FINANCIAL PERFORMANCE HIGHLIGHTS (IFRS)[1]

GEL '000, unless otherwise noted	Mar-23	Dec-22	Change
Georgia Capital NAV overview			
NAV per share, GEL	67.72	65.56	3.3%
NAV per share, GBP	21.41	20.12	6.4%
Net Asset Value (NAV)	2,880,450	2,817,391	2.2%
Liquid assets and loans issued	379,877	438,674	-13.4%
NCC ratio[2]	19.7%	21.1%	-1.4 ppts
Georgia Capital Performance	**1Q23**	**1Q22**	**Change**
Total portfolio value creation	76,896	(450,821)	NMF
of which, listed and observable businesses	*20,839*	*(207,707)*	*NMF*
of which, private businesses	*56,057*	*(243,114)*	*NMF*
Investments	16,998	1,572	NMF
Divestments	-	(557,568)	NMF
Buybacks[3]	19,266	26,052	-26.0%
Dividend income	26,412[4]	2,195	NMF
Net income	80,638	(485,249)	NMF
Private portfolio companies' performance[1,5]	**1Q23**	**1Q22**	**Change**
Large portfolio companies			
Revenue	318,918	315,264	1.2%
EBITDA	40,293	39,993	0.7%
Net operating cash flow	18,666	28,665	-34.9%
Investment stage portfolio companies			
Revenue	38,542	43,141	-10.7%
EBITDA	10,362	12,742	-18.7%
Net operating cash flow	3,626	6,277	-42.2%
Total portfolio[6]			
Revenue	478,633	435,182	10.0%
EBITDA	54,545	54,038	0.9%
Net operating cash flow	33,249	31,571	5.3%

KEY POINTS

- NAV per share (GEL) up 3.3% in 1Q23 (up 6.4% in GBP terms), reflecting strong value creation across our portfolio companies
- Net Capital Commitment (NCC) ratio decreased by 1.4 ppts to 19.7% in 1Q23, resulting from the continued growth in the portfolio value and decrease in the guarantees issued
- GEL 26.4 million dividends realised in 1Q23, of which GEL 21.2 million related to participation in BoG's on-market share buybacks
- Sale of hospitality assets for US$ 28 million in 1Q23, leading to a decrease in the aggregate net debt to EBITDA of our private portfolio companies (down from 3.3x at 31-Dec-22 to 3.0x at 31-Mar-23)
- From US$ 300 million outstanding GCAP Eurobond, US$ 79 million have been repurchased to date
- Successful completion of the transfer from LSE Premium to LSE Standard listing, and a launch of the US$ 10 million share buyback and cancellation programme in April 2023

Conference call: An investor/analyst webinar will be held on 10 May 2023, at 14:00 UK / 15:00 CET / 09:00 US Eastern Time. Please register at the Registration link to attend the event. Further details are available on the Group's webpage.

[1] See "Basis of Presentation" for more background on page 22. 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] Please see definition in glossary on page 22.
[3] Includes both the buybacks under the share buyback and cancellation programme and for the management trust.
[4] Includes GEL 21.2 million buyback dividends related to participation in BOG's on-market share buybacks.
[5] Private portfolio companies' performance highlights are presented excluding the water utility business. Aggregated numbers are presented like-for-like basis.
[6] The results of our four smaller businesses included in other portfolio companies (described on page 21) are not broken out separately. Performance totals, however, include the other portfolio companies' results (and are therefore not the sum of large and investment stage portfolio results).

CHAIRMAN AND CEO'S STATEMENT

Georgia Capital's 1Q23 results demonstrate strong achievements in both operational and financial performance and also reflect significant progress in delivering on our strategic priorities.

NAV per share (GEL) was up 3.3% to GEL 67.72 in 1Q23. The NAV per share growth in 1Q23 resulted mainly from the value creation across our portfolio companies. BoG's share price continued to grow in 1Q23 (up 5.6% q-o-q), leading to GEL 20.8 million value creation (0.7 ppts positive impact on the NAV per share). The value creation across our private portfolio totalled GEL 56.1 million (2.0 ppts NAV per share impact) and is the result of two main business drivers. Our healthcare businesses are completing their gradual organic return to pre-pandemic levels of activity leading to the rebound we have been expecting in earnings growth. Our non-healthcare businesses' continued strong performance is supported by the strength of the Georgian economy. The NAV per share growth was further supported by share buybacks for the management trust and GEL's appreciation against US$ during the quarter (+1.9 ppts impact), partially offset by management platform related costs and net interest expense (-0.7 ppts impact). In GBP terms, the NAV per share growth in 1Q23 was strong – up 6.4% – reflecting the 3.0% appreciation of GEL against GBP during the quarter.

Transfer from LSE Premium to LSE Standard Listing. In 1Q23, our shareholders approved a proposal to transfer GCAP to an LSE Standard listing, which we consider is more suited to the Company's size and strategy and will help create greater value for shareholders. This transfer, which became effective on 13 April 2023, is expected to eliminate transaction delays and costs associated with regulatory class tests and ensure a more seamless execution of significant transactions, such as disposals/exits from portfolio companies. The transfer also provides greater flexibility to execute meaningful share buybacks in the future.

Strategic priorities. Exactly a year ago, we laid out our key strategic priorities: to significantly reduce the leverage within the holding company; to achieve consistent NAV per share growth on the back of capital-light investments; to create the opportunity to return cash to shareholders; and to put ESG at the core of GCAP's strategy. We have made excellent progress towards achieving these priorities.

NCC ratio decreased by 1.4 ppts to 19.7% in 1Q23. The decrease in the NCC ratio was mainly driven by the following factors: 1) a 2.2% growth in total portfolio value, 2) a EUR 4.9 million decrease in GCAP's guarantee on the borrowing of beer business resulting from the strong operating performance of the business, and 3) robust liquidity levels at GCAP, which also reflects GEL 21.2 million buyback dividends from the participation in BoG's buybacks, corresponding to c.240,000 shares sold. Subsequent to 1Q23, we have received an additional GEL 26.3 million from participating in the Bank's buybacks with 295,000 BoG shares sold. Consequently, as of 5 May 2023, our equity stake in the Bank has returned to the historical level of 19.9%. This, coupled with GCAP's share buybacks and movements in the Bank's share price and foreign exchange rates, led to a further reduction in the NCC ratio to 19.1%. Since the introduction of the Net Capital Commitment concept in 1Q22, the NCC ratio has decreased significantly, down by 9.1 ppts from 28.2% at 31-Mar-22.

