role of the Chair and CEO is combined.

Table for reporting on ethnic background:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	3	60%	1	–	–
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	2	40%	1	9	100%
Not specified/prefer not to say	–	–	–	–	–

The Committee is responsible for maintaining and assessing the effectiveness of the Company's Diversity Policy and reviews this on an ongoing basis. You can read more about the established diverse culture and related activities during 2023 in the Resources and Responsibilities section on pages 80 to 93 and in the Sustainability Report.

Succession planning and talent development

Board succession planning at the senior management level was, as mentioned previously, an area of focus for the Committee during the year. We have previously reported on the creation of opportunities to develop high-performing individuals and to build diversity in senior roles across the business. We continue to build on this initiative and have developed a talented pool of employees within Georgia Capital that we believe is the best way to ensure a healthy and diverse pipeline of future leaders of the Company in line with the Group's strategy.

In addition, the Company pursues initiatives aimed at developing the entrepreneurial business leaders that Georgia Capital will require as it grows.

Training and Director induction

We are committed to the continuing development of our Directors in order that they may build on their expertise and maintain a detailed understanding of the business and the markets in which our investments operate. All of our Directors participated in development sessions and presentations. The UK General Counsel and Group Corporate Secretary provided briefings as appropriate on regulatory and governance developments, including on changes in the Listing Rules and on stakeholder views on diversity.

Each Director, upon appointment, receives a tailored induction to the Company and its various investments over the first six months of appointment, with the purpose of:
- building an understanding of the nature of the Company, its business and its markets;
- building a link with the Company's people;
- building an understanding of the Company's main relationships; and
- understanding the obligations and responsibilities of a Director of a UK main market-listed company.

As part of the induction programme, each Director meets members of executive management and receives information about the role of the Board and individual Directors, each Board Committee and the powers delegated to these Committees. The new Director is also advised of the legal and other duties and obligations of a Director of a listed company.

Board and Committee evaluation

The Company again engaged Amandla to conduct an in-depth evaluation of Georgia Capital's Board comprising a multi-faceted approach. This included online interviews with the entire Board, feedback reports, individual assessments for each Board member, in-person group coaching and observation of Board meetings. Amandla considers that the Board is functioning adeptly in terms of governance, supervision and oversight. Amandla observed that the Board is intrinsically tied to the commitment and longevity of its members, reflecting a profound dedication to the Company's mission. With the transformation into a more streamlined Board, Amandla reported the focus on maintenance of a rich diversity of experiences, a profound respect among members, and a commitment to progressive, assertive debate. Amandla concluded that the Board is currently operating effectively. Its potential could be maximised by affording Board members an uninterrupted period of collaboration and avoiding a revolving door of further changes. The Board's members respect one another and are keen to steer the necessary transformations essential for creating value in a challenging region.

The Chairmanship was described as commendable, and Amandla commented that reduction in Board size augurs well for agile decision-making. The Board reflects diverse thoughts and experiences in line with industry standards. In terms of oversight, Amandla stated that the Board is fit for purpose. Amandla had previously worked with the Chairman and other senior executives within Georgia Capital. The assessment included a series of qualitative diagnostic interviews designed to ascertain from each of the Board members several different components:
1. The individual strengths of each member.
2. The areas which other Board members felt there could be a greater contribution.
3. The dynamics in the team that allowed for healthy challenge and debate.
4. The areas that might need attention.

Given his role as Chairman and CEO, Irakli Gilauri's performance was also reviewed by the Remuneration Committee and the Senior Independent Director. In addition, the full Board met to consider the Remuneration Committee's recommendations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with the applicable UK-adopted international accounting standards.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:
- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Annual Report, including the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Irakli Gilauri
Chairman and CEO
21 March 2024

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2023.

Please refer to the Corporate Governance Statement for further information on how we applied the UK Corporate Governance Code.

Strategic Report
The Strategic Report on pages 2 to 119 was approved by the Board of Directors on 21 March 2024 and signed on its behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Management Report
This Directors' Report together with the Strategic Report on pages 2 to 119 form the Management Report for the basis of DTR 4.1.8 R.

Directors
The names and biographies of the current Directors of the Company are shown on pages 122 to 123 and include their relevant experience. In accordance with the UK Corporate Governance Code, all Directors will retire and stand for re-election at the AGM.

The Directors' beneficial interests in ordinary shares of Georgia Capital as at 31 December 2023 are shown on page 150 together with any changes in those interests between the financial year end and the date on which this Directors' Report was approved by the Board.

Powers of Directors
The Directors may exercise all powers of the Company subject to applicable legislation and regulations and Georgia Capital's Articles of Association.

Information contained elsewhere in the Annual Report
Information required to be included in this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

Articles of Association
Georgia Capital PLC's (the "Company") Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The process for the appointment and removal of Directors is included in the Company's Articles of Association. The Georgia Capital PLC Articles of Association are available on the Company's website: **https://georgiacapital.ge/governance/cgf/articles**.

Share capital and rights attaching to the shares
Details of the movements in share capital during the year are provided in Note 8 to the financial statements on page 192 of this Annual Report. As at the last practicable date of 15 March 2024, there was a single class of 42,673,998 ordinary shares of 1 pence each in issue, each with one vote. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:
- have shareholder documents made available to them including notice of any general meetings;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

The Company is permitted to make market purchases of its own shares provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006.

Authority was given at the AGM of the Company on 17 May 2023 for the Company to purchase up to 6,719,696 shares (approximately 14.99% of Georgia Capital's issued ordinary share capital excluding treasury shares as at 23 March 2023) on-market. This authority will expire at the conclusion of the Company's AGM in 2024 or, if earlier, the close of business on 17 June 2024.

Information	Location in Annual Report
Future developments	Pages 2-119
Going Concern Statement	Page 69
Viability Statement	Pages 69-70
Risk management	Pages 66-70
Principal risks and uncertainties	Pages 71-79
Directors' Governance Statement	Pages 120-121
The Board of Directors	Pages 122-123
Audit and Valuation Committee report	Pages 133-138
Remuneration Committee report	Pages 139-157
Summary of Remuneration Policy	Page 153
Nomination Committee report	Pages 158-161
Related party disclosures	Page 203
Greenhouse gas emissions	Page 86
Employee matters	Pages 82-85
Environmental matters	Pages 85-93
Share capital	Page 192
Engagement with suppliers, customers and others in a business relationship with the Company	Page 128
Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, foreign currency risk and financial instruments	Pages 194-197
Research and development	As an investment holding company, GCAP does not engage in research and development activities comparable with, for example, manufacturing companies. Instead, research and development activities are carried out separately by each of our portfolio companies. This sub-report is therefore omitted.

DIRECTORS' REPORT CONTINUED

A renewal of the authority to make market purchases will be sought from shareholders at each AGM of the Company. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

Authority was given at the AGM of the Company on 17 May 2023 for the Company to purchase up to 15,689,751 shares (approximately 35% of Georgia Capital's issued ordinary share capital excluding treasury shares as at 23 March 2023) off-market. This authority will expire at the conclusion of the Company's AGM in 2024 or, if earlier, the close of business on 17 June 2024.

A renewal of the authority to make off-market purchases may be sought from shareholders at future AGMs of the Company. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

At the AGM of the Company on 17 May 2023, the Directors were given the power a) to allot shares up to a maximum nominal amount of GBP 149,426.20 (representing 14,942,620 ordinary shares, approximately one third of the Company's issued share capital as at 23 March 2023), and b) to allot equity securities up to an aggregate nominal amount of GBP 149,426.20 in connection with an offer by way of a rights issue: (i) to holders of shares in proportion (as nearly as may be practicable) to their existing holdings; and (ii) to holders of other equity securities as required by the rights of those securities or, if the Board consider it necessary, as permitted by the rights of those securities, such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any securities into shares granted under paragraph (a), and subject to the Board having the right to make such exclusions or other arrangements as they may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory. These authorities will expire at the conclusion of the 2024 AGM (or, if earlier, at the close of business on 17 August 2024) and approval will be sought at that meeting to renew a similar authority for a further year.

The Directors did not allot any shares during 2023.

In April 2023, the Board approved a buyback programme whereby the Company purchased 1,000,000 of Georgia Capital's issued ordinary share capital with a total nominal value of US$ 10.0 million. All shares purchased pursuant to this programme were cancelled on a monthly basis, consequently reducing the share capital. The last buyback under this programme occurred on the 20 June 2023. In October 2023, the Board approved a new US$ 15.0 million share buyback and cancellation programme with the intention of all shares purchased pursuant to this programme to be cancelled on a monthly basis, consequently reducing the share capital. Under the US$ 15 million share buyback and cancellation programme, the Company purchased 665,222 of Georgia Capital's issued ordinary share capital with a total nominal value of US$ 8.3 million in 2023. In the first quarter of 2024 to date 488,642 shares have been bought back and cancelled.

The purpose of both buyback programmes was to reduce Georgia Capital PLC's number of outstanding ordinary shares.

Under the above programmes, the Company has repurchased 1,665,222 of its own shares during the financial year ended 31 December 2023, representing a nominal value of US$ 18.3 million and an aggregate consideration paid by Georgia Capital PLC of GBP 14.6 million on the UK trading. The shares cancelled represent 3.7% of the shares in issue and 3.9% of the shares in issue, excluding treasury shares.

None of the ordinary shares carry any special rights with regard to control of Georgia Capital. There are no restrictions on transfers of shares other than:

- certain restrictions, which may from time to time be imposed by laws or regulations such as those relating to insider dealing or pursuant to the Group's Inside Information Disclosure Policy;
- pursuant to the Company's Securities Dealing Policy and Code, whereby the Directors and designated employees require approval to deal in Georgia Capital's shares or cannot deal in certain periods; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

There are no restrictions on exercising voting rights save in situations where Georgia Capital is legally entitled to impose such restriction (for example, under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to Georgia Capital). Georgia Capital is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

In August 2023, JSC Georgia Capital issued a US$ 150 million SLB on the Georgian market. The bonds are US$-denominated with a five-year bullet maturity (callable after two years), carry an 8.50% fixed coupon and were issued at par. The bonds are rated BB- by S&P, a one-notch upgrade compared to the Eurobonds. The proceeds from the transaction, together with the existing liquid funds of GCAP were fully used to redeem GCAP's Eurobonds.

Results and dividends
The Company made a profit before taxation of GEL 608.6 million. The Company's profit after taxation for the year was GEL 608.6 million.

The Company may by ordinary resolution declare dividends provided that no such dividend shall exceed the amount recommended by the Company's Directors. The Directors may also pay such interim dividends as appear to be justified by the profits of the Company available for distribution.

As the Company is a holding company, Georgia Capital relies primarily on dividends and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

The Company expects to be a cash-generative business with the opportunity for attractive capital investment to enhance its growth prospects, both through organic investments and acquisitions. The Board intends to pursue a capital returns policy that reflects this strategy whilst also delivering shareholders high-quality, long-term dividend growth, through share buybacks or other potential exits. However, the Board may periodically reassess the Company's dividend policy and the payment of dividends (or quantum of the same) will depend on the Group's existing and future financial condition, results of operations, capital requirements, investment and divestment cycles, liquidity needs and other matters the Board considers relevant from time to time.

AGM
The arrangements for the Company's next AGM and details of the resolutions to be proposed, together with explanatory notes will, be set out in the Notice of AGM to be published on the Company's website: **https://georgiacapital.ge/**.

Equity Settled Option Plan (ESOP)
The Company operates an EBT (the "ESOP"), which holds ordinary shares in trust for the benefit of employees and former employees of the Group, and their dependents, and which is used in conjunction with the Group's employee share schemes. Whilst ordinary shares are held in the EBT, the voting rights in respect of these ordinary shares are exercised by the trustees of the EBT.

In accordance with the ESOP documentation, Apex Group Fiduciary Services Limited has waived its right to receive any dividends. This waiver will remain in place indefinitely, unless otherwise instructed by Georgia Capital. New shares issued in satisfaction of deferred share compensation from the time of the Company's listing on the LSE will not exceed 10% of the Company's ordinary share capital over any ten-year period.

Conflicts of interest
In accordance with the Companies Act 2006, the Directors have adopted a policy and procedure for disclosure and authorisation (if appropriate) of conflicts of interest, and these have been followed during 2023. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law.

Directors' remuneration
Directors' fees are determined by the Remuneration Committee from time to time. The remuneration of Directors must be in accordance with the Directors' Remuneration Policy. A remuneration policy was put to the shareholders for approval at the 2023 AGM and remuneration is determined in accordance with that Policy.

The fees paid to the Non-Executive Directors in 2023 pursuant to their letters of appointment are shown on page 150. The fees paid to our sole Executive Director in 2023 pursuant to his service agreements with Georgia Capital are shown on pages 142 to 143.

Indemnity
Subject to applicable legislation, every current and former Director or other officer of the Company (other than any person engaged by the Company as auditor) shall be indemnified by the Company against (broadly) any liability in relation to the Company, other than (broadly) any liability to the Company or a member of the Company, or any criminal or regulatory fine. In addition, the Company has put in place Directors' and Officers' liability insurance. Such indemnities were in force throughout the financial period and will remain in force as at the date of this Annual Report.

Related party disclosures
Details of related party disclosures are set out in Note 14 to the financial statements on page 203 of this Annual Report.

Significant agreements
The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

Presence outside of Georgia
The Company has an office in London: see page 207.