Update on divestments from subscale businesses. In 1Q23, our hospitality business completed the sale of two operational hotels and a vacant land plot in Tbilisi for a total consideration of US$ 28 million. The proceeds from the transaction were fully utilised for deleveraging the hospitality business balance sheet. The transaction marks further progress towards two core strategic priorities: 1) to divest, over the next few years, subscale portfolio companies, and 2) to delever the Group's balance sheet. These disposals had a positive impact on the aggregated leverage of our private portfolio companies, driving the aggregated net debt to EBITDA down to 3.0x at 31-Mar-23 from 3.3x at 31-Dec-22. Additionally, in April 2023, our hospitality business entered into a binding agreement to sell another under-construction hotel located in Tbilisi for US$ 8.4 million. The transaction is expected to close by the end of 2Q23.

Update on our capital allocations. In 1Q23, we continued to expand our education business by acquiring a new campus in the affordable segment and a land plot adjacent to the operational campuses of our premium and international schools. With the acquisition of the new campus, the business has expanded from a built capacity of 5,670 learners to 6,870 learners, while the acquisition of the land plot increases the total secured pipeline capacity for 2025 by 350 learners, from 2,410 learners to 2,760 learners.

Resumption of share buybacks. While our share price has continued to recover, the continued growth in our NAV has meant that the discount to our NAV per share has remained high - in excess of 60%. This provided an opportunity to create significant value for our shareholders through accretive tactical share buybacks. As such, in line with our capital allocation framework, we launched a US$ 10 million share buyback and cancellation programme in April 2023. Since its launch, we have bought back 665,921 shares (US$ 6.5 million) to date.

Update on ESG. We have put environmental, social and governance (ESG) issues at the forefront of our strategy and our commitment to the increasing importance of the ESG issues that we all face remains undimmed. As announced in our Sustainability Report in March 2023, GCAP's strategic priority to set measurable ESG targets at both GCAP HoldCo and portfolio company levels has been executed by committing to the Net-Zero Initiative. The ESG targets enhance GCAP's strategy and once again demonstrate the important role of Georgia Capital in the country's sustainable development journey.

Macroeconomic update. Following two consecutive years of double-digit growth, real GDP expanded by 7.2% in 1Q23. Growth was supported by strong external inflows (up 72% y-o-y in 1Q23) with trade, remittances and tourism revenues showing strong year-over-year performance. On the domestic side, credit expansion, favourable fiscal policy and strong business sentiment were key contributors to the economic activity. The Georgian Lari (GEL) has kept its upward trend and (as of 5 May 2023) appreciated by 8.0% against the US$ compared to the beginning of the year. This appreciation was supported by strong external inflows, ample FX liquidity, a strict monetary policy stance, increased lending in foreign currency and overall positive growth sentiment. The annual inflation rate decelerated throughout 2022 and continued to ease sharply in 2023, with the March headline number standing at 5.3%. The National Bank of Georgia (NBG) has maintained a tight monetary stance with the refinancing rate kept at 11% since March 2022, reaffirming its commitment to pursue strict policy until the inflationary pressures ease further. The current account deficit is at historic low levels (4.1% of GDP) in 2022, supported by a record-high surplus in the third quarter (+5.7% of GDP). Fiscal and monetary authorities used favourable macro conditions appropriately to rebuild Georgia's external buffers, with government debt decreasing below pre-pandemic levels (39.7% of GDP, 2022), and reserves at a record high US$ 5 billion (as of March 2023). These positive macro developments have also been reflected in the country's sovereign rating, with Fitch revising its outlook from BB stable to BB positive in January 2023.

Outlook. The resilient performance of our portfolio companies and positive economic developments have led to outstanding results in 1Q23. We have continued to make strong progress on our core strategic priority of deleveraging the Group's balance sheet. Looking ahead, on the basis of our strong balance sheet and effective capital allocation management, we anticipate that the forthcoming re-financing of our maturing Eurobonds will provide us with an opportunity to manage even more substantial de-leveraging progress. I believe that Georgia Capital is extremely well positioned to deliver consistent NAV per share growth over the medium to long term, while also continuing to make significant progress on our key strategic priorities.

Irakli Gilauri, Chairman and CEO

DISCUSSION OF GROUP RESULTS

The discussion below analyses the Group's unaudited net asset value at 31-Mar-23 and its income for the first quarter then ended on an IFRS basis (see "Basis of Presentation" on page 22 below).

Net Asset Value (NAV) Statement

NAV statement summarises the Group's IFRS equity value (which we refer to as Net Asset Value or NAV in the NAV Statement below) at the opening and closing dates for the first quarter (31-Dec-22 and 31-Mar-23). The NAV Statement below breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods.

NAV STATEMENT 1Q23

GEL '000, unless otherwise noted	Dec-22	1. Value creation[7]	2a. Investment and Divestment	2b. Buyback	2c. Dividend income	3. Operating expenses	4. Liquidity/ FX/Other	Mar-23	Change %
Listed and Observable Portfolio Companies									
Bank of Georgia (BoG)	830,463	20,839	-	-	(21,225)	-	-	830,077	0.0%
Water Utility	155,000	-	-	-	-	-	-	155,000	0.0%
Total Listed and Observable Portfolio Value	**985,463**	**20,839**	**-**	**-**	**(21,225)**	**-**	**-**	**985,077**	**0.0%**
Listed and Observable Portfolio value change %		***2.1%***	***0.0%***	***0.0%***	***-2.2%***	***0.0%***	***0.0%***	***0.0%***	
Large Companies	**1,437,610**	**28,931**	**-**	**-**	**-**	**-**	**548**	**1,467,089**	**2.1%**
Retail (Pharmacy)	*724,517*	*25,939*	-	-	-	-	-	*750,456*	*3.6%*
Hospitals	*433,193*	*(6,088)*	-	-	-	-	-	*427,105*	*-1.4%*
Insurance (P&C and Medical)	*279,900*	*9,080*	-	-	-	-	*548*	*289,528*	*3.4%*
Of which, P&C Insurance	*228,045*	*3,683*	-	-	-	-	*548*	*232,276*	*1.9%*
Of which, Medical Insurance	*51,855*	*5,397*	-	-	-	-	-	*57,252*	*10.4%*
Investment Stage Companies	**501,407**	**18,455**	**12,798**	**-**	**(5,187)**	**-**	**195**	**527,668**	**5.2%**
Renewable Energy	*224,987*	*19,833*	*3,188*	-	*(5,187)*	-	*195*	*243,016*	*8.0%*
Education	*164,242*	*1,296*	*9,610*	-	-	-	-	*175,148*	*6.6%*
Clinics and Diagnostics	*112,178*	*(2,674)*	-	-	-	-	-	*109,504*	*-2.4%*
Other Companies	**274,147**	**8,671**	**4,200**	**-**	**-**	**-**	**610**	**287,628**	**4.9%**
Total Private Portfolio Value	**2,213,164**	**56,057**	**16,998**	**-**	**(5,187)**	**-**	**1,353**	**2,282,385**	**3.1%**
Private Portfolio value change %		***2.5%***	***0.8%***	***0.0%***	***-0.2%***	***0.0%***	***0.1%***	***3.1%***	
Total Portfolio Value (1)	**3,198,627**	**76,896**	**16,998**	**-**	**(26,412)**	**-**	**1,353**	**3,267,462**	**2.2%**
Total Portfolio value change %		***2.4%***	***0.5%***	***0.0%***	***-0.8%***	***0.0%***	***0.0%***	***2.2%***	
Net Debt (2)	**(380,905)**	**-**	**(16,998)**	**(19,266)**	**26,412**	**(5,217)**	**9,746**	**(386,228)**	**1.4%**
of which, Cash and liquid funds	*411,844*	-	*(16,998)*	*(19,266)*	*26,412*	*(5,217)*	*(52,446)*	*344,329*	*-16.4%*
of which, Loans issued	*26,830*	-	-	-	-	-	*8,718*	*35,548*	*32.5%*
of which, Gross Debt	*(819,579)*	-	-	-	-	-	*53,474*	*(766,105)*	*-6.5%*
Net other assets/ (liabilities) (3)	(331)	-	-	-	-	(4,714)	4,261	(784)	*NMF*
of which, share-based comp.	-	-	-	-	-	*(4,714)*	*4,714*	-	*0.0%*
Net Asset Value (1)+(2)+(3)	**2,817,391**	**76,896**	**-**	**(19,266)**	**-**	**(9,931)**	**15,360**	**2,880,450**	**2.2%**
NAV change %		***2.7%***	***0.0%***	***-0.7%***	***0.0%***	***-0.4%***	***0.5%***	***2.2%***	
Shares outstanding[7]	42,973,462	-	-	(770,291)	-	-	329,844	42,533,015	-1.0%
Net Asset Value per share, GEL	**65.56**	**1.79**	**0.00**	**0.74**	**0.00**	**(0.23)**	**(0.15)**	**67.72**	**3.3%**
NAV per share, GEL change %		***2.7%***	***0.0%***	***1.1%***	***0.0%***	***-0.4%***	***-0.2%***	***3.3%***	

NAV per share (GEL) was up by 3.3% q-o-q in 1Q23, reflecting a) GEL 76.9 million value creation across our portfolio companies with a positive 2.7 ppts impact, b) share buybacks (+1.1 ppts impact) and c) GEL's appreciation against US$, resulting in a foreign currency gain of GEL 22.0 million on GCAP net debt (+0.8 ppts impact). The NAV per share growth was slightly offset by management platform-related costs and net interest expense with a negative 0.7 ppts impact in total.

Portfolio overview

The total portfolio value increased by GEL 68.8 million (2.2%) to GEL 3.3 billion in 1Q23:

- The value of the private portfolio increased by GEL 69.2 million (3.1%), reflecting the net impact of a) GEL 56.1 million value creation, b) investments of GEL 17.0 million and c) a decrease of GEL 5.2 million due to dividends paid to GCAP.
- The value of the listed and observable portfolio remained flat, reflecting the net impact of a GEL 20.8 million value creation, attributable to the recovery in BoG's share price, offset by GEL 21.2 million buyback dividends from the participation in BoG share buybacks.

Consequently, as of 31-Mar-23, the private portfolio value totalled GEL 2.3 billion (69.9% of the total), while the listed and observable portfolio value stood at GEL 985.1 million (30.1% of the total portfolio value).

[7] Please see definition in glossary on page 22.

1) Value creation

Total portfolio value creation amounted to GEL 76.9 million in 1Q23.

- A GEL 20.8 million value creation from the listed and observable portfolio was attributable to the 5.6% increase in BoG's share price, partially offset by GEL's appreciation against GBP by 3.0% in 1Q23.
- The value creation in the private portfolio amounted to GEL 56.1 million in 1Q23, reflecting the continued strong performance of our non-healthcare businesses, supported by the robustness of the Georgian economy, and the rebounding earnings growth momentum of our healthcare businesses, as they complete the gradual organic return to a pre-pandemic environment. This translated into a slight increase in 1Q23 implied valuation multiples[8].

The table below summarises value creation drivers in our businesses in 1Q23:

Portfolio Businesses	Operating Performance[9]	Greenfields / buy-outs / exits[10]	Multiple Change and FX[11]	Value Creation
GEL '000, unless otherwise noted	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed and Observable portfolio				**20,839**
BoG				20,839
Water Utility				-
Private portfolio	**738**	**-**	**55,319**	**56,057**
Large Portfolio Companies	**(16,791)**	**-**	**45,722**	**28,931**
Retail (pharmacy)	*(2,588)*	-	*28,527*	*25,939*
Hospitals	*(39,361)*	-	*33,273*	*(6,088)*
Insurance (P&C and Medical)	*25,158*	-	*(16,078)*	*9,080*
Of which, P&C Insurance	*8,743*	-	*(5,060)*	*3,683*
Of which, Medical Insurance	*16,415*	-	*(11,018)*	*5,397*
Investment Stage Portfolio Companies	**(16,994)**	**-**	**35,449**	**18,455**
Renewable Energy	*(3,046)*	-	*22,879*	*19,833*
Education	*12,469*	-	*(11,173)*	*1,296*
Clinics and Diagnostics	*(26,417)*	-	*23,743*	*(2,674)*
Other portfolio companies	**34,523**	**-**	**(25,852)**	**8,671**
Total portfolio	**738**	**-**	**55,319**	**76,896**

Valuation overview[12]

In 1Q23, our private large and investment stage portfolio companies were valued internally by incorporating the portfolio companies' 1Q23 results, in line with International Private Equity Valuation ("IPEV") guidelines and methodology deployed at the end of 2022 by an independent valuation company. The independent valuation assessments, which serve as the basis for Georgia Capital's estimate of fair value, were performed by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and, in some cases, precedent transactions). The independent valuations of large and investment stage businesses are performed on a semi-annual basis. 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.