Employee disclosures
Our disclosures relating to the number of women in senior management, employee engagement and our policies on human rights, including employees with a disability, are included in the section "Employee matters" on pages 82 to 85.

Political donations
The Company did not make any political donations or expenditure during 2023. Authority to make political donations and incur political expenditure will be put to shareholder vote at the 2024 AGM.

Code of Conduct and Ethics
The Board has adopted a Code of Conduct and Ethics relating to the lawful and ethical conduct of the business, supported by the Company's core values. The Code of Conduct and Ethics has been communicated to all Directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Company operates. Our Code of Conduct and Ethics is available on our website: **https://georgiacapital.ge/governance/cgf/policies**.

Independent auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of Georgia Capital will be put to shareholders at the upcoming AGM.

Major interests in shares
The table below lists shareholders with voting rights of more than 3% as of 31 December 2023.

Shareholder	Number of voting rights	% of voting rights
Gemsstock Ltd	4,721,881	10.94%
JSC Georgia Capital Executive Equity Compensation Trust	4,154,584	9.63%
Allan Gray Ltd	2,971,140	6.88%
Lazard Asset Management LLC	2,417,636	5.60%[1]
Coeli Frontier Markets AB	2,133,120	4.94%
Schroder Investment Management Ltd	1,601,299	3.71%
Irakli Gilauri	1,589,028	3.54%
Eaton Vance	1,509,677	3.50%

Source: Georgeson, Computershare

For the period 1 January 2024 up to and including 15 March 2024 (the latest practicable date for inclusion in this report), the Company has received the following notifications pursuant to Rule 5 of the DTRs:

Shareholder	Number of voting rights	% of voting rights
Lazard Asset Management LLC	2,191,390	5.08%[2]
Irakli Gilauri	1,848,104	4.30%

It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. The respective regulatory filings by shareholders are available on the Company's website and the LSE website.

Post-balance sheet events
Please see Note 15 to the financial statements, for any post-balance sheet activities.

Statement of disclosure of information to the auditor
We, the Directors confirm that, so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware and we have taken all steps that we reasonably believe should be taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of such information.

The Directors' Report on pages 163 to 165 was approved by the Board of Directors on 21 March 2024 and signed on its behalf by:

Link Company Matters Limited
Company Secretary
21 March 2024

1 Combines several accounts managed by Lazard Asset Management LLC.
2 Omits the certain accounts managed by Lazard Asset Management LLC. Considering the omitted accounts, the shareholding of Lazard Asset Management LLC would stand at approximately 6.2% (based on the management estimate).

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GEORGIA CAPITAL PLC

Report on the audit of the financial statements

Opinion

In our opinion, Georgia Capital PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2023; the Statement of Profit or Loss and Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Valuation Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 9 – Auditors' remuneration, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

Georgia Capital PLC is a company listed on the London Stock Exchange which invests in and develops businesses within Georgia. It holds 100% of the share capital of JSC Georgia Capital. Its primary operations are in Georgia. In planning for our audit, we met with the Audit and Valuation Committee and members of management to discuss and understand significant changes to the business during the year, and to understand their perspectives on associated business risks. We used this insight when forming our views regarding the business, as part of developing our audit plan and when scoping and performing our audit procedures.

Overview

Audit scope

- The Annual Report and financial statements are prepared as an investment entity under IFRS 10. We have audited 100% of the investment portfolio held by Georgia Capital PLC through JSC Georgia Capital. This represents 99% of the equity investments at fair value balance.
- We instructed PwC Georgia to perform audit procedures on inputs to the valuation models of the investment portfolio. We performed audit procedures over the assumptions and methodologies applied in developing the valuation of the investment portfolio.
- We instructed PwC Georgia to perform audit procedures over valuation model inputs and other balances pertaining to the equity investments at fair value balance.

Key audit matters

- Valuation of equity investments at fair value.

Materiality

- Overall materiality: GEL 33,785,000 (2022: 28,174,000) based on 1% of net assets.
- Performance materiality: 25,338,000 (2022: 14,086,965).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit. The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of equity investments at fair value The equity investments at fair value balance presented in the Statement of Financial Position is the Company's investment in its subsidiary, predominantly comprised of the fair value of the investment portfolio. The investment portfolio includes unquoted investments. The accounting policy for this balance is included in note 3 to the financial statements. The breakdown of the balance is disclosed in note 5 to the financial statements and the value of the unquoted investments is GEL 2,287m. In valuing the investment portfolio, key assumptions include discount rates, future growth projections, control premia, illiquidity discounts and the application of weighted averages to different valuation approaches. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant investment, and unobservable data, such as forecast earnings for the investments. In discounted cash flow models, unobservable inputs are the project cash flows of the relevant investments and the discount rates applied. The valuation of equity investments at fair value was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each investment and the expected future cash flows. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual investment valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.	We obtained an understanding of management's processes and controls for determining the fair value of equity investments, including understanding management's interactions with Kroll as management's external experts. We performed the following procedures over the valuation of equity investments at fair value as at 31 December 2023: • We assessed the competence and capabilities of management's expert and verified their qualifications. • We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. Based on this work, we are satisfied that the valuers were independent and competent and the scope of their work was appropriate. • In conjunction with our auditor's valuation experts, the engagement team held discussions with management and 3rd party valuers to challenge their assumptions and validate inputs used; • Validated the appropriateness of the fair valuation policies to assess whether they are in accordance with applicable accounting requirements; • Tested the classification of Level 3 investments to assess whether they were classified appropriately; • Reviewed valuation methodologies to confirm they are in line with Georgia Capital Valuation Policies and IFRS requirements; • Recalculated the valuation models from their Excel formula to assess mathematical accuracy; • Supported by the PwC Georgia team, assessed the appropriateness of any unobservable inputs or significant estimates used in valuations, including benchmarking against publicly available information where available, and obtained corroborative evidence; and • Validated ownership and other interests held through regulatory data, sale and purchase agreements or other third party reports. In addition, given the inherent subjectivity involved in the valuation of the investments, and therefore the need for specialised market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts to assist us in our audit of this area. The experts performed the following procedures on a sample of investments: • Obtained and read the valuation report drafted by Kroll for each asset in the sample; • Discussed with Kroll and management their rationale for the valuations; • Reviewed and assessed the reasonableness of the valuation approaches and methodologies for compliance with the relevant industry best practice and IFRS; • Reviewed certain key inputs and assumptions, including discount rates, future growth projections, control premia, illiquidity discounts and the applicable of weighted averages as at 31 December 2023; and • Reported their findings to the audit team for overall considerations and conclusions. We considered the appropriateness and adequacy of the disclosures around the estimation uncertainty and sensitivities on the accounting estimates. Our testing did not identify any evidence of material misstatement.

INDEPENDENT AUDITORS' REPORT CONTINUED

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Georgia Capital PLC is an investment entity as defined by IFRS 10. It recognises its 100% holding in JSC Georgia Capital under the Equity investments at fair value account. 97% of this balance is comprised of equity investments held at fair value through JSC Georgia Capital. The audit work over this balance was performed by the UK and Georgia engagement teams in conjunction with PwC UK valuation experts.

The Senior Statutory Auditor is based in the UK, along with the UK engagement team. As the Company's management and operations are located in Georgia, the UK engagement team have instructed the Georgia engagement team for JSC Georgia Capital to report to the UK on special purpose financial information as it pertains to the equity investments at fair value balance.

The Georgia engagement team have carried out audit procedures over certain balances included within equity investments at fair value along with testing of inputs into the investment valuation models. The UK engagement team, together with the UK valuations experts, performed audit procedures over the judgemental assumptions and methodologies employed in determining a fair value.

The UK engagement team held regular calls with the Georgia engagement team to understand the audit approach, findings from the results of audit procedures and any issues arising from our work. The Senior Statutory Auditor travelled to Tbilisi, Georgia to meet with the Georgia engagement team face to face and perform an on-site review of work performed by the Georgia engagement team. The UK engagement team also performed a remote review of working papers through use of our audit software and were responsible for the direction, review and oversight of the audit process.

The impact of climate risk on our audit
In planning and executing our audit, we have considered the potential impacts of climate change on the Company's business and its financial statements, based on our knowledge of the Company's operations and its strategy in relation to climate change.

In 2023, the Company has continued to develop its assessment of the potential impacts of climate change as outlined in the TCFD report on pages 88-91. As part of our audit, we have obtained management's and the Audit and Valuation Committee's climate-related risk assessment to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements.

We have performed our own qualitative risk assessment of the potential impact of climate change on the Company's key account balances and classes of transactions, namely the assumptions embedded in discounted cash flows models for growth rates, operating expenses and capital expenditure, and have not identified any additional risks of material misstatement.

We also considered the consistency of the disclosures in relation to climate change in the financial statements with the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section and more broadly within the Responsibility section of the Strategic Report.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	GEL 33,785,000 (2022: 28,174,000).
How we determined it	1% of net assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, net assets is the primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 50%) of overall materiality, amounting to 25,338,000 (2022: 14,086,965) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above 1,689,000 (2022: GEL 1,409,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:
- Reviewing management's going concern assessment memorandum which included a base case cash flow and severe but plausible scenario analysis covering the period to 31 March 2025.
- Holding discussions with the CFO and Head of Finance to understand economic developments in Georgia in the face of ongoing global instability and performing independent research on expected economic impacts of such scenarios along with predicted future performance of the Georgian economy.
- Assessing the liquidity of the portfolio and the Company's ability to realise any holdings if needed.
- Understanding and assessing the appropriateness of the key assumptions used in the cash flow forecasts, including assessing whether we considered the downside sensitivities to be appropriately severe, the availability of committed finance and covenant compliance during the forecast period.
- Corroborating key assumptions in the cash flow forecasts to other evidence including external research and historical performance, and ensuring this was consistent with our audit work in these and other areas.
- Reviewing the disclosures in the financial statements relating to the going concern basis of preparation, and evaluating that these provided an explanation of the Directors' assessment that was consistent with the audit evidence we obtained; and
- Reviewing Board meeting minutes, and met with members of the Audit and Valuation Committee and those charged with governance to understand their view on the future of the Company and its ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement
ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:
- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and

Georgia Capital PLC Annual Report 2023

INDEPENDENT AUDITORS' REPORT CONTINUED

- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Valuation Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the UK regulatory principles, such as the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates, in particular in relation to the valuation of the investment portfolio. Audit procedures performed by the engagement team included:

- Discussions with management, and review of relevant meeting minutes (including those of the Board of Directors and the Audit and Valuation Committee), including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of equity investments at fair value; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Valuation Committee, we were appointed by the members on 2 May 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2022 to 31 December 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2024

Georgia Capital PLC Annual Report 2023

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (THOUSANDS OF GEORGIAN LARI)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents*		**12,319**	23,361
Investment in redeemable securities		**3,517**	–
Prepayments		**976**	363
Equity investments at fair value	6	**3,363,411**	2,795,060
Total assets		**3,380,223**	2,818,784
Liabilities			
Other liabilities		**1,711**	1,393
Total liabilities		**1,711**	1,393
Equity			
Share capital	8	**1,420**	1,473
Additional paid-in capital and merger reserve		**238,311**	238,311
Treasury shares		**(2)**	–
Retained earnings		**3,138,783**	2,577,607
Total equity		**3,378,512**	2,817,391
Total liabilities and equity		**3,380,223**	2,818,784

* As at 31 December 2023 and 31 December 2022 cash and cash equivalents consist of current accounts with credit institutions.

The financial statements on page 172 to 175 were approved by the Board of Directors on 21 March 2024 and signed on its behalf by:

Irakli Gilauri
Chief Executive Officer

Georgia Capital PLC
Registered No. 10852406

The accompanying notes on pages 176 to 203 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023 (THOUSANDS OF GEORGIAN LARI)

	Note	2023	2022
Gains on investments at fair value	6	**568,351**	925
Dividend income	6	**47,659**	–
Gross investment profit		**616,010**	925
Administrative expenses	9	**(4,476)**	(4,389)
Salaries and other employee benefits	9	**(2,087)**	(2,374)
Profit/(loss) before foreign exchange and non-recurring items		**609,447**	(5,838)
Net foreign currency loss		**(955)**	(6,075)
Non-recurring expense		**–**	(240)
Net gains from investment securities measured at fair value through profit or loss		**125**	–
Profit/(loss) before income taxes		**608,617**	(12,153)
Income tax	7	**–**	–
Profit/(loss) for the year		**608,617**	(12,153)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**608,617**	(12,153)
Earnings/(Loss) per share (GEL):	8		
– basic		**15.4102**	(0.2887)
– diluted		**14.9311**	(0.2887)

The accompanying notes on pages 176 to 203 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023 (THOUSANDS OF GEORGIAN LARI)

	Share capital	Additional paid-in capital and merger reserve	Treasury shares	Retained earnings	Total
1 January 2023	**1,473**	**238,311**	**–**	**2,577,607**	**2,817,391**
Profit for the year	**–**	**–**	**–**	**608,617**	**608,617**
Total comprehensive income for the year	**–**	**–**	**–**	**608,617**	**608,617**
Increase in equity arising from share-based payments (Note 10)	**–**	**–**	**–**	**541**	**541**
Cancellation of shares (Note 8)	**(53)**	**–**	**53**	**–**	**–**
Purchase of treasury shares (Note 8)	**–**	**–**	**(55)**	**(47,982)**	**(48,037)**
31 December 2023	**1,420**	**238,311**	**(2)**	**3,138,783**	**3,378,512**

	Share capital	Additional paid-in capital and merger reserve	Treasury shares	Retained earnings	Total
1 January 2022	1,547	238,311	–	2,643,764	2,883,622
Loss for the year	–	–	–	(12,153)	(12,153)
Total comprehensive loss for the year	–	–	–	(12,153)	(12,153)
Increase in equity arising from share-based payments (Note 10)	–	–	–	495	495
Cancellation of shares (Note 8)	(74)	–	74	–	–
Purchase of treasury shares (Note 8)	–	–	(74)	(54,499)	(54,573)
31 December 2022	1,473	238,311	–	2,577,607	2,817,391

The accompanying notes on pages 176 to 203 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (THOUSANDS OF GEORGIAN LARI)

	Note	2023	2022
Cash flows from operating activities			
Salaries and other employee benefits paid		**(1,546)**	(1,877)
General, administrative and operating expenses paid		**(4,685)**	(4,780)
Net other expense paid		**–**	(3,172)
Net cash flows used in operating activities before income tax		**(6,231)**	(9,829)
Income tax paid		**–**	–
Net cash flow used in operating activities		**(6,231)**	(9,829)
Cash flows from investing activities			
Capital redemption from subsidiary	6	**–**	87,238
Purchase of redeemable securities		**(3,382)**	–
Dividends received	6	**47,659**	–
Cash flows from investing activities		**44,277**	87,238
Cash flows from financing activities			
Other purchases of treasury shares	8	**(47,834)**	(54,326)
Acquisition of treasury shares under share-based payment plan	8	**(203)**	(247)
Net cash used in financing activities		**(48,037)**	(54,573)
Effect of exchange rates changes on cash and cash equivalents		**(1,051)**	(6,675)
Net (decrease)/increase in cash and cash equivalents		**(11,042)**	16,161
Cash and cash equivalents, beginning of the year		**23,361**	7,200
Cash and cash equivalents, end of the year		**12,319**	23,361

The accompanying notes on pages 176 to 203 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

1. Principal Activities

Georgia Capital PLC ("Georgia Capital", "GCAP" or the "Company") is a public limited liability company incorporated and domiciled in United Kingdom with registered number 10852406. Georgia Capital PLC holds 100% of the share capital of the JSC Georgia Capital ("JSC GCAP"), which makes up a group of companies (the "Group"), focused on buying, building and developing businesses in Georgia and monetising investments as they mature. The Group currently has the following portfolio businesses: (i) a retail (pharmacy) business, (ii) a hospitals business (consisting of a) Large and Specialty Hospitals and b) Regional and Community Hospitals), (iii) an insurance business (P&C and medical insurance), (iv) a clinics and diagnostics business, (v) a renewable energy business (hydro and wind assets) and (vi) an education business. Georgia Capital also holds other small private businesses across different industries in Georgia, a 20% equity stake in the water utility business and a 19.7% (2022: 20.6%) equity stake in LSE premium-listed Bank of Georgia Group PLC ("BoG"), a leading universal bank in Georgia. The shares of Georgia Capital are admitted to trading on the London Stock Exchange PLC's Main Market for listed securities under the ticker CGEO, effective 29 May 2018.

Georgia Capital's registered legal address is 42 Brook Street, London W1K 5DB, England, United Kingdom.

As at 31 December 2023 and 31 December 2022, the following shareholders owned more than 5% of the total outstanding shares* of Georgia Capital. Other shareholders individually owned less than 5% of the outstanding shares.

Shareholder	31 December 2023	31 December 2022
Gemsstock Ltd	**11%**	11%
Allan Gray Ltd	**7%**	7%
Lazard Asset Management LLC**	**6%**	4%
Others	**76%**	78%
Total	**100%**	100%

* For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares which includes shares held in the trust for share-based compensation purposes of the Group.
** Combines several accounts managed by Lazard Asset Management LLC.

References to the Group are applied in these financial statements in the context of going concern assessment, segment, fair valuation and risk management disclosures.

2. Basis of Preparation
General

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements are prepared under the historical cost convention except for equity investments held at fair value through profit or loss (FVPL).

The financial statements are presented in thousands of Georgian Lari (GEL), except per-share amounts and unless otherwise indicated.

Investment entity status

On 31 December 2019 Georgia Capital concluded that it met the definition of investment entity as defined in IFRS 10 Consolidated Financial Statements. As per IFRS 10 an investment entity is an entity that:
a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

As of 31 December 2023, the Company continues to meet the definition of investment entity. Further details on the investment entity status and underlying significant judgements are provided in Notes 3, 4, 6 and 12 respectively.

Going concern

The Board of Directors of Georgia Capital has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the financial statements, i.e. the period ending 31 March 2025. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

The Directors have made an assessment of the appropriateness of the going concern basis of preparation and reviewed Georgia Capital's liquidity outlook for the period ending 31 March 2025.

The main source of cash inflow for GCAP PLC is capital redemption from JSC GCAP, which holds the liquid assets to support the liquidity needs of the Company as well. As at 31 December 2023, JSC GCAP holds cash in the amount of GEL 51,138, amounts due from credit institutions in the amount of GEL 8,678 and marketable debt securities and redeemable securities in the amount of GEL 18,203 and GEL 14,068 (refer to Note 12). Securities are considered to be highly liquid, as they are debt instruments listed on international and local markets.

The liquidity needs of the Group during the going concern review period mainly consist of the coupon payments on JSC GCAP sustainability-linked bonds and the operating costs of running the holding companies and capital allocations to its portfolio companies. The liquidity outlook also assumes dividend income from the private portfolio companies (healthcare, retail (pharmacy), renewable energy, and insurance businesses) and Bank of Georgia Group PLC. Capital allocations are assumed in relation to investment stage companies (renewable energy and education businesses).

2. Basis of Preparation continued
Going concern continued

On August 3, 2023, JSC GCAP issued US$ 150 million sustainability-linked local bonds in Georgia, with an 8.5% coupon rate, payable in August 2028. The proceeds from the transaction, together with GCAP's existing liquid funds, were fully used to redeem GCAP's US$ 300 million Eurobonds. Following these transactions, GCAP's gross debt balance decreased from US$ 300 million to US$ 150 million. In February 2024, GCAP made its first coupon payment on the bond in the amount of US$ 6.4 million. The Directors remain confident that, given the strong liquidity and the Group's track record of proven access to capital, GCAP will successfully continue to service its existing bonds.

The Company has been increasingly assessing climate-related risk and opportunities that may be present to the Group. During the going concern period no significant risk has been associated to the Group and portfolio companies that would materially impact their ability to generate sufficient cash and continue as a going concern.

Based on the considerations outlined above, management of Georgia Capital concluded that the going concern basis of preparation remains appropriate for these financial statements.

The Group performed stress testing for the assessment period, which involved modelling the impact of a combination of severe and plausible risks. Based on the results of the stress tests, the directors concluded that the Group remains solvent with solid financial position and has sufficient cash and liquid investment securities to withstand the distressed scenario.

Subsidiaries and associates

The total amount of investment in subsidiaries in the Company's statement of financial position as at 31 December 2023 was GEL 3,363,411 (as at 31 December 2022: 2,795,060) represented by direct investment in JSC Georgia Capital. As at 31 December 2023 and 31 December 2022, investment in JSC Georgia Capital (Note 12) is measured at fair value. As at 31 December 2023 and 31 December 2022, equity investments of JSC Georgia Capital include the following subsidiaries and associates:

	Proportion of voting rights and ordinary share capital held*						
Subsidiaries consolidated	31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
GCMF, LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–

	Proportion of voting rights and ordinary share capital held*						
Subsidiaries at fair value	31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
JSC Georgia Real Estate	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	27/9/2006	–
m2 group, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	17/8/2015	–
M Square Park, LLC	**100.00%**	100.00%	Georgia	1 Marshal Gelovani avenue, Tbilisi	Real estate	15/9/2015	–
M square Park 3, LLC	**100.00%**	100.00%	Georgia	1 Marshal Gelovani avenue, Tbilisi	Real estate	25/5/2022	–
M square Park 4, LLC	**100.00%**	100.00%	Georgia	1 Marshal Gelovani avenue, Tbilisi	Real estate	25/5/2022	–
M square Park X, LLC	**100.00%**	100.00%	Georgia	1 Marshal Gelovani avenue, Tbilisi	Real estate	23/6/2022	–
Optima Saburtalo, LLC	**100.00%**	100.00%	Georgia	10 Givi. Kartozia street, Tbilisi	Real estate	15/9/2015	–
Land, LLC	**100.00%**	100.00%	Georgia	10 Givi. Kartozia street, Tbilisi	Real estate	3/10/2014	–
m2 at Nutsubidze 2, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	24/1/2020	–
m2 at Hippodrome, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	6/7/2015	–
Optima, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	3/8/2016	–
m2 Maintenance, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	20/7/2021	–
m2 at Mtatsminda Park, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	31/12/2021	–
m2 Care Fund N(N)LE	**100.00%**	0.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	16/1/2023	–
M square Park 5, LLC	**100.00%**	0.00%	Georgia	10 Givi Kartozia street, Tbilisi	Real estate	11/10/2023	–
Georgia Real Estate Management Group, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Hospitality	17/8/2015	–

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries at fair value	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Kakheti Wine and Spa, LLC[5]	**0.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	23/4/2018	–
Gudauri Lodge, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	24/4/2018	–
m2 Svaneti, LLC[6]	**0.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	14/11/2018	–
m2 Hatsvali, LLC[5]	**0.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	17/4/2019	–
m2 Resort, LLC[5]	**0.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	11/2/2019	–
m2 Mtatsminda, LLC	**0.00%**	100.00%	Georgia	22 Zaal Dumbadze street, Tbilisi	Hospitality	16/10/2014	26/12/2017
Georgia Property Management Group, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Commercial assets	4/10/2018	–
Vere Real Estate, LLC[5]	**0.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Commercial assets	4/3/2010	6/8/2018
Caucasus Autohouse, LLC[5]	**0.00%**	100.00%	Georgia	29 Ilia Chavchavadze avenue, Tbilisi, 0105	Commercial assets	29/3/2011	–
m2, LLC	**100.00%**	100.00%	Georgia	29 Ilia Chavchavadze avenue, Tbilisi, 0105	Hospitality/ Real estate	12/2/2014	–
m2 Hotel Property, LLC[5]	**0.00%**	100.00%	Georgia	10 Givi Kartozia street, Tbilisi	Hospitality	15/12/2022	–
m2 Kutaisi, LLC	**100.00%**	100.00%	Georgia	10 Melikishvili avenue, Tbilisi	Hospitality	17/5/2017	–
m2 at Melikishvili, LLC[5]	**0.00%**	100.00%	Georgia	10 Melikishvili avenue, Tbilisi	Hospitality	17/5/2017	–
Melikishvili Hotel Property, LLC[5]	**0.00%**	100.00%	Georgia	10 Melikishvili avenue, Tbilisi	Hospitality	3/2/2021	–
m2 Zugdidi, LLC[5]	**0.00%**	100.00%	Georgia	80 Aghmashenebeli avenue, Tbilisi, 0102	Hospitality	7/11/2018	–
Georgia Commercial Assets, LLC[5]	**0.00%**	100.00%	Georgia	15 Kazbegi street, Tbilisi	Commercial assets	23/12/2020	–
Georgia Hospitality Management Group, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia street, Saburtalo, Tbilisi	Hospitality	22/8/2018	–
Georgia Hospitality Management Group Gudauri, LLC	**100.00%**	100.00%	Georgia	Dusheti region, village Seturebi	Hospitality	12/5/2019	–
Melikishvili Hotel Management, LLC	**100.00%**	100.00%	Georgia	10 Melikishvili avenue, Tbilisi	Hospitality	8/4/2022	–
JSC Georgian Renewable Power Holding	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	23/8/2022	–
JSC Georgian Renewable Power Company	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	15/9/2015	–
JSC Zoti Hydro	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	20/8/2015	–
JSC Caucasus Wind Company	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	14/9/2016	–
LLC Caucasus Solar Company	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	27/10/2016	–
Hydro S, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	18/1/2019	10/28/2019
Georgia Geothermal Company, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	16/12/2019	–
Qartli Solar Farm, LLC	**100.00%**	0.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	10/3/2023	–
JSC Georgian Renewable Power Operations	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	28/6/2022	–
Svaneti Hydro, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	6/12/2013	–
Qartli Wind Farm, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
Hydrolea, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
Geoenergy, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries at fair value	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Hydro Georgia, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
Darchi, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
Kasleti 2, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
GRPC Trade, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy	13/5/2022	–
JSC A Group	**100.00%**	100.00%	Georgia	1 Berbuki street, Saburtalo, Tbilisi	Various	20/9/2018	–
JSC Insurance Company Aldagi	**100.00%**	100.00%	Georgia	66A David Aghmashenebeli Alley, Tbilisi	Insurance	11/8/1998	–
JSC Insurance Company Tao	**100.00%**	100.00%	Georgia	66A David Aghmashenebeli Alley, Tbilisi	Insurance	22/8/2007	1/5/2015
Aliance, LLC	**100.00%**	100.00%	Georgia	20 Chavchavadze avenue, floor 2, Vake-Saburtalo, Tbilisi	Various	1/8/1998	30/4/2012
Auto Way LLC	**100.00%**	100.00%	Georgia	20 Chavchavadze avenue, Vake, Tbilisi	Various	27/12/2010	30/4/2012
JSC Carfest	**75.00%**	75.00%	Georgia	20 Chavchavadze avenue, Vake, Tbilisi	Leasing	17/11/2017	–
JSC Greenway Georgia	**100.00%**	100.00%	Georgia	6 University street, Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
JSC GreenWash	**75.00%**	75.00%	Georgia	6 University street, Vake, Tbilisi	Car Wash	31/8/2018	–
Georgia Healthcare Group Limited	**0.00%**	100.00%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
JSC Georgia Healthcare Group	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	29/4/2015	–
JSC Insurance Company Imedi L	**100.00%**	100.00%	Georgia	9 Anna Politkovskaias street, Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
L Assistance LLC	**100.00%**	100.00%	Georgia	44 Al. Kazbegi avenue, Vake, Tbilisi	Insurance	27/10/2022	–
JSC GEPHA	**97.56%**	76.98%	Georgia	142 A. Beliashvili street, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
JSC ABC Pharamcia (Armenia)	**100.00%**	100.00%	Armenia	Kievyan street. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
ABC Pharmalogistics, LLC	**100.00%**	100.00%	Georgia	Peikrebi street 14a, Tbilisi	Pharmacy and Distribution	24/2/2004	6/1/2017
JSC Iverta	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Pharmacy and Distribution	17/2/2021	–
AKG AVELIN QAN DEGHATUN, LLC (Armenia)	**100.00%**	100.00%	Armenia	26/1 Vazgen Sargsyan Street, Office 412, Yerevan 0010	Pharmacy and Distribution	28/6/2019	–
JSC Georgian Logistics	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Other	8/10/2021	–
AZPHA LLC (Azerbaijan)	**100.00%**	100.00%	Azerbaijan	Apartment 43, 131 A. Ahgaievi Street, Bakikhanovi area, Sabunchu District, Baku	Pharmacy and Distribution	17/9/2021	–
Euroline LLC	**100.00%**	100.00%	Georgia	5 Stanislavski street, Tbilisi	Other	24/11/2021	14/12/2015
Vian JSC	**100.00%**	0.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	30/11/2023	–
Vian-Logistics LLC[1][2]	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	13/2/2015	–
Caucasus Medical Center, LLC[2]	**99.81%**	99.80%	Georgia	23 P. Kavtaradze street, Tbilisi	Healthcare	12/1/2012	11/6/2015