The enterprise value and equity value development of our businesses in 1Q23 is summarised in the following table:

	Enterprise Value (EV)			Equity Value			
GEL '000, unless otherwise noted	31-Mar-23	31-Dec-22	Change %	31-Mar-23	31-Dec-22	Change %	% share in total portfolio
Listed and Observable portfolio				**985,077**	**985,463**	**0.0%**	**30.1%**
BoG				830,077	830,463	0.0%	25.4%
Water Utility				155,000	155,000	0.0%	4.7%
Private portfolio	**3,286,231**	**3,310,981**	**-0.7%**	**2,282,385**	**2,213,164**	**3.1%**	**69.9%**
Large portfolio companies	**1,909,833**	**1,875,688**	**1.8%**	**1,467,089**	**1,437,610**	**2.1%**	**44.9%**
Retail (pharmacy)	974,706	957,686	1.8%	750,456	724,517	3.6%	23.0%
Hospitals	662,809	653,335	1.5%	427,105	433,193	-1.4%	13.1%
Insurance (P&C and Medical)	272,318	264,667	2.9%	289,528	279,900	3.4%	8.9%
Of which, P&C Insurance	232,276	228,045	1.9%	232,276	228,045	1.9%	7.1%
Of which, Medical Insurance	40,042	36,622	9.3%	57,252	51,855	10.4%	1.8%
Investment stage portfolio companies	**835,996**	**816,023**	**2.4%**	**527,668**	**501,407**	**5.2%**	**16.1%**
Renewable Energy	434,150	417,903	3.9%	243,016	224,987	8.0%	7.4%
Education[13]	221,062	218,264	1.3%	175,148	164,242	6.6%	5.4%
Clinics and Diagnostics	180,784	179,856	0.5%	109,504	112,178	-2.4%	3.4%
Other portfolio companies	**540,402**	**619,270**	**-12.7%**	**287,628**	**274,147**	**4.9%**	**8.8%**
Total portfolio				**3,267,462**	**3,198,627**	**2.2%**	**100.0%**

[8] Valuation multiples implied by dividing the final valuations of the business assigned as described under "Valuation Overview" by the respective trailing twelve-month EBITDA or net income, as applicable.
[9] 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.
[10] Greenfields / 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.
[11] Change in the fair value attributable to the change in implied valuation multiples (calculated as described in footnote 8).
[12] Please read more about valuation methodology on pages 22 in "Basis of presentation".
[13] Enterprise value of Education excludes non-operational assets, which are added to the equity value of the business at cost.

Private large portfolio companies (44.9% of total portfolio value)

Retail (Pharmacy) (23.0% of total portfolio value) – the Enterprise Value (EV) of Retail (Pharmacy) was up by 1.8% to GEL 974.7 million in 1Q23, resulting from the continued strong outlook of the businesses driven by the expansion of the retail chain and the resilience of the Georgian economy. The 1Q23 revenues and EBITDA were largely flat (down by 0.3% and 0.5% y-o-y in 1Q23, respectively), notwithstanding a) a significant decrease in product prices, due to GEL's appreciation against foreign currencies (the FX effect is directly transmitted into the pricing as c.70% of the inventory purchases are denominated in foreign currencies), and b) the negative impact of the External Reference Pricing model, which introduces a maximum retail price on targeted prescription medicines that are financed by the State (the direct impact of the new regulation on the 2023 EBITDA is expected to be a decrease of GEL 4 million). See page 11 for details. LTM EBITDA (incl. IFRS 16) was down by 0.4% q-o-q to GEL 105.0 million in 1Q23 and net debt (incl. IFRS 16) was down by 7.3% q-o-q to GEL 135.3 million in 1Q23, the latter reflecting the strong cash flow generation of the business. As a result, the fair value of GCAP's stake in Retail (Pharmacy) amounted to GEL 750.5 million, up by 3.6% q-o-q in 1Q23. The implied LTM EV/EBITDA valuation multiple (incl. IFRS 16) increased to 9.3x as at 31-Mar-23 (up from 9.1x as of 31-Dec-22).

Hospitals (13.1% of total portfolio value) – Hospitals' EV increased by 1.5% to GEL 662.8 million in 1Q23, resulting from the strong outlook of the business, which also reflects the anticipated positive impact from the Diagnosis Related Group (DRG) financing system, which is expected to better reflect inflation and other price pressures that are present in the healthcare sector. See page 13 for details. Revenue and EBITDA (excl. IFRS 16) were down by 4.4% and 9.7% y-o-y, respectively, in 1Q23, reflecting a) the temporary closure of Iashvili Paediatric Tertiary Referral Hospital due to mandatory renovation works (the works commenced in October 2022 and were completed in March 2023), b) the absence of revenues from the Traumatology Hospital, which was divested in April 2022, and c) the suspension of COVID contracts by the Government in mid-March 2022. Consequently, LTM EBITDA (incl. IFRS 16) decreased by 3.2% q-o-q to GEL 51.9 million in 1Q23. Net debt was up by 8.3% q-o-q to GEL 203.7 million, reflecting the delay in the collection of receivables from the State in 1Q23 due to one-off processing delays associated with the introduction of DRG. As a result, the equity value of Hospitals decreased by 1.4% q-o-q to GEL 427.1 million in 1Q23, translating into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 12.8x at 31-Mar-23 (up from 12.2x at 31-Dec-22).

Insurance (P&C and Medical) (8.9% of total portfolio value) – The insurance business combines: a) P&C Insurance valued at GEL 232.3 million and b) Medical Insurance valued at GEL 57.3 million.

P&C Insurance – Insurance revenue was up by 15.9% y-o-y to GEL 25.2 million in 1Q23, mainly reflecting the growth in the credit life, Motor and border MTPL insurance lines. The combined ratio was up 3.1 ppts y-o-y in 1Q23, mainly attributable to a) a 2.3 ppts y-o-y increase in loss ratio, due to a large property insurance claim incurred in 1Q23, and b) a 0.8 ppts y-o-y increase in expense ratio due to the increase in salaries and other operating expenses in line with the business growth. Consequently, 1Q23 net income was up 22.1% y-o-y to GEL 4.8 million, further reflecting increased investment income due to an increase in the average liquid funds balance, supported by higher interest rates on the global market. See page 14 for details. LTM net income[14] was up by 4.1% to GEL 22.3 million in 1Q23. The equity value of the P&C insurance business was assessed at GEL 232.3 million at 31-Mar-23 (up 1.9% q-o-q), translating into an implied LTM P/E valuation multiple of 10.4x at 31-Mar-23 (down from 10.6x at 31-Dec-22).

Medical Insurance – Insurance revenue increased by 23.3% y-o-y to GEL 21.8 million in 1Q23, reflecting the increase in the number of insured clients, mainly in the corporate client segment. The combined ratio was at 95.8% in 1Q23 (down 3.7 ppts y-o-y), resulting from a 3.2 ppts y-o-y improvement in the expense ratio due to the robust revenue growth of the business. Consequently, the net income of the medical insurance business was up by 183.2% y-o-y to GEL 1.8 million in 1Q23. See page 14 for details. LTM net income[15] was up by 31.7% to GEL 4.6 million in 1Q23. As a result, the equity value of the business was assessed at GEL 57.3 million at 31-Mar-23 (up 10.4% q-o-q). The implied LTM P/E valuation multiple adjusted for the excess cash was at 8.8x in 1Q23, down from 10.6x in 4Q22.

Private investment stage portfolio companies (16.1% of total portfolio value)

Renewable Energy (7.4% of total portfolio value) – EV of the business increased by 9.6% to US$ 169.6 million during the first quarter of 2023 (up 3.9% to GEL 434.2 million in GEL terms, reflecting the local currency appreciation against US$ during the quarter). This valuation assessment reflects the incorporation of a) the full PPA duration cash flows (i.e. through PPA maturities) and b) the expected preliminary impact from the forthcoming launch of the open electricity exchange market in 2023 (which is currently undergoing its final testing phase). In US$ terms, 1Q23 revenue and EBITDA were down by 12.8% and 24.9% y-o-y, respectively, reflecting the net impact of a) a 14.8% y-o-y decrease in electricity generation in 1Q23, as one of the power-generating units of Hydrolea HPPs was temporarily taken offline due to planned rehabilitation works (expected to complete in June 2023), and b) a 2.4% y-o-y increase in the average electricity selling price in 1Q23. Revenue and EBITDA in GEL terms were down by 26.6% and 36.8% y-o-y in 1Q23, respectively. See page 16 for details. The pipeline renewable energy

[14] Adjusted for non-recurring items.
[15] Adjusted for non-recurring items.

projects continued to be measured at an equity investment cost (GEL 51.4 million in aggregate as at 31-Mar-23). Net debt was up by 4.6% to US$ 74.7 million in 1Q23 (in GEL terms, down by 0.9% to GEL 191.1 million), mainly reflecting a GEL 5.2 million dividend distribution to GCAP in 1Q23. As a result, the equity value of Renewable Energy was assessed at GEL 243.0 million in 1Q23 (up by 8.0% q-o-q), (up 14.0% q-o-q to US$ 94.9 in US$ terms). The blended EV/EBITDA implied valuation multiple of the operational assets stood at 12.6x in 1Q23, up from 11.4x in 4Q22.

Education (5.4% of total portfolio value) – EV of Education was up by 1.3% to GEL 221.1 million in 1Q23, reflecting the strong operating performance of the business. Revenue of the business was up by 29.0% y-o-y in 1Q23, reflecting strong intakes and ramp-up of utilization in line with both the organic growth and expansion of the business. EBITDA was similarly up by 24.2% y-o-y in 1Q23, further reflecting the increased operating expenses (up by 32.3% y-o-y) in line with the expansion of the business and inflation. In 1Q23, GCAP's investments in the business amounted to GEL 9.6 million and were mainly deployed for the acquisition of the new campus in the affordable segment (bringing in 1,200 learners capacity) and the development of a new campus in the mid-scale segment. See page 17 for details. Consequently, LTM EBITDA was up by 5.9% to GEL 13.7 million in 1Q23. Net debt was up by 9.7% q-o-q million to GEL 17.9 million in 1Q23, reflecting the cash outflows for the development of the new campus as described above. As a result, GCAP's stake in the education business was valued at GEL 175.1 million in 1Q23 (up 6.6% q-o-q). This translated into the implied valuation multiple of 16.2x in 1Q23 (down from 16.9x in 4Q22). The forward-looking implied valuation multiple is estimated at 11.6x for the 2023-2024 academic year.

Clinics and Diagnostics (3.4% of total portfolio value) – The EV of the business increased by 0.5% to GEL 180.8 million in 1Q23, reflecting the strong outlook of the business and the rebound in earnings growth momentum, as the business is completing the gradual organic return to pre-pandemic levels of activity. Similar to our hospitals business, our clinics business was also impacted by the suspension of COVID contracts by the Government, which led to a 12.9% y-o-y decrease in 1Q23 revenues. The revenue of our diagnostics business, which apart from regular lab tests was actively engaged in COVID-19 testing, was impacted by substantially lower COVID cases and was down by 43.6% y-o-y in 1Q23. Consequently, the combined 1Q23 revenue of the clinics and diagnostics business was down by 23.3% y-o-y leading to a 45.4% y-o-y decrease in 1Q23 EBITDA (excl. IFRS 16). See page 18 for details. LTM EBITDA (incl. IFRS 16) of the business was down by 21.2% to GEL 8.6 million in 1Q23. As a result, the equity value of the business was assessed at GEL 109.5 million, down 2.4% q-o-q in 1Q23, translating into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 21.0x at 31-Mar-23, up from 16.5x at 31-Dec-22. The forward-looking implied valuation multiple is estimated at 9.8x.

Other businesses (8.8% of total portfolio value) – The "other" private portfolio (Auto Service, Beverages, Housing Development and Hospitality businesses) is valued based on LTM EV/EBITDA except for the housing development (DCF), wine business (DCF) and hospitality businesses (NAV). See performance highlights of other businesses on page 21. The portfolio had a combined value of GEL 287.6 million at 31-Mar-23, up by 4.9% q-o-q, mainly reflecting a) GEL 12.0 million value creation across our beer, distribution and auto services businesses, and b) GEL 4.2 million investment in the auto service business. In 1Q23, GCAP completed the sale of three assets of its hospitality business: (1) two operational hotels in Tbilisi and (2) a vacant land plot. The sales led to a decrease in the aggregated EV of the other businesses by 12.7% to GEL 540.4 million, while also reducing the net debt balance of the hospitality business by 72.0% from US$ 39.7 million to US$ 11.1 million, q-o-q.

Listed and observable portfolio companies (30.1% of total portfolio value)

BOG (25.4% of total portfolio value) – In 4Q22, BoG delivered an annualised ROAE of 33.7% and a 4.3% loan book growth y-o-y (on a constant currency basis, the loan portfolio increased by 12.9% y-o-y). In 1Q23, BoG's share price continued its recent positive trajectory and was up by 5.6% q-o-q to GBP 27.50 at 31-Mar-23. This reflects the strong growth in BoG's earnings, supported by the accretive impact of the Bank's share buybacks. In 1Q23, GCAP received GEL 21.2 million buyback dividends from the participation in the Banks buyback programme, corresponding to c.240,000 shares sold. Since 1Q23, GCAP received an additional GEL 26.3 million from participation in BoG's buybacks. As such, as of 5 May 2023, GCAP's equity stake in BoG has returned to the historical level of 19.9%. LTM P/E valuation multiple was at 2.8x at 31-Dec-22 (down from 2.9x at 30-Sep-22). The positive impact of BOG's share price performance on our valuations was partially offset by GEL's appreciation against GBP by 3.0% in 1Q23. As a result, the market value of our equity stake in BoG remained flat at GEL 830.1 million at 31-Mar-23. On 16 February 2023, the Bank announced its Board intention to recommend a final dividend for 2022 of GEL 5.80 per ordinary share at the Bank's 2023 Annual General Meeting. This will make a total dividend paid in respect of the Bank's 2022 earnings of GEL 7.65 per share. BoG also announced the new share buyback and cancellation programme of GEL 148 million. BoG's public announcement of their 1Q23 results when published will be available on BoG's website.