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries at fair value	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
JSC Kutaisi Regional Mother and Infant Treatment-Diagnostic Centre[2]	**66.70%**	67.00%	Georgia	85 Djavakhishvili street, Kutaisi, Georgia	Healthcare	5/5/2003	29/11/2011
West Georgia Medical Center, LLC[2]	**66.70%**	67.00%	Georgia	83A A Djavakhishvili street, Kutais	Healthcare	9/12/2011	29/11/2011
N(NL)E Blood Center[2]	**100.00%**	100.00%	Georgia	N83A/N85 Javakhishvili street, Kutaisi,	Healthcare	23/12/2021	–
Vian LLC	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	5/9/2022	–
BONO Healthcare LLC	**100.00%**	0.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	15/6/2023	–
JSC Georgian Clinics	**100.00%**	0.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	1/8/2014	1/8/2014
New Clinic, LLC[3]	**100.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	3/1/2017	20/7/2017
JSC Pediatry[3]	**100.00%**	100.00%	Georgia	10 U. Chkeidze street, Tbilisi, Georgia	Healthcare	5/9/2003	6/7/2016
NCLE Evex Learning Centre[3]	**100.00%**	100.00%	Georgia	83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
JSC Emergency Service[3]	**85.00%**	85.00%	Georgia	#6 Building, 13/6 Lubliana street, Tbilisi	Healthcare	18/6/2013	8/5/2015
Georgian Clinics LLC	**100.00%**	0.00%	Georgia	142 A. Beliashvili street, Tbilisi	Healthcare	29/9/2023	–
JSC Evex Clinics	**100.00%**	100.00%	Georgia	40 Vazha-Pshavela avenue, Tbilisi	Healthcare	1/4/2019	–
Tskaltubo Regional Hospital, LLC	**66.70%**	67.00%	Georgia	16 Eristavi street, Tskaltubo	Healthcare	29/9/1999	9/12/2011
LLC Aliance Med	**100.00%**	100.00%	Georgia	40 Vazha-Pshavela avenue, Tbilisi	Healthcare	7/7/2015	20/7/2017
JSC Polyclinic Vere	**98.35%**	98.35%	Georgia	40 Vazha-Pshavela avenue, Tbilisi	Healthcare	22/11/2015	25/12/2017
New Dent, LLC	**75.00%**	75.00%	Georgia	40 Vazha-Pshavela avenue, Tbilisi	Healthcare	24/12/2018	–
Mkurnali 2002, LLC	**100.00%**	0.00%	Georgia	87 Ts. Dadiani street, Tbilisi	Healthcare	8/4/2004	1/12/2023
JSC Mega-Lab	**91.98%**	92.00%	Georgia	23 Petre Kavtaradze street, Tbilisi	Healthcare	6/6/2017	–
LLC Patgeo-Union of Pathologists	**100.00%**	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	27/9/2016
Scientific- Research Center – Mega-Lab N(N)LE	**100.00%**	100.00%	Georgia	23 Petre Kavtaradze street, Tbilisi	Healthcare	25/5/2021	–
JSC Vabaco	**67.00%**	67.00%	Georgia	37 Bochorishvili street, Tbilisi	Software Development	9/9/2013	28/9/2018
Vabaco International, LLC	**100.00%**	100.00%	Georgia	123 A. Tsereteli avenue, Tbilisi	Software Development	30/3/2022	–
JSC Ekimo	**100.00%**	67.00%	Georgia	123 A. Tsereteli avenue, Tbilisi	Other	14/12/2021	–
Ekimo App, LLC	**100.00%**	0.00%	Georgia	24 University street, Vake, Tbilisi	Other	5/12/2023	–
Dart, LLC	**0.00%**	100.00%	Georgia	142 A. Beliashvili street, Tbilisi	Other	14/6/2021	–
ITFY LLC	**100.00%**	0.00%	Georgia	142 A. Beliashvili street, Tbilisi	Other	1/2/2023	–
Georgian Beverages LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Beer Production and Distribution	14/11/2016	7/2/2018
JSC Georgian Beverages Holding	**92.35%**	92.35%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Investment	17/12/2019	–
JSC Teliani Valley	**100.00%**	100.00%	Georgia	43 Tbilisi highway, Telavi	Winery	30/6/2000	28/2/2007
Teliani Trading (Ukraine), LLC	**100.00%**	100.00%	Ukraine	18/14 Khvoiki street, Kiev	Distribution	3/10/2006	31/12/2007

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries at fair value	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Teliani Europe GmbH	**100.00%**	100.00%	Germany	Kurfürstendamm 195 10707 Berlin	Distribution	15/6/2021	–
Georgia Logistics and Distribution, LLC	**100.00%**	100.00%	Georgia	2 Marshal Gelovani street, Tbilisi	Distribution	10/1/2006	27/3/2007
Le Caucase, LLC	**100.00%**	100.00%	Georgia	2 Marshal Gelovani street, Tbilisi	Cognac Production	23/9/2006	20/3/2007
Kupa, LLC	**70.00%**	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
Global Beer Georgia, LLC	**100.00%**	100.00%	Georgia	Tsilkani, Mtskheta Region	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
Kindzmarauli Marani, LLC	**100.00%**	100.00%	Georgia	Gavazi, Kvareli district	Winery	18/12/2001	25/4/2018
Alaverdi, LLC	**100.00%**	100.00%	Georgia	Chumlaki, Gurjaani Region	Winery	8/4/2008	19/8/2019
Global Coffee Georgia, LLC	**100.00%**	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
New Coffee Company, LLC	**100.00%**	100.00%	Georgia	Isakiani cul-de-sac 2, Gldani-Nadzaladevi District, Tbilisi	Coffee Distribution	23/9/2009	15/2/2017
Genuine Brewing Company, LLC	**100.00%**	100.00%	Georgia	Tsilkani, Mtskheta Region	Beer Production and Distribution	7/6/2011	7/2/2018
Craft and Draft, LLC	**100.00%**	100.00%	Georgia	Tsilkani, Mtskheta Region	Beer Production	20/2/2019	–
Artisan Wine and Drinks LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Wine distribution	26/8/2019	–
Amboli, LLC	**90.00%**	90.00%	Georgia	142 Beliashvili street, Didube-Chughureti District, Tbilisi	Car Services	13/8/2004	25/6/2019
Redberry, LLC	**0.00%**	60.00%	Georgia	9 Tashkenti Chughureti, Tbilisi	Digital Services	29/8/2014	1/5/2019
Redberry International, LLC	**0.00%**	100.00%	Georgia	13a Mtskheta Chughureti, Tbilisi	Digital Services	13/5/2021	–
Lunchoba, LLC	**0.00%**	60.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
Shabatoba, LLC	**0.00%**	100.00%	Georgia	8 Zurab Sakandelidze street, Tbilisi	Delivery Services	2/6/2020	–
JSC Carfest	**0.00%**	25.00%	Georgia	3 Pushkini street, Krtsanisi, Tbilisi	Leasing	17/11/2017	–
Georgia Education Group, LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Education	16/7/2019	–
Contemporary School LLC	**90.00%**	90.00%	Georgia	1b N. Khudadovi street, Tbilisi	Education	18/8/2021	–
Green School – Didi Dighomi, LLC	**100.00%**	100.00%	Georgia	6 D. Tavdadebuli street, Tbilisi	Education	27/9/1995	20/8/2021
Green School, LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Education	21/10/2019	–
JSC Green School Real Estate	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Education	5/1/2019	–
Green School – Saburtalo, LLC	**100.00%**	0.00%	Georgia	37 B. Zhgenti street, Vake, Tbilisi	Education	29/6/2023	–
Green School Dighomi LLC	**80.00%**	80.00%	Georgia	Didube-Chughureti/ Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
Buckswood International School – Tbilisi, LLC	**80.00%**	80.00%	Georgia	152 Rustaveli street, Tskneti, Tbilisi	Education	24/8/2005	29/7/2019
Sakhli Tsknetshi, LLC	**100.00%**	100.00%	Georgia	152 Rustaveli street, Tskneti, Tbilisi	Education	1/5/2005	–

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries at fair value	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
British Georgian Academy, LLC	**70.00%**	70.00%	Georgia	17 Leo Kvachadze street, Tbilisi	Education	3/2/2006	23/7/2019
NNLE British International School of Tbilisi	**100.00%**	100.00%	Georgia	17 Leo Kvachadze street, Tbilisi	Education	3/2/2015	–
British International School of Tbilisi LLC	**100.00%**	100.00%	Georgia	17 Leo Kvachadze street, Tbilisi	Education	5/9/2019	–
British Georgian Academy – Okrokana, LLC	**100.00%**	100.00%	Georgia	17 Leo Kvachadze street, Tbilisi	Education	16/9/2021	–
Oncloud LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili avenue, Tbilisi, 0179	Digital Services	28/2/2020	–

Associates	Proportion of voting rights and ordinary share capital held* 31 December 2023	31 December 2022	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Squadro, LLC	**0.00%**	12.00%	Georgia	74 Kostava street, Tbilisi	Software Service	2/3/2021	27/8/2021
N(NL)E Georgian Medical Tourism Council[3]	**28.57%**	28.60%	Georgia	I-II floor, house N10, N 13, b. N1 almond Gardens Street, tskneti, Vake district, Tbilisi	Healthcare	16/5/2019	–
JSC Diflex	**40.00%**	40.00%	Georgia	8 Shalikashvili street, Tbilisi	Software Development	29/12/2016	12/11/2021
NPO Healthcare Association[2]	**25.00%**	25.00%	Georgia	27b Vazha-Pshavela avenue, Tbilisi	Healthcare	25/3/2016	–
Complex-Med-Service, LLC[3]	**20.00%**	20.00%	Georgia	9 Tsinandali street, Tbilisi	Healthcare	18/11/2008	30/7/2021
Insurance Informational Bureau, LLC	**22.50%**	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2008	–
JSC Georgian Global Utilities	**20.00%**	20.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Utilities	22/1/2020	31/12/2014
Georgian Water and Power, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Utilities	25/6/1997	31/12/2014
Rustavi Water, LLC[4]	**0.00%**	100.00%	Georgia	5 St. Nino street, Rustavi	Utilities	31/8/1999	31/12/2014
Gardabani Sewage Treatment, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Utilities	20/12/1999	31/12/2014
Georgian Engineering and Management Company (GEMC), LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Utilities	20/3/2011	31/12/2014
JSC Saguramo Energy	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Utilities	11/12/2008	31/12/2014
Georgian Energy Trading Company (GETC), LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli street, Tbilisi, 0179	Renewable Energy Sales	23/4/2019	–

* The table displays effective percentages of holding in the companies.

1 As of 31 December 2023 renamed: Vian-Logistics (As of 31 December 2022: EVEX-Logistics, LLC).
2 As of 31 December 2023 subsidiaries of JSC Vian (31 December 2022: subsidiaries of JSC Evex Hospitals).
3 As of 31 December 2023 subsidiaries of JSC Georgia Clinics (31 December 2022: subsidiaries of JSC Evex Hospitals).
4 As of 31 December 2023 Rustavi Water, LLC merged with Georgian Water and Power, LLC.
5 As of 31 December 2023 merged with Georgia Property Management Group, LLC.
6 As of 31 December 2023 merged with Georgia Real Estate Management Group, LLC.