Water Utility (4.7% of total portfolio value) – In 1Q23, 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, remained unchanged at GEL 155.0 million. The 1Q23, valuation assessment reflects the application of the put option valuation to the normalised[16] LTM EBITDA of the business as at 31-Dec-22.

[16] Normalised for the items as set out in the terms of the disposal.

2) Investments[17]

In 1Q23, GCAP invested GEL 17.0 million in private portfolio companies.

- GEL 3.2 million was invested in Renewable Energy for the development of the pipeline projects.
- GEL 9.6 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 4.2 million was invested in the auto service business.

3) Share buybacks

In 1Q23, 770,291 shares were repurchased for the management trust for a total consideration of GEL 19.3 million. Subsequent to 1Q23, GCAP announced the commencement of the US$ 10 million share buyback and cancellation programme. Since the launch of the programme, 665,921 shares with a total value of US$ 6.5 million (GEL 16.3 million) were bought back as at 5 May 2023.

4) Dividend income[18]

In 1Q23, Georgia Capital collected GEL 5.2 million regular dividends from the renewable energy business. In addition, in 1Q23, GCAP received GEL 21.2 million buyback dividends from participation in BoG's buyback programme.

Net Capital Commitment (NCC) overview

Below we describe the components of Net Capital Commitment (NCC) as of 31 March 2023 and as of 31 December 2022. NCC represents an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP HoldCo level.

Components of NCC GEL '000, unless otherwise noted	31-Mar-23	31-Dec-22	Change
Cash at banks	140,474	235,255	-40.3%
Liquid funds	203,855	176,589	15.4%
Of which, Internationally listed debt securities	*200,908*	*173,395*	*15.9%*
Of which, Locally listed debt securities	*2,947*	*3,194*	*-7.7%*
Total cash and liquid funds	**344,329**	**411,844**	**-16.4%**
Loans issued	35,548	26,830	32.5%
Gross debt	(766,105)	(819,579)	-6.5%
Net debt (1)	**(386,228)**	**(380,905)**	**1.4%**
Guarantees issued (2)	**(4,179)**	**(18,460)**	**-77.4%**
Net debt and guarantees issued (3)=(1)+(2)	**(390,407)**	**(399,365)**	**-2.2%**
Planned investments (5)	**(124,658)**	**(141,396)**	**-11.8%**
of which, planned investments in Renewable Energy	(76,949)	(81,205)	-5.2%
of which, planned investments in Education	(47,709)	(60,191)	-20.7%
Announced Buybacks (6)	-	-	**NMF**
Contingency/liquidity buffer (7)	**(128,020)**	**(135,100)**	**-5.2%**
Total planned investments, announced buybacks and contingency/liquidity buffer (8)=(5)+(6)+(7)	**(252,678)**	**(276,496)**	**-8.6%**
Net capital commitment (3)+(8)	**(643,085)**	**(675,861)**	**-4.8%**
Portfolio value	**3,267,462**	**3,198,627**	**2.2%**
NCC ratio	**19.7%**	**21.1%**	**-1.4ppts**

Cash and liquid funds. Total cash and liquid funds' balance was down by 16.4% q-o-q to GEL 344.3 million (US$ 134.5 million) in 1Q23. This reflects a) GEL 23.9 million coupon payment, b) GEL 19.3 million share buybacks for the management trust, c) GEL 17.0 million capital allocations, d) GEL 4.4 million cash operating expenses and e) GEL 9.3 million cash outflow for loans issued, mainly due to the bridge financing provided to the housing development business. The decrease was partially offset by realised regular and buyback dividends of GEL 26.4 million and interest receipts of GEL 4.4 million in 1Q23.

Internationally listed debt securities balance includes dollar-denominated Eurobonds issued by Georgian corporates to generate yield on GCAP's liquid funds. As at 31-Mar-23, the balance amounted to GEL 200.9 million, of which GEL 181.9 million (US$ 71.1 million (at amortised cost)) was allocated to GCAP's Eurobond.

[17] Investments are made at JSC Georgia Capital level, the Georgian holding company.
[18] Dividends are received at JSC Georgia Capital level, the Georgian holding company.

Loans issued. Issued loans' balance primarily refers to loans issued to our private portfolio companies and are lent at market terms. The balance was up by 32.5% to GEL 35.5 million in 1Q23, mainly reflecting the bridge financing provided to the housing development business.

Gross debt. Following the repurchase through the modified Dutch auction, in 2022 GCAP cancelled US$ 65.0 million Eurobonds, reducing the outstanding amount of six-year Eurobonds due in March 2024 to US$ 300 million. In GEL terms, the outstanding balance of the gross debt was at GEL 766.1 million as of 31-Mar-23, down by 6.5% q-o-q, reflecting GEL's appreciation against US$. Net of US$ 71.1 million GCAP Eurobond buybacks, the debt balance stood at US$ 228.2 million (at amortised cost) at 31-Mar-23.

Guarantees issued. The balance reflects GCAP's guarantee on the borrowing of the beer business. Due to the recent improvements in the business' operating performance, GCAP's guarantee decreased by EUR 4.9 million q-o-q to EUR 1.5 million (down by EUR 14.3 million y-o-y from EUR 15.8 million in 1Q22).

Planned investments. Planned investments' balance represents expected investments in renewable energy and education businesses over the next 2-3 years. The balance was down by 11.8% due to the investments in these businesses in 1Q23, as described above, as well as GEL's appreciation against US$ during the quarter.

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-Mar-23.

As a result of the movements described above, NCC was down by 4.8% q-o-q to GEL 643.1 million (US$ 251.2 million), translating into a 19.7% NCC ratio as at 31-Mar-23 (down by 1.4 ppts q-o-q). Calculated on a pro-forma basis to reflect the subsequent share buybacks by GCAP, buyback dividends from BoG, and movements in the Bank's share price and foreign exchange rates, the NCC ratio was down to 19.1% as of 31-Mar-23.

INCOME STATEMENT (ADJUSTED IFRS / APM)

Net income under IFRS was GEL 63.1 million in 1Q23. 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 March 31 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 96 in Georgia Capital PLC 2022 Annual report.

INCOME STATEMENT (Adjusted IFRS/APM)

GEL '000, unless otherwise noted	1Q23	1Q22	Change
Dividend income	26,412	2,195	NMF
Of which, regular dividend income	*5,187*	*2,195*	*NMF*
Of which, buyback dividend income	*21,225*	-	*NMF*
Interest income	4,977	8,785	-43.3%
Realised / unrealised gain/(loss) on liquid funds	428	(10,239)	NMF
Interest expense	(13,751)	(19,853)	-30.7%
Gross operating income/(loss)	**18,066**	**(19,112)**	**NMF**
Operating expenses	(9,932)	(9,305)	6.7%
GCAP net operating income/(loss)	**8,134**	**(28,417)**	**NMF**
Fair value changes of portfolio companies			
Listed and Observable Portfolio Companies	**(386)**	**(207,707)**	**-99.8%**
Of which, Bank of Georgia Group PLC	*(386)*	*(207,707)*	*-99.8%*
Of which, Water Utility	-	-	*NMF*
Private Portfolio companies	**50,870**	**(245,309)**	**NMF**
Large Portfolio Companies	**28,931**	**(142,532)**	**NMF**
Of which, Retail (pharmacy)	*25,939*	*(53,306)*	*NMF*
Of which, Hospitals	*(6,088)*	*(49,519)*	*-87.7%*
Of which, Insurance (P&C and Medical)	*9,080*	*(39,707)*	*NMF*

Investment Stage Portfolio Companies	**13,268**	**(15,683)**	**NMF**
Of which, Renewable energy	*14,646*	*(10,051)*	*NMF*
Of which, Education	*1,296*	*4,355*	*-70.2%*
Of which, Clinics and Diagnostics	*(2,674)*	*(9,987)*	*-73.2%*
Other businesses	**8,671**	**(87,094)**	**NMF**
Total investment return	**50,484**	**(453,016)**	**NMF**
Income before foreign exchange movements and non-recurring expenses	**58,618**	**(481,433)**	**NMF**
Net foreign currency (loss)/gain	22,020	(3,724)	NMF
Non-recurring expenses	-	(92)	NMF
Net income/(loss)	**80,638**	**(485,249)**	**NMF**

Gross operating income of GEL 18.1 million in 1Q23 mainly reflects a) regular and buyback dividends of GEL 26.4 million and b) a 20.7% decrease in the net interest expense due to GEL's appreciation against US$ in 1Q23 and cancellation of US$ 65 million GCAP Eurobond following the Modified Dutch Auction ("MDA") in October 2022.

GCAP earned an average yield of 2.6% on the average balance of liquid assets of GEL 225.1 million in 1Q23 (3.9% on GEL 426.2 million in 1Q22).

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

GCAP Operating Expenses Components

GEL '000, unless otherwise noted	**1Q23**	**1Q22**	**Change**
Administrative expenses[19]	(2,629)	(2,764)	-4.9%
Management expenses – cash-based[20]	(2,589)	(2,453)	5.5%
Management expenses – share-based[21]	(4,714)	(4,088)	15.3%
Total operating expenses	**(9,932)**	**(9,305)**	**6.7%**
Of which, fund type expense[22]	*(2,566)*	*(2,993)*	*-14.3%*
Of which, management fee type expenses[23]	*(7,366)*	*(6,312)*	*16.7%*

GCAP management fee expenses starting from 2024 will have a self-targeted cap of 0.75% of Georgia Capital's NAV. The LTM management fee expense ratio was 1.03% at 31-Mar-23.

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 50.5 million in 1Q23, reflecting the growth in the value of our listed and observable and private portfolio businesses. We discuss valuation drivers for our businesses on pages 5-7. The performance of each of our private large and investment stage portfolio companies is discussed on pages 11-20.

GCAP's net foreign currency liability balance amounted to c. US$ 154 million (GEL 394 million) at 31-Mar-23. Net foreign currency gain was GEL 22.0 million in 1Q23. As a result of the movements described above, GCAP's adjusted IFRS *net income* was GEL 80.6 million in 1Q23.

[19] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[20] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[21] Share-based management expenses are share salary and share bonus expenses of management and staff.
[22] Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
[23] 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 1Q23 and 1Q22 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 discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. Under the market approach, listed peer group earnings multiples are applied to the trailing twelve months (LTM) stand-alone IFRS earnings of the relevant business. As such, the stand-alone IFRS results and developments driving the IFRS earnings of our portfolio companies are key drivers of their valuations within GCAP's financial statements. See "Basis of Presentation" on page 22 for more background.

LARGE PORTFOLIO COMPANIES

Discussion of Retail (pharmacy) Business Results

The retail (pharmacy) business, where GCAP owns a 77% equity interest[24], is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The business operates a total of 378 pharmacies (of which 368 are in Georgia and 10 are in Armenia) and 11 franchise stores (of which, four are in Armenia and Azerbaijan).

1Q23 performance (GEL '000), Retail (pharmacy)[25]

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net	**198,283**	**198,802**	**-0.3%**
Of which, retail	*156,198*	*154,878*	*0.9%*
Of which, wholesale	*42,085*	*43,924*	*-4.2%*
Gross Profit	**59,294**	**59,097**	**0.3%**
Gross profit margin	*29.9%*	*29.7%*	*0.2ppts*
Operating expenses (ex. IFRS 16)	(38,779)	(38,480)	0.8%
EBITDA (ex. IFRS 16)	**20,515**	**20,617**	**-0.5%**
EBITDA margin, (ex. IFRS 16)	*10.3%*	*10.4%*	*-0.1ppts*
Net profit (ex. IFRS 16)	**20,597**	**17,045**	**20.8%**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (*ex. IFRS 16*)	**14,572**	**16,806**	**-13.3%**
EBITDA to cash conversion	*71.0%*	*81.5%*	*-10.5ppts*
Cash flow from investing activities[26]	**6,826**	**(20,394)**	**NMF**
Free cash flow, (ex. IFRS 16)[27]	**19,451**	**(1,964)**	**NMF**
Cash flow used in financing activities (*ex. IFRS 16*)	**(8,066)**	**(9,697)**	**-16.8%**
BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	**581,595**	**576,060**	**1.0%**
Of which, cash and bank deposits	88,179	75,279	17.1%
Of which, securities and loans issued	22,365	22,857	-2.2%
Total liabilities	**499,210**	**515,081**	**-3.1%**
Of which, borrowings	127,431	131,547	-3.1%
Of which, lease liabilities	110,035	107,455	2.4%
Total equity	**82,385**	**60,979**	**35.1%**

INCOME STATEMENT HIGHLIGHTS

- 1Q23 revenue was largely flat, notwithstanding a) a significant decrease in product prices, due to GEL's appreciation against foreign currencies (the FX effect is directly transmitted into the pricing as c.70% of the inventory purchases are denominated in foreign currencies), and b) the negative impact of the External Reference Pricing model, which introduces a maximum retail price on targeted prescription medicines that are financed by the State. The revenue growth was positively affected by the continued expansion of the pharmacy chain and franchise stores and the overall growth in the Georgian economy.

[24] In October 2021, GHG signed a share purchase agreement to acquire the then remaining 33% minority interest in its retail (pharmacy) business by 2027. The buyout will be executed in six annual tranches at a 5.25x EV/EBITDA multiple. The first tranche of 10% was acquired in 2022. The second tranche of 11% is expected to be acquired in 2023. For details, please see page 12 of our Annual Report 2021.
[25] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[26] Of which - capex of GEL 4.3 million in 1Q23 (GEL 8.8 million in 1Q22); proceeds from sale of PPE GEL 9.2 million 1Q23.
[27] Calculated by deducting capex and adding proceeds from sale of PPE.