3. Material Accounting Policies
The following are the material accounting policies applied by the Company in preparing its financial statements.

Fair value measurement
The Company measures investments in subsidiaries and other financial instruments, such as debt securities owned, equity investments and derivatives, if any, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and *liabilities* for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within ninety days of the date of contract origination and are free from contractual encumbrances and readily convertible to known amount of cash.

Financial assets
Initial recognition

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories under IFRS 9:
- Financial assets at amortised cost (cash and cash equivalents).
- Financial assets at fair value through profit or loss (equity investments at fair value).

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

3. Material Accounting Policies continued

Financial assets continued

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Equity investments are classified at fair value through profit or loss. Derivatives and financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Statement of Profit or Loss. This category includes equity investments.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's Statement of Financial Position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Modification is substantial if present value of cash flows under new terms discounted at original effective interest rate is at least 10% different from the liability's carrying amount right before the modification, or there is a substantial modification to the terms identified through a qualitative assessment.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise accounts payable.

3. Material Accounting Policies continued

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of shares at the grant date.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge and credit entry to equity for the period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for the awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Company purchases Georgia Capital's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against retained earnings.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Dividend income

Dividend revenue is recognised when the Company's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at fair value through profit or loss (FVPL) are changes in the fair value of equity investment at fair value, financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses. Interest and dividend income and expense FVPL instruments are recognised in profit or loss at effective interest.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in which the Company operates.

According to UK tax legislation, UK companies pay corporation tax on all its profits. The UK corporate blended tax rate for 2023 is 23.5% (2022: 19%).

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

3. Material Accounting Policies continued

Functional, presentation currencies and foreign currency translation

The financial statements are presented in Georgian Lari, which is the presentation and functional currency of GCAP PLC and JSC GCAP. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the Income Statement as net foreign currency gain (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia ("NBG") exchange rate on the date of the transaction are included in net foreign currency gain (loss). The official NBG exchange rates at 31 December 2023 and 31 December 2022 were as follows:

	GEL to GBP	GEL to US$	GEL to EUR
31 December 2023	**3.4228**	**2.6894**	**2.9753**
31 December 2022	3.2581	2.7020	2.8844

Adoption of new or revised standards and interpretations

The following amendments became effective from 1 January 2023 and had no impact on the Company's financial statements:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies.
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12 Income Taxes – Deferred Tax Assets and Liabilities related to Pillar Two Income Taxes.

The following standards that are issued but not yet effective are also expected to have no material impact on the Company's financial statements:

- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.
- IFRS 14 – Regulatory Deferral Accounts.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

4. Critical Accounting Judgements and Estimates

In the process of applying the Company's accounting policies, the Management Board use their judgement and make estimates in determining the amounts recognised in the financial statements. The most significant judgements and estimates are as follows:

Assessment of investment entity status

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

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

The Group invests funds, originally obtained from its investors, in its private portfolio companies, obtains dividend inflows from its mature investments and once the businesses are developed, exits the investment ideally at a higher multiple (versus entry multiple) to monetise on capital appreciation gains. The Company reports to its investors on a fair value basis. All investments are reported at fair value in the Company's Annual Reports.

Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments. Although JSC Georgia Capital is wholly capitalised by Georgia Capital PLC, Georgia Capital PLC is funded by many investors who are unrelated to the entity and ownership in Georgia Capital PLC is represented by units of equity interests acquired through a capital contribution. Thus the judgement above refers to both entities in aggregation. The Board has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

Georgia Capital met the investment entity definition on 31 December 2019. As of 31 December 2023, the Company continues to meet the definition of investment entity. In making this assessment, the Company considered each criteria and characteristic described above as well as developments during the year.

Fair valuation of the investment portfolio

The investment portfolio, a material asset of the Company held through 100%-owned subsidiary JSC Georgia Capital, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 12. Given the importance of this area, the Board has formed a separate Audit and Valuation Committee to review the valuations to be placed on portfolio companies, compliance with the valuation standards and usage of appropriate judgement. The detailed valuation process is disclosed in Note 12.

5. Segment Information

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

Listed and observable portfolio companies segment

BoG – the Group has a significant investment in London Stock Exchange Premium listed Bank of Georgia Group PLC. GCAP does not hold voting rights in BoG.

Water utility – the Group has a 20% equity stake in the water utility business, following the disposal of 80% of its shares during 2021. Water utility is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services.

Private portfolio companies

Large portfolio companies segment:

The large portfolio companies are companies that are close to reaching more than a GEL 300 million equity value. This segment includes investments in hospitals (Large and Specialty Hospitals and Regional and Community Hospitals), retail (pharmacy) and insurance businesses.

The retail (pharmacy) business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.

The hospitals business comprises two segments: Large and Specialty Hospitals, the leading participant in Georgia's healthcare market, offering secondary and tertiary healthcare services; and Regional and Community Hospitals, encompassing regional hospitals and community clinics that deliver outpatient and essential inpatient services.

The insurance business comprises property and casualty (P&C) insurance and medical insurance businesses, principally providing wide-scale property and casualty and medical insurance services to corporate and retail clients.

Investment stage portfolio companies segment:

The investment stage portfolio companies have the potential to reach more than a GEL 300 million equity value. This segment includes investments into clinics and diagnostics, renewable energy and education businesses.

The clinics and diagnostics business consists of polyclinics providing outpatient diagnostic and treatment services, and a diagnostics business, operating the largest laboratory in the entire Caucasus region.

The renewable energy business principally operates three wholly-owned commissioned renewable energy assets. In addition, a pipeline of renewable energy projects is in an advanced stage of development.

The education business combines majority stakes in four leading private schools in Tbilisi. It provides education for preschool to 12th grade (K-12).

Other portfolio companies segment:

The other portfolio companies are companies which GCAP believes to have limited potential to reach a GEL 300 million equity value. This segment includes housing development, hospitality, beverages and auto service businesses.

Corporate centre consists of Georgia Capital PLC and JSC Georgia Capital.

Management monitors the fair values of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Transactions between segments are accounted for at actual transaction prices.

Starting from 2023, the hospitals business is split into two distinct sub-segments: Large and Specialty Hospitals and Regional and Community Hospitals. The Regional and Community Hospitals also incorporates the community clinics that were previously managed and presented as part of the clinics and diagnostics business. The clinics and diagnostics business, alongside the renewable energy and education businesses, is presented under the investment stage portfolio.

Georgia Capital PLC Annual Report 2023

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

5. Segment Information continued

The following table presents the net asset value (NAV) of the Group's operating segments at 31 December 2023 and the roll-forward from 31 December 2022:

NAV Statement	31 December 2022	1. Value creation	2a. Investments and divestments	2b. Buybacks	2c. Dividends	3. Operating expenses	4. Liquidity management/ FX/Other	31 December 2023
Listed and observable portfolio companies	**985,463**	**553,255**	**–**	**–**	**(153,871)**	**–**	**–**	**1,384,847**
BoG	*830,463*	*549,255*	–	–	*(153,871)**	–	–	*1,225,847*
Water utility	*155,000*	*4,000*	–	–	–	–	–	*159,000*
Private portfolio companies	**2,213,164**	**127,260**	**18,420**	**–**	**(82,012)**	**–**	**10,266**	**2,287,098**
Large portfolio companies	**1,437,610**	**74,786**	**–**	**–**	**(76,825)**	**–**	**660**	**1,436,231**
Retail (pharmacy)	*724,517*	*39,397*	–	–	*(50,904)*	–	*991*	*714,001*
Hospitals	*433,193*	*(81,526)*	–	–	*(6,018)*	–	*(1,293)***	*344,356*
Insurance (P&C and medical)	*279,900*	*116,915*	–	–	*(19,903)*	–	*962*	*377,874*
of which, P&C insurance	*228,045*	*71,447*	–	–	*(14,888)*	–	*962*	*285,566*
of which, medical insurance	*51,855*	*45,468*	–	–	*(5,015)*	–	–	*92,308*
Investment stage portfolio companies	**501,407**	**47,044**	**18,388**	**–**	**(5,187)**	**–**	**4,962**	**566,614**
Clinics and diagnostics	*112,178*	*(3,922)*	–	–	–	–	*2,505***	*110,761*
Renewable energy	*224,987*	*38,684*	*6,218*	–	*(5,187)*	–	*1,925*	*266,627*
Education	*164,242*	*12,282*	*12,170*	–	–	–	*532*	*189,226*
Other portfolio companies	**274,147**	**5,430**	**32**	**–**	**–**	**–**	**4,644**	**284,253**
Total portfolio value	**3,198,627**	**680,515**	**18,420**	**–**	**(235,883)**	**–**	**10,266**	**3,671,945**
Net debt	**(380,905)**	**–**	**(20,887)**	**(76,190)**	**235,883**	**(21,786)**	**(32,923)**	**(296,808)**
of which, cash and liquid funds	*411,844*	–	*(20,887)*	*(76,190)*	*235,883*	*(21,786)*	*(420,954)*	*107,910*
of which, loans issued	*26,830*	–	–	–	–	–	*(17,618)*	*9,212*
of which, gross debt	*(819,579)*	–	–	–	–	–	*405,649*	*(413,930)*
Net other (liabilities)/assets	(331)	–	2,467	(287)	–	(14,993)	16,519	3,375
Net asset value	**2,817,391**	**680,515**	**–**	**(76,477)**	**–**	**(36,779)**	**(6,138)**	**3,378,512**

* In segment information, dividend income includes consideration received as a result of participation in BoG buyback programme.

** Includes the transfer of community clinics from the clinics and diagnostics sub-segment to hospitals.

5. Segment Information continued

The following table presents the NAV of the Group's operating segments at 31 December 2022 and the roll-forward from 31 December 2021:

NAV Statement	31 December 2021	1. Value creation	2a. Investments and divestments	2b. Buybacks	2c. Dividends	3. Operating expenses	4. Liquidity management/ FX/Other	31 December 2022
Listed and observable portfolio companies	**681,186**	**205,783**	**139,392**	**–**	**(40,898)**	**–**	**–**	**985,463**
BoG	*681,186*	*190,175*	–	–	*(40,898)*	–	–	*830,463*
Water utility	–	*15,608*	*139,392*	–	–	–	–	*155,000*
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**
Retail (pharmacy)	*710,385*	*30,150*	–	–	*(16,018)*	–	–	*724,517*
Hospitals	*573,815*	*(127,607)*	–	–	*(13,015)*	–	–	*433,193*
Water utility	*696,960*	–	*(696,960)*	–	–	–	–	–
Insurance (P&C and medical)	*268,100*	*26,729*	–	–	*(15,750)*	–	*821*	*279,900*
of which, P&C insurance	*211,505*	*30,468*	–	–	*(14,749)*	–	*821*	*228,045*
of which, medical insurance	*56,595*	*(3,739)*	–	–	*(1,001)*	–	–	*51,855*
Investment stage portfolio companies	**461,140**	**13,266**	**34,196**	**–**	**(8,194)**	**–**	**999**	**501,407**
Clinics and diagnostics	*158,004*	*(45,826)*	–	–	–	–	–	*112,178*
Renewable energy	*173,288*	*31,040*	*27,854*	–	*(8,194)*	–	*999*	*224,987*
Education	*129,848*	*28,052*	*6,342*	–	–	–	–	*164,242*
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	(711,074)	–	394,986	(83,108)	93,875	(21,520)	(54,064)	(380,905)
of which, cash and liquid funds	*272,317*	–	*531,562*	*(83,108)*	*93,875*	*(21,520)*	*(381,282)*	*411,844*
of which, loans issued	*154,214*	–	*(136,576)*	–	–	–	*9,192*	*26,830*
of which, gross debt	*(1,137,605)*	–	–	–	–	–	*318,026*	*(819,579)*
Net other (liabilities)/assets	(21,535)	–	(33,367)	–	–	(18,476)	73,047	(331)
Net asset value	2,883,622	34,073	–	(83,108)	–	(39,996)	22,800	2,817,391

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

2 Net debt and Net other assets/(liabilities) represent corporate centre.

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

5. Segment Information continued

Reconciliation of IFRS financial statements to NAV:

	31 December 2023					
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications**	NAV Statement
Cash and cash equivalents	12,319	51,138	–	63,457	(63,457)	–
Amounts due from credit institutions	–	8,678	–	8,678	(8,678)	–
Marketable securities	–	18,203	–	18,203	(18,203)	–
Investment in redeemable securities	3,517	14,068	–	17,585	(17,585)	–
Prepayments	976	–	–	976	(976)	–
Loans issued	–	9,212	–	9,212	(9,212)	–
Other assets, net	–	5,060	–	5,060	(5,060)	–
Equity investments at fair value	3,363,411	3,671,945	(3,363,411)	3,671,945	–	3,671,945
Total assets	**3,380,223**	**3,778,304**	**(3,363,411)**	**3,795,116**	**(123,171)**	**3,671,945**
Debt securities issued	–	413,930	–	413,930	(413,930)	–
Other liabilities	1,711	963	–	2,674	(2,674)	–
Total liabilities	**1,711**	**414,893**	**–**	**416,604**	**(416,604)**	**–**
Net debt	**–**	**–**	**–**	**–**	**(296,808)**	**(296,808)**
of which, cash and liquid funds	–	–	–	–	*107,910*	*107,910*
of which, loans issued	–	–	–	–	*9,212*	*9,212*
of which, gross debt	–	–	–	–	*(413,930)*	*(413,930)*
Net other assets/(liabilities)	**–**	**–**	**–**	**–**	**3,375**	**3,375**
Total equity/NAV	**3,378,512**	**3,363,411**	**(3,363,411)**	**3,378,512**	**–**	**3,378,512**

	31 December 2022					
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications**	NAV Statement
Cash and cash equivalents	23,361	199,771	–	223,132	(223,132)	–
Amounts due from credit institutions	–	16,278	–	16,278	(16,278)	–
Marketable securities	–	25,445	–	25,445	(25,445)	–
Investment in redeemable securities	–	12,631	–	12,631	(12,631)	–
Prepayments	363	–	–	363	(363)	–
Loans issued	–	26,830	–	26,830	(26,830)	–
Other assets, net	–	2,351	–	2,351	(2,351)	–
Equity investments at fair value	2,795,060	3,198,627	(2,795,060)	3,198,627	–	3,198,627
Total assets	2,818,784	3,481,933	(2,795,060)	3,505,657	(307,030)	3,198,627
Debt securities issued	–	681,067	–	681,067	(681,067)	–
Other liabilities	1,393	5,806	–	7,199	(7,199)	–
Total liabilities	1,393	686,873	–	688,266	(688,266)	–
Net debt	–	–	–	–	(380,905)	(380,905)
of which, cash and liquid funds	–	–	–	–	*411,844*	*411,844*
of which, loans issued	–	–	–	–	*26,830*	*26,830*
of which, gross debt	–	–	–	–	*(819,579)*	*(819,579)*
Net other assets/(liabilities)	–	–	–	–	(331)	(331)
Total equity/NAV	**2,817,391**	**2,795,060**	**(2,795,060)**	**2,817,391**	**–**	**2,817,391**

* For detailed breakdown of JSC Georgia Capital refer to Note 12.

** Reclassification to aggregated balances to arrive at the NAV specific presentation, such as: aggregating cash, marketable securities, investment in redeemable shares, repurchased GCAP bonds as cash and liquid funds, debt securities issued as gross debt and netting of other assets and liabilities.

5. Segment Information continued

The following table presents income statement information of the Group's operating segments for the year ended 31 December 2023:

		Private portfolio companies							
	Listed and observable portfolio companies	Large	Investment stage	Other	Corporate centre	Total	Intragroup investment reversal and adjustments	Equity changes in JSC GCAP	Investment entity total
Gains/(losses) on investments at fair value	399,384	(2,039)	41,857	5,430	–	444,632	178,350	(54,631)	568,351
Listed and observable investments	*399,384*	–	–	–	–	*399,384*	*(399,384)*	–	–
Private investments	–	*(2,039)*	*41,857*	*5,430*	–	*45,248*	*577,734*	*(54,631)*	*568,351*
Dividend income	153,871	76,825	5,187	–	–	235,883	(235,883)	47,659	47,659
Interest income	–	–	–	–	16,642	16,642	(16,642)	–	–
Loss on liquid funds	–	–	–	–	(1,574)	(1,574)	1,574	–	–
Gross investment profit/(loss)	**553,255**	**74,786**	**47,044**	**5,430**	**15,068**	**695,583**	**(72,601)**	**(6,972)**	**616,010**
Administrative expenses	–	–	–	–	(10,909)	(10,909)	6,433	–	(4,476)
Salaries and other employee benefits	–	–	–	–	(25,870)	(25,870)	23,783	–	(2,087)
Interest expense	–	–	–	–	(47,808)	(47,808)	47,808	–	–
Profit/(loss) before provisions, foreign exchange and non-recurring items	**553,255**	**74,786**	**47,044**	**5,430**	**(69,519)**	**610,996**	**5,423**	**(6,972)**	**609,447**
Expected credit loss (charge)/reversal	–	–	–	–	(75)	(75)	75	–	–
Net foreign currency gain/(loss)	–	–	–	–	6,566	6,566	(7,521)	–	(955)
Non-recurring expense	–	–	–	–	(1,898)	(1,898)	1,898	–	–
Net gains from investment securities measured at fair value through profit or loss	–	–	–	–	–	–	125	–	125
Profit/(loss) before income taxes	**553,255**	**74,786**	**47,044**	**5,430**	**(64,926)**	**615,589**	**–**	**(6,972)**	**608,617**
Income tax	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	**553,255**	**74,786**	**47,044**	**5,430**	**(64,926)**	**615,589**	**–**	**(6,972)**	**608,617**

The following table presents income statement information of the Group's operating segments for the year ended 31 December 2022:

		Private portfolio companies							
	Listed and observable portfolio companies	Large	Investment stage	Other	Corporate centre	Total	Intragroup investment reversal and adjustments	Equity changes in JSC GCAP	Investment entity total
Gains/(losses) on investments at fair value	164,885	(115,511)	5,072	(114,248)	–	(59,802)	74,344	(13,617)	925
Listed and observable investments	*164,885*	–	–	–	–	*164,885*	*(164,885)*	–	–
Private investments	–	*(115,511)*	*5,072*	*(114,248)*	–	*(224,687)*	*239,229*	*(13,617)*	*925*
Dividend income	40,898	44,783	8,194	–	–	93,875	(93,875)	–	–
Interest income	–	–	–	–	32,955	32,955	(32,955)	–	–
Loss on liquid funds	–	–	–	–	(2,717)	(2,717)	2,717	–	–
Gross investment profit/(loss)	205,783	(70,728)	13,266	(114,248)	30,238	64,311	(49,769)	(13,617)	925
Administrative expenses	–	–	–	–	(11,779)	(11,779)	7,390	–	(4,389)
Salaries and other employee benefits	–	–	–	–	(28,217)	(28,217)	25,843	–	(2,374)
Interest expense	–	–	–	–	(69,774)	(69,774)	69,774	–	–
Profit/(loss) before provisions, foreign exchange and non-recurring items	205,783	(70,728)	13,266	(114,248)	(79,532)	(45,459)	53,238	(13,617)	(5,838)
Expected credit loss reversal	–	–	–	–	380	380	(380)	–	–
Net foreign currency gain	–	–	–	–	47,170	47,170	(53,245)	–	(6,075)
Non-recurring expense	–	–	–	–	(627)	(627)	387	–	(240)
Profit/(loss) before income taxes	205,783	(70,728)	13,266	(114,248)	(32,609)	1,464	–	(13,617)	(12,153)
Income tax	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	205,783	(70,728)	13,266	(114,248)	(32,609)	1,464	–	(13,617)	(12,153)

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

6. Equity Investments at Fair Value

	31 December 2023	31 December 2022
Subsidiaries (Note 12)	**3,363,411**	2,795,060
Equity investments at fair value	**3,363,411**	2,795,060

	2023	2022
At 1 January	**2,795,060**	2,881,373
Fair Value gain and dividend income	**616,010**	925
Capital redemption*	**–**	(87,238)
Dividend income**	**(47,659)**	–
At 31 December	**3,363,411**	2,795,060

* During 2022 JSC Georgia Capital made a capital reduction to its 100% shareholder Georgia Capital PLC with total consideration of GEL 87,238 of which cash consideration GEL 87,238.

** In 2023 JSC Georgia Capital paid a dividend to its 100% shareholder in the amount of GEL 47,659 (2022: GEL nil).

Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments, both meet the definition of investment entity and Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit or loss. For the breakdown and detailed information regarding the equity investments at fair value, refer to Note 12.

7. Taxation

As at 31 December 2023 GCAP PLC has an unrecognised tax asset (tax loss carried forward) in the amount of GEL 8,145 (31 December 2022: GEL 6,621). The Company does not recognise the deferred tax asset since it is not expected to be utilised in the foreseeable future, as the Company's income sources, fair value gains on equity investments and dividend income, are not taxable in the UK, as fair value gains are unrealised and dividend income from a controlled company is exempt from taxation under UK tax law.

The aggregate amount of temporary differences associated with investments in subsidiaries is GEL 1,919,957 (2022: GEL 1,351,606). The deferred tax liability has not been recognised as the Company controls the timing of reversal of these temporary differences and considers it probable that the temporary differences will not be reversed in the foreseeable future.

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. Management believes that the Company is in compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

8. Equity

Share capital

As at 31 December 2023 issued share capital comprised of 43,215,840 authorised common shares (31 December 2022: 44,827,862), of which 43,215,840 were fully paid (2022: 44,827,862). Each share has a nominal value of one British penny. Shares issued and outstanding as at 31 December 2023 and 31 December 2022 are described below:

	Number of ordinary shares	Amount
1 January 2022	47,080,203	1,547
Cancellation of shares	(2,252,341)	(74)
31 December 2022	44,827,862	1,473
Cancellation of shares	(1,612,022)	(53)
31 December 2023	**43,215,840**	**1,420**

Treasury shares

In 2023, the Company paid cash consideration of GEL 48,037 (2022: GEL 54,573) for acquisition of treasury shares, of which GEL 203 (2022: GEL 247) was related to shares acquired for settlement of employee share-based payments and GEL 47,834 (2022: GEL 54,326) were other acquisitions made by the Company, including those under the share buyback programme in 2022.

During 2023, 1,665,222 (2022: 2,252,341) treasury shares bought back under the buyback programme, out of which 1,612,022 were cancelled and 53,200 are held at treasury.

8. Equity continued

Earnings/(loss) per share

	2023	2022
Basic earnings/(loss) per share		
Profit/(loss) for the year attributable to ordinary shareholders of the parent	**608,617**	(12,153)
Weighted average number of ordinary shares outstanding during the year	**39,494,431**	42,090,389
Earnings/(loss) per share (GEL)	**15.4102**	(0.2887)
Diluted earnings/(loss) per share*		
Profit/(loss) for the year attributable to ordinary shareholders of the parent	**608,617**	(12,153)
Weighted average number of diluted ordinary shares outstanding during the year	**40,761,789**	42,090,389
Diluted earnings/(loss) per share (GEL)	**14.9311**	(0.2887)

* Dilution effect arises from the Group's share-based compensation arrangements.

9. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2023	2022
Salaries and bonuses	**(1,480)**	(1,798)
Equity compensation plan costs	**(541)**	(495)
Pension costs	**(66)**	(81)
Salaries and other employee benefits	**(2,087)**	(2,374)

Refer also to the Resources and Responsibilities section on page 80-93 and the Directors' Remuneration Report on page 139-157. For total number of employees of Georgia Capital, refer to page 84 of the Resources and Responsibilities section. For Directors' remuneration refer to page 150 of the Directors' Remuneration Report. The Annual Report figures comprise of both holding company entities: Georgia Capital PLC and JSC Georgia Capital. The figures in the table above are for standalone Georgia Capital PLC.

General and administrative expenses

	2023	2022
Legal and other professional services	**(4,205)**	(4,074)
Occupancy and rent	**(114)**	(113)
Communication	**(14)**	(14)
Other	**(143)**	(188)
General and administrative expenses	**(4,476)**	(4,389)

Auditors' remuneration

Auditors' remuneration is included within legal and other professional services expenses above and comprises:

	2023	2022
Fees payable for the audit of the Company's current year Annual Report	**1,002**	1,145
Fees payable for other services:		
Audit of the Company's subsidiaries	**308**	382
Total audit fees	**1,310**	1,527
Audit-related assurance services		
Other assurance services	**103**	101
Corporate finance services	**79**	–
Total audit-related fees	**182**	101
Non-audit services		
Total other services fees	**–**	–
Total fees	**1,492**	1,628

The figures shown in the above table include audit fees of JSC GCAP and GCAP PLC and do not include other remuneration paid by portfolio companies as it is not required by Companies Act 2006 Part 16. The presented amounts relate to fees paid to PricewaterhouseCoopers LLP and its associates.

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

10. Share-based Payments

Executives' Equity Compensation Plan

In 2018, Georgia Capital introduced Group's Executives' Equity Compensation Plan (EECP). Under the EECP, shares of the parent are granted to senior executives of the Company. In July 2018, the executives signed new five-year fixed contingent share-based compensation agreements with a total of 1,750,000 ordinary shares of Georgia Capital. The total amount of shares fixed to each executive are being awarded in five equal instalments during the five consecutive years starting January 2019, of which each award is subject to a six-year vesting period subject to continued employment within the Group during such vesting period. In October 2022 CEO contract maturity was extended until 31 December 2025 from May 2023, extending fixed contingent share-based compensation with additional 518,357 ordinary shares of Georgia capital. The fair value of the shares is determined at the grant date using available market quotations.

After Georgia Capital met the definition of investment entity on 31 December 2019, only the small portion of the CEO's share-based compensation which Georgia Capital PLC retains the obligation to settle is within scope of IFRS 2 in Georgia Capital's financial statements.

The following table illustrates the number and weighted average prices of, and movements in, shares awards granted to the CEO of Georgia Capital PLC during the year:

	2023	2022
Shares outstanding at 1 January	**132,735**	91,266
Vested during the year	**(14,367)**	(10,367)
Granted during the year	**–**	51,836
Shares outstanding at 31 December	**118,368**	132,735

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2023 was 2.71 years (2022: 3.3 years).

The weighted average fair value of shares vested was GEL 33.4 (2022: GEL 29.7). The weighted average fair value of shares granted was GEL nil (2022: GEL 18.68).

Expense recognition

The share-based payment expense recognised for employee services received during 2023 and the respective increase in equity arising from equity-settled share-based payments was GEL 541 (2022: GEL 495).

11. Risk Management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to investment risk, credit risk, liquidity risk and market risk. It is also subject to operational risks and insurance risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital PLC assists the Management Board of Georgia Capital in relation to the oversight of the Group's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the Internal Audit function and external auditor, reporting back to the Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and IS (including cyber-security) and assesses the effectiveness of the risk management and internal control framework.

It is responsible for reviewing and approving half-yearly and annual valuations of the Group's portfolio investments prepared and presented to it by the Management Board. The Committee will ensure that the Valuation Policy complies with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company.

11. Risk Management continued

Introduction continued

Risk management structure continued

Management Board

The Management Board of Georgia Capital has overall responsibility for the Group's asset, liability and risk management activities, policies and procedures. The Management Board is comprised of senior managers of GCAP PLC and JSC GCAP. In order to effectively implement the risk management system, the Board of Directors delegates individual risk management functions to the Management Board, which in turn assigns specific functions to the various decision-making and execution bodies within the Group's portfolio entities.

Internal Audit

The Internal Audit department of Georgia Capital PLC is responsible for the annual audit of the Group's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Group's internal control systems and detecting any infringements or errors on the part of the Group's departments and divisions. It examines both the adequacy of and the Group's compliance with those procedures. The Group's Internal Audit department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Valuation Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and countries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board.

Risk mitigation

As part of its overall risk management, GCAP PLC and JSC GCAP may use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. Risks at portfolio company level are mitigated by instruments applicable to specific industries they operate in.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit terms by debtors for various portfolio companies are managed and monitored separately, given industry specifics in which respective entities operate.

Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the treasury department of GCAP PLC and JSC GCAP in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The table below demonstrates the Company's financial assets credit risk profile by external rating grades:

	31 December 2023			31 December 2022		
	A+ to A-	BB+ to BB-	Not graded	A+ to A-	BB+ to BB-	Not graded
Cash and cash equivalents	**11,826**	**493**	**–**	22,927	434	–
Investment in redeemable securities	**–**	**–**	**3,517**	–	–	–
Total	**11,826**	**493**	**3,517**	22,927	434	–

Liquidity risk

Liquidity risk is the risk that the Company or any of its portfolio entities will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

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 the Company and each portfolio entity are managed separately. The major liquidity risks confronting the Group are the daily calls on its available cash resources in respect of supplier contracts and the maturity of borrowings.

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

11. Risk Management continued
Liquidity continued
The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

Financial liabilities 31 December 2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	1,711	–	–	–	1,711
Total undiscounted financial liabilities	**1,711**	**–**	**–**	**–**	**1,711**

Financial liabilities 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	1,393	–	–	–	1,393
Total undiscounted financial liabilities	**1,393**	**–**	**–**	**–**	**1,393**

Market risk
Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group has exposure to market risks. GCAP PLC and JSC GCAP structure the levels of market risk it accepts through a market risk policy that determines what constitutes market risk. Risks associated with changes in fair value of equity investment and its implied fair value components are disclosed in Note 12.

Price risk
In GCAP PLC equity securities price risk arises from publicly traded investment (BoG, valued at GEL 1,225,847) held through JSC GCAP for which price in the future is uncertain). Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the Georgian Lari, the price initially expressed in foreign currency and then converted into Georgian Lari will also fluctuate because of changes in foreign exchange rates. For details on currency risk management, refer to respective paragraph below.

If the price of our listed investment increased by 10% (2022: 10%) JSC GCAP's profit for the year and NAV would have increased by GEL 122,584 (2022: GEL 83,046). If the price of our listed investment decreased by 10% (2022: 10%) JSC GCAP's profit for the year and NAV would have decreased by GEL 122,585 (2022: GEL 83,046). As a result, JSC GCAP's NAV would have increased by 4% (2022: 3%) or decreased by 4% (2022: 3%).

Sensitivity analysis of private portfolio companies are presented in Note 12.

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

The 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 Company is not directly exposed to material currency risk.

Operating environment
Most of the Group's portfolio investments are concentrated in Georgia. As an emerging market, Georgia's business and regulatory infrastructure is less well-developed than that which would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian Government has taken a number of steps that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including a new Tax Code and procedural laws). In the view of the Board, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is, however, largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Georgia has published its climate change strategy. Georgia's 2030 Climate Change Strategy and Action Plan (Climate Change Strategy and Action Plan – CSAP, Climate Action Plan – CAP) are a planning and implementation mechanism for coordinated effort and planning towards meeting the nationally determined targets for climate change mitigation.

11. Risk Management continued
Capital management
Management monitors the Group's capital on a regular basis based on statement of net asset value prepared on fair value bases, which corresponds to equity attributable to shareholders of Georgia Capital PLC as at 31 December 2023 in the amount of GEL 3,378,512 (2022: GEL 2,817,391). The NAV Statement breaks down NAV into its components, including fair values for the private businesses and follows changes therein, providing management with a snapshot of the Group's financial position at any given time. The NAV Statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions. Refer to Note 5.

The capital management objectives are as follows:
- to maintain the required level of stability of the Group thereby providing a degree of security to the shareholders;
- to manage capital needs such that Group does not depend on potentially premature liquidation of its listed investments;
- to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders; and
- to maintain financial strength to support new business growth and to satisfy the shareholders' requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the applicable financial covenants. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

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

31 December 2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Equity investments at fair value	**–**	**–**	**3,363,411**	**3,363,411**

31 December 2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Equity investments at fair value	–	–	2,795,060	2,795,060

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

12. Fair Value Measurements continued
Valuation techniques continued
Investment in subsidiaries
Equity investments at fair value include investment in subsidiary at fair value through profit or loss representing 100% interest of JSC Georgia Capital. Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments, both meet the definition of investment entity and Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit or loss. Investments in investment entity subsidiaries and loans issued are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9. Debt securities owned are measured at fair value. We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. JSC Georgia Capital's NAV as of 31 December 2023 and 31 December 2022 is determined as follows:

	31 December 2023	31 December 2022
Assets		
Cash and cash equivalents	**51,138**	199,771
Amounts due from credit institutions	**8,678**	16,278
Marketable securities	**18,203**	25,445
Investment in redeemable securities	**14,068**	12,631
Equity investments at fair value	**3,671,945**	3,198,627
of which listed and observable investments:	***1,384,847***	*985,463*
BoG	**1,225,847**	*830,463*
Water utility	**159,000**	*155,000*
of which private investments:	***2,287,098***	*2,213,164*
Large portfolio companies	**1,436,231**	1,437,610
Retail (pharmacy)	***714,001***	*724,517*
Hospitals	***344,356***	*433,193*
P&C insurance	***285,566***	*228,045*
Medical insurance	***92,308***	*51,855*
Investment stage portfolio companies	**566,614**	501,407
Clinics and diagnostics	***110,761***	*112,178*
Renewable energy	***266,627***	*224,987*
Education	***189,226***	*164,242*
Other portfolio companies	**284,253**	274,147
Loans issued	**9,212**	26,830
Other assets	**5,060**	2,351
Total assets	**3,778,304**	3,481,933
Liabilities		
Debt securities issued	**413,930**	681,067
Other liabilities	**963**	5,806
Total liabilities	**414,893**	686,873
Net asset value	**3,363,411**	2,795,060

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

Equity investments in listed and observable portfolio companies
Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price. The instruments are included within Level 1 of the hierarchy in JSC GCAP financial statements. Listed and observable portfolio also includes instruments for which there is a clear exit path from the business, e.g. through a put and/or call options at pre-agreed multiples. In such cases, pre-agreed terms are used for valuing the company.

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

Investment stage portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of investment stage private portfolio companies at the reporting date starting from 30 June 2022. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what is considered to be the most appropriate point in the provided fair value range at the reporting date.

12. Fair Value Measurements continued
Valuation techniques continued
Equity investments in private portfolio companies continued
Other portfolio companies – fair value assessment is performed internally as described below.

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

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

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

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

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

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

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

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

Once the enterprise value is estimated, the following steps are taken:
- Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero (assuming the debt is without recourse to Georgia Capital).
- The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued, if applicable.
- Valuation based on enterprise value using peer multiples is used for businesses within non-financial industries.

b. Equity fair value valuation
Fair value of equity investment in companies can also be determined as using price to earnings (P/E) multiple of similar listed companies.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

12. Fair Value Measurements continued
Valuation techniques continued
Equity investments in private portfolio companies continued
Exit price
Fair value of a private portfolio company in a sales process, where the price has been agreed but the transaction has not yet settled, is measured at the best estimate of expected proceeds from the transaction, adjusted pro-rata to the proportion of shareholding sold.

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

Valuation process for Level 3 valuations
Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 31 December 2021. Starting from 2022 third-party valuation professionals are hired to assess fair value of the investment stage private portfolio companies as well. As of 31 December 2023, such businesses include hospitals (Large and Specialty Hospitals and Regional and Community Hospitals), P&C insurance, retail (pharmacy), medical insurance, clinics and diagnostics, renewable energy and education. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date. Fair values of investments in other private portfolio companies are assessed internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup.

Georgia Capital's Management Board proposes fair value to be placed at each reporting date to the Audit and Valuation Committee. Audit and Valuation Committee is responsible for the review and approval of fair values of investments at the end of each reporting period.

Description of significant unobservable inputs to level 3 valuations
The approach to valuations as of 31 December 2023 was consistent with the Company's valuation process and policy.

Management analyses the impact of climate change on the valuations, such as by incorporation of known effects of climate risks to the future cash flow forecasts or through adjusting peer multiples the known differences in the climate risk exposure as compared to the investment being fair valued. As at 31 December 2023, the management concluded that the effects of the climate risks are reflected in the peer multiples and discount rates used in the valuations and that no specific adjustments are required in relation of the Group's investment portfolio measurement and respective fair value sensitivity disclosures.

The following tables show descriptions of significant unobservable inputs to level 3 valuations of equity investments:

31 December 2023

Description	Valuation technique	Unobservable input	Range* [implied multiple**]	Fair value
Loans issued	DCF	Discount rate	15.0%-16.5%	9,212
Equity investments at fair value				
Large portfolio				1,436,231
Retail (pharmacy)	DCF, EV/EBITDA	EV/EBITDA multiple	6.3x-28.2x [9.7x]	714,001
Hospitals	DCF, EV/EBITDA	EV/EBITDA multiple	7.2x-12.8x [13.8x]	344,356
P&C insurance	DCF, P/E	P/E multiple	4.6x-12.6x [13.0x]	285,566
Medical insurance	DCF, P/E	P/E multiple	5.7x-11.6x [11.0x]	92,308
Investment stage				566,614
Clinics and diagnostics	DCF, EV/EBITDA	EV/EBITDA multiple	9.4x-12.8x [11.7x]	110,761
Renewable energy	DCF, EV/EBITDA	EV/EBITDA multiple	2.8x-17.0x [12.6x]	266,627
Education	DCF, EV/EBITDA	EV/EBITDA multiple	6.1x-42.7x [16.7x]	189,226
Other	Sum of the parts	EV/EBITDA multiples Cashflow probability NAV multiple	2.1x-19.0x [6.7x-14.6x] [90%-100%] [1.0x]	284,253

12. Fair Value Measurements continued
Description of significant unobservable inputs to level 3 valuations continued

31 December 2022

Description	Valuation technique	Unobservable input	Range* [implied multiple**]	Fair value
Loans issued	DCF	Discount rate	5.5%-16.5%	26,830
Equity investments at fair value				
Large portfolio				1,437,610
Retail (pharmacy)	DCF, EV/EBITDA	EV/EBITDA multiple	6.1x-20.9x [9.1x]	724,517
Hospitals	DCF, EV/EBITDA	EV/EBITDA multiple	7.5x-14.2x [12.2x]	433,193
P&C insurance	DCF, P/E	P/E multiple	7.0x-37.0x [10.7x]	228,045
Medical insurance	DCF, P/E	P/E multiple	10.3x-11.8x [10.6x]	51,855
Investment stage				501,407
Clinics and diagnostics	DCF, EV/EBITDA	EV/EBITDA multiple	7.9x-14.2x [16.5x]	112,178
Renewable energy	DCF, EV/EBITDA	EV/EBITDA multiple	8.1x-20.9x [11.4x]	224,987
Education	DCF, EV/EBITDA	EV/EBITDA multiple	7.6x-39.3x [16.9x]	164,242
Other	Sum of the parts	EV/EBITDA multiples Cash flow probability NAV multiple	2.0x-16.8x [6.3x-10.0x] [90%-100%] [0.9x]	274,147

* For equity investments at fair value the range refers to LTM multiples of listed peer group companies, prior to any adjustments.
** Implied multiples are derived by dividing selected value of the company by respective LTM earnings measure.

Georgia Capital hired third-party valuation professionals to assess fair value of the large and investment stage private portfolio companies as at 31 December 2023 and 31 December 2022 including P&C insurance, hospitals (Large and Specialty Hospitals and Regional and Community Hospitals), retail (pharmacy), medical insurance and clinics and diagnostics. Starting from 30 June 2022, fair value assessment for renewable energy and education businesses are performed by third-party valuation professionals as well. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

On 31 December 2021, Georgia Capital signed SPA to dispose 80% interest in the water utility business, which was previously included within the large private portfolio companies. As at 31 December 2023 the remaining 20% interest in the water utility business was valued using the pre-agreed put option multiple in reference to the signed contract with the buyer as GCAP has a clear exit path from the business through a put and call structure at pre-agreed EBITDA multiples.

As at 31 December 2023, several portfolio companies (hospitals, clinics and P&C insurance, together the "Defendants") were engaged in litigation with the former shareholders of Insurance Company Imedi L who allege that the they sold their 66% shares in Imedi L to the Defendants under duress at a price below market value in 2012. Since the outset, the Defendants have vigorously defended their position that the claims are wholly without merit. The initial judgment of the First Instance Court in 2018 which was in favour of the Defendants was overruled by the Appellate Court in 2020 and the case was returned for reconsideration to the First Instance Court. Upon reconsideration, in 2022 the First Instance Court partially satisfied the claim and ruled that US$ 12.7 million principal amount plus an annual 5% interest charge as lost income (c.US$ 21 million in total) should be paid by the Defendants. The Defendants appealed the decision of the First Instance Court and as of 31 December 2023 the case is at the stage of consideration at the Appellate Court. No hearing date has been set.

The Defendants are confident that they will prevail and there have not been made a provision for a potential liability in their financial statements. Management shares the Defendants' assessment of the merits of the case and considers that the probability of incurring losses on this claim is low, accordingly, fair values of portfolio companies do not take into account a potential liability in relation to this litigation.

In December 2023, the Georgian National Competition Agency (the "Agency") imposed fines on four companies in the Georgian pharmaceutical retailers' sector, including GCAP's retail (pharmacy) business, for alleged anti-competitive actions related to price quotations on certain prescription medicines funded under the state programme. The penalty amount assessed by the Agency on our retail (pharmacy) business is GEL 20.0 million derived by utilising the single rate across all the alleged participants. The company has appealed the Agency's decision in court and plans to vigorously defend its position.

NOTES TO FINANCIAL STATEMENTS CONTINUED
GEORGIA CAPITAL PLC (THOUSANDS OF GEORGIAN LARI)

12. Fair Value Measurements continued

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

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

If the interest rate for each individual loan issued to equity investments as at 31 December 2023 decreased by 3.0-3.3 ppts (2022: 1.1-3.3 ppts), the amount of loans issued would have decreased by GEL 257 or 2.8% (2022: GEL 150 or 0.6%). If the interest rates increased by 3.0-3.3 ppts (2022: 1.1-3.3 ppts) then loans issued would have increased by GEL 255 or 2.8% (2022: GEL 148 or 0.6%).

If the listed peer multiples used in the market approach to value unquoted investments as at 31 December 2023 decreased by 10% (2022: 10%), value of equity investments at fair value would decrease by GEL 59 million or 2% (2022: GEL 71 million or 2%). If the multiple increased by 10% (2022: 10%) then the equity investments at fair value would increase by GEL 59 million or 2% (2022: GEL 71 million or 2%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 bps (2022: 50 bps), the value of equity investments at fair value would increase by GEL 82 million or 2% (2022: GEL 75 million or 2%). If the discount rates increased by 50 bps (2022: 50 bps) then the equity investments at fair value would decrease by GEL 87 million or 2% (2022: GEL 71 million or 2%). If the discount rate decreased by 100 bps, the value of equity investments at fair value would increase by GEL 177 million or 5% (31 December 2022: GEL 155 million or 5%). If the discount rate increased by 100 bps then the equity investments at fair value would decrease by GEL 164 million or 4% (31 December 2022: GEL 138 million or 4%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis as at 31 December 2023 decreased by 10% (2022: 10%), value of equity investments at fair value would decrease by GEL 10 million or 0.3% (2022: GEL 11 million or 0.3%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 10 million or 0.3% (2022: GEL 11 million or 0.3%).

As set out in the description of significant unobservable inputs to level 3 valuations the valuations have been prepared on the basis that climate change risks are reflected in the peer multiples and discount rates. Therefore, the sensitivities noted above in respect of peer multiples and discount rates include the risk arising from climate change.

Movements in level 3 financial instruments measured at fair value

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

	At 1 January 2022	Fair value gain	Capital redemption	Capital increase	At 31 December 2022	Fair value gain	Capital redemption	Dividend Income	At 31 December 2023
Level 3 financial assets									
Equity investments at fair value (Note 6)	2,881,373	925	(87,238)	–	2,795,060	**616,010**	**–**	**(47,659)**	**3,363,411**

13. Maturity Analysis

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

	31 December 2023		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	12,319	–	12,319
Investment in redeemable securities	3,517	–	3,517
Equity investments at fair value	–	3,363,411	3,363,411
Prepayments	976	–	976
Total assets	**16,812**	**3,363,411**	**3,380,223**
Other liabilities	1,711	–	1,711
Total liabilities	**1,711**	**–**	**1,711**
Net	**15,101**	**3,363,411**	**3,378,512**

	31 December 2022		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	23,361	–	23,361
Equity investments at fair value	–	2,795,060	2,795,060
Prepayments	363	–	363
Total assets	**23,724**	**2,795,060**	**2,818,784**
Other liabilities	1,393	–	1,393
Total liabilities	**1,393**	**–**	**1,393**
Net	**22,331**	**2,795,060**	**2,817,391**

14. Related Party Disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

There were no related party transactions as of 31 December 2023 and as of 31 December 2022, other than dividend income of GEL 47,659 from JSC GCAP in 2023 (31 December 2022: nil), capital redemption of GEL 87,238 in 2022 and compensation of key management personnel disclosed below.

The compensation of key management personnel for the Company and its 100%-owned subsidiary, JSC GCAP, comprised the following:

	2023	2022
Salaries and other benefits	**(2,097)**	(2,858)
Share-based payments compensation	**(9,165)**	(9,554)
Total key management compensation	**(11,262)**	(12,412)

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The number of key management personnel at 31 December 2023 was 5 (31 December 2022: 7).

For more information regarding Groups Directors' remuneration refer to the Directors' Remuneration Report on page 139-157 in the Group's Annual Report 2023.

For the details of related party balances comprising of equity investments at fair value please, refer to Note 6.

15. Events after the Reporting Period

Acquisition of medical insurance contracts and brand name from "Ardi"

In January 2024, the medical insurance business signed a Memorandum of Understanding to acquire a GEL 73 million portfolio of medical insurance contracts and brand name from "Ardi". Upon the successful completion of this transaction, the combined market share of GCAP's medical insurance business will make it the largest health insurer in the country. The total cash outflow for this transaction is GEL 27 million, which will be fully financed by funds already available in the medical insurance business, with no cash investment required from GCAP. Following this acquisition, the insurance business will operate under three brand names: Aldagi, Imedi L and Ardi, all of which will be managed under GCAP.

Proposed acquisition of Ameriabank CJSC by Bank of Georgia Group PLC

On 19 February 2024, Bank of Georgia Group PLC announced that it has reached an agreement for the proposed acquisition of 100% of Ameriabank CJSC a leading universal bank in Armenia with an attractive franchise (the "Transaction"). The Transaction price is approximately US$ 303.6 million, which will be fully financed by the Bank's surplus capital. The Transaction – expected to be EPS and ROAE accretive – represents a significant catalyst for the Bank and its shareholders. The Bank intends to keep the targeted pay-out ratio unchanged in the range of 30%-50% of annual profits, potentially enabling increased capital distributions for the Bank's shareholders.

As of 15 March 2024, the share price of Bank of Georgia Group PLC has seen a significant increase, rising from GBP 39.75 to GBP 48.45 compared to the end of 2023. This translates to a total value increase by 22% in GEL.

ADDITIONAL INFORMATION
ABBREVIATIONS

AGM	Annual General Meeting
APM	Alternative performance measure
BoG or BoGG	Bank of Georgia Group PLC
CAGR	Compounded annual growth rate
COVID-19	The novel coronavirus
DCF	Discounted cash flow
DCFTA	Deep and Comprehensive Free Trade Agreement
EBITDA	Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation
EECP	Executives' Equity Compensation Plan
EFTA	European Free Trade Association
EPS	Earnings per share
ESMS	Environmental and Social Risk Management Procedures
EUR	Euro
EV	Enterprise value
EY	Ernst & Young
FCF	Free cash flow
FDI	Foreign direct investment
FRC	Financial Reporting Council
FTA	Free Trade Agreement
GBP	Great British Pound, national currency of the UK
GDP	Gross domestic product
GEL	Georgian Lari or Lari, national currency of Georgia
GGU	Georgia Global Utilities
GHG	Georgia Healthcare Group
HPP	Hydro power plant
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
LTIP	Long-Term Incentive Plan
LTM	Last 12 months
LTV	Loan to value ratio
MDA	Modified Dutch Auction
MOIC	Multiple of invested capital
MoU	Memorandum of Understanding
MTPL	Mandatory third-party liability insurance
MW	Megawatt
NAV	Net asset value
NBG	National Bank of Georgia
NCC	Net Capital Commitment
NGO	Non-governmental organisation
NIM	Net Interest Margin
NMF	Not meaningful to present
NPLs	Non-performing loans
NTM	Next twelve months
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenses
P&C	Property and Casualty
PLC	Public limited company
PPA	Power Purchase Agreement
PwC	PricewaterhouseCoopers LLP
RAB	Regulatory Asset Base
ROA	Return on assets
ROAE	Return on average equity
ROE	Return on equity
ROIC	Return on invested capital
SDGs	United Nations' Sustainable Development Goals
SMEs	Small and medium-size enterprises
SOTP	Sum-of-the-parts valuation
TBD	To be determined
TPP	Thermal power plant
TPL	Third-party liability insurance
TSR	Total Shareholder Return
UK	United Kingdom
US$/USD	United States dollar, national currency of the United States
WACC	Weighted average cost of capital
WPP	Wind power plant
WSS	Water supply and sanitation
WWTP	Wastewater treatment plant
y-o-y	Year-on-year
YTD	Year to date

ADDITIONAL INFORMATION
REFERENCES

BGEO Group PLC	Former parent company of Georgia Capital PLC prior to demerger
The Board	The Board of Directors of Georgia Capital PLC
The Code	The UK Corporate Governance Code published in 2018
The Directors	Members of Georgia Capital PLC Board of Directors
We/Our/Us	References to "we", "our" or "us" are primarily references to the Group throughout this Report. However, the Group comprises of and operates through its subsidiaries which are legal entities with their own relevant management and governance structure (as set out in relevant parts of this Report).

ADDITIONAL INFORMATION
GLOSSARY

Alternative performance measures (APMs)	In this Annual Report management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. Management believes that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate our operating performance and make day-to-day operating decisions.
Combined ratio	Equals sum of the loss ratio and the expense ratio in the insurance business.
Demerger	Georgia Capital PLC emerged as a separately listed company after demerger from its former Parent Company BGEO Group on 29 May 2018 (the demerger).
EBITDA	Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation; the Group has presented these figures in this document because management uses EBITDA as a tool to measure the portfolio companies' operational performance and the profitability of these companies' operations. The Company considers EBITDA to be an important indicator of representative recurring operations.
Expense ratio	Equals sum of acquisition costs and operating expenses divided by net earned premiums in the insurance business.
IRR	IRR for investments is calculated based on: a) historical contributions to the investment; b) dividends received; and c) fair value of the investment as at 31 December 2023.
LTV	Loan to value ratio: net debt divided by the portfolio value.
Liquid assets and Loans issued	Liquid asset and loans issued in Georgia Capital include cash, marketable debt securities and issued short-term loans.
Loss ratio	Equals net insurance claims expense divided by net earned premiums.
NAV	Net asset value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
NCC	Net Capital Commitment represents an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP holding company level.
NCC ratio	Equals Net Capital Commitment divided by portfolio value.
Net investment	Gross investments less capital returns.
Number of shares outstanding	Number of shares in issue less total unawarded shares in JSC GCAP's management trust.
MOIC	Multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date, and ii) the denominator is the gross investment amount.
P/B multiple	The price-to-book multiple, determined by dividing the current market price of a company's share by its book value per share.
P/E multiple	The price-to-earnings multiple, calculated by dividing the current market price of a company's share by its earnings per share.
Realised MOIC	Realised multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs, ii) the denominator is the gross investment amount.
ROAE	Return on average total equity equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.
ROIC	Return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.
Value creation	Value creation of each portfolio investment is calculated as follows: we aggregate a) change in beginning and ending fair values, b) gains from realised sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total value creation/investment return.

ADDITIONAL INFORMATION
SHAREHOLDER INFORMATION

Our website
All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors, key financial information, regulatory news, share and dividend data, AGM documentation and other significant information about Georgia Capital at: **https://georgiacapital.ge/**.

Our registered address
Georgia Capital PLC
42 Brook Street
London
W1K 5DB
United Kingdom

Annual General Meeting
The Annual General Meeting of Georgia Capital PLC (the AGM) will be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London EC2M 4RB. Details of the date, time and business to be conducted at the AGM is contained in the Notice of AGM, which will be mailed to shareholders who have elected to receive hard copies of shareholder information and will be available on the Company's website: **https://georgiacapital.ge/**.

Shareholder enquiries
Georgia Capital PLC's share register is maintained by Computershare Investor Services PLC. Any queries about the administration of holdings of ordinary shares, such as change of address or change of ownership, should be directed to the address or telephone number immediately below. Holders of ordinary shares may also check details of their shareholding, subject to passing an identity check, by visiting the Registrar's website: **www.investorcentre.co.uk** or by calling the Shareholder Helpline on: +44 (0) 370 873 5866.

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Contact information
Georgia Capital PLC Investor Relations
E-mail: ir@gcap.ge

Forward-looking statements
Certain statements in this Annual Report and Accounts contain forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things, those described in "principal risks and uncertainties" included in this Annual Report and Accounts, see pages 71 to 79.

No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

NOTES

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