- The increased sales of high-margin para-pharmacy products in the retail business line (revenue from para-pharmacy, as a percentage of retail revenue, was 39.7% in 1Q23 compared to 34.6% in 1Q22) translated into a robust gross profit margin of 29.9% (up 20 bps y-o-y). Growing profitability was also supported by the developments in the wholesale business line, notwithstanding the y-o-y revenue reduction.
- Operating expenses, remained well managed, up by 0.8% y-o-y in 1Q23, notwithstanding the overall inflation.
- Interest expense (excluding IFRS 16) was down 8.4% y-o-y, reflecting a lower average net debt balance during 1Q23.
- The business posted GEL 20.6 million net profit excluding IFRS 16 in 1Q23, up 20.8% y-o-y, further reflecting GEL's appreciation against the basket of foreign currencies.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- A 10.5 ppts decrease in EBITDA to cash conversion ratio (71.0% in 1Q23), resulted from the advanced payments made by the business to some of its vendors in order to obtain supplier discounts.
- The cash flow from investing activities largely reflects the net impact of:
  - GEL 9.2 million proceed from the sale of an unutilised property.
  - GEL 4.3 million investments for the expansion of the retail chain.
- The net debt balance was down by 49.5% q-o-q to GEL 16.9 million, reflecting the strong cash flow generation of the business.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The business added 19 pharmacies and 3 franchise stores (one of which is Carter's) over the last 12 months.

	Mar-23	Dec-22	*Change (q-o-q)*	Mar-22	*Change (y-o-y)*
Number of pharmacies	**378**	**372**	**6**	**359**	**19**
Of which, Georgia	*368*	*362*	*6*	*353*	*15*
Of which, Armenia	*10*	*10*	*-*	*6*	*4*
Number of franchise stores	**11**	**12**	**(1)**	**8**	**3**
Of which, Georgia	7	8	(1)	6	1
Of which, Armenia	2	2	-	2	-
Of which, Azerbaijan	2	2	-	-	2

- Retail (Pharmacy)'s key operating performance highlights for 1Q23 are noted below:

Key metrics	**1Q23**	**1Q22**	**Change**
Same store revenue growth	*-3.2%*	*12.5%*	*-15.7ppts*
Number of bills issued (mln)	*7.6*	*7.6*	*0.8%*
Average bill size (GEL)	*19.4*	*19.3*	*0.3%*

- The y-o-y decrease in the same store revenue growth rate in 1Q23 is attributable to GEL's appreciation against foreign currencies.

Discussion of Hospitals Business Results

The hospitals business, where GCAP owns a 100% equity, is the largest healthcare market participant in Georgia, comprised of 16 referral hospitals with a total of 2,524 beds, providing secondary and tertiary level healthcare services across Georgia.

1Q23 performance (GEL '000), Hospitals[28]

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net[29]	**73,665**	**77,074**	**-4.4%**
Gross Profit	**25,986**	**27,777**	**-6.4%**
Gross profit margin	*35.0%*	*35.4%*	*-0.4ppts*
Operating expenses (ex. IFRS 16)	(12,362)	(12,687)	-2.6%
EBITDA (ex. IFRS 16)	**13,624**	**15,090**	**-9.7%**
EBITDA margin (ex. IFRS 16)	*18.3%*	*19.2%*	*-0.9ppts*
Net (loss)/profit (ex. IFRS 16)	**(828)**	**3,017**	**NMF**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	**(2,978)**	**10,591**	**NMF**
EBITDA to cash conversion (ex. IFRS 16)	*-21.9%*	*70.2%*	*-92.1ppts*
Cash flow used in investing activities[30]	**(6,179)**	**(2,880)**	**NMF**
Free cash flow (ex. IFRS 16)[31]	**(9,415)**	**8,612**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**8,627**	**(20,329)**	**NMF**

BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	**628,175**	**614,705**	**2.2%**
Of which, cash balance and bank deposits	20,846	21,625	-3.6%
Of which, securities and loans issued	8,374	14,040	-40.4%
Total liabilities	**286,023**	**270,418**	**5.8%**
Of which, borrowings	223,317	213,880	4.4%
Total equity	**342,152**	**344,287**	**-0.6%**

INCOME STATEMENT HIGHLIGHTS

- 1Q23 y-o-y revenue decrease reflects:
  - Temporary closure of Iashvili Paediatric Tertiary Referral Hospital ("Iahsvili Hospital), the largest paediatric services provider in the country, due to mandatory regulatory-related renovation works. The works commenced in October 2022 and were completed in March 2023.
  - The absence of revenues from the Traumatology Hospital, which was divested in April 2022.
  - The suspension of COVID contracts by the Government in mid-March 2022. Since the suspension, the business has been working on the restructuring of its COVID hospitals, which are now back to their normal operating levels.
- Adjusted for the temporary closure of Iashvili Hospital and the absence of revenues from the Traumatology Hospital, the 1Q23 revenue was up by 3.0% y-o-y.
- 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.[32]
  - The increase in direct salary rate, up 3.2 ppts y-o-y to 37.6% in 1Q23, is mainly attributable to the decrease in revenue, as a significant portion of direct salaries is fixed.
  - Phasing out of COVID as well as the completion of the transfer of the hospitals business' procurement department from pharmacy to hospitals (which began in January 2021 and was completed in December 2022), led to an improvement in materials rate (17.1% in 1Q23 compared to 19.7% in 1Q22).
  - Utilities and other costs were up by 5.1% y-o-y in 1Q23, resulting from inflation pressures.
- Negative operating leverage of 3.8% reflects the increase in general and administrative expenses (excl. IFRS 16) (up 16.6% in 1Q23 y-o-y), due to the launch of new products and services and increased marketing costs to support the transition to the post-COVID environment. The salaries and other employee expenses were well controlled (down 1.7% y-o-y in 1Q23).
- The developments described above resulted in a decrease in EBITDA (excl. IFRS 16) and EBITDA margin. The 1Q23 EBITDA adjusted for the temporary closure of Iashvili Hospital and the absence of revenues from the Traumatology Hospital was up by 13.1% y-o-y.
- Increased balance of net debt (up 8.9% q-o-q) mainly resulting from a) the delay in the collection of receivables from the State in 1Q23 due to one-off processing delays associated with the introduction of DRG and b) increased interest rates on the market, led to an increase in net interest expense (excl. IFRS 16) in 1Q23, up by 34.7% y-o-y.
- Overall, the business posted a GEL 0.8 million net loss excluding IFRS 16 in 1Q23.

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[28] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[29] Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.
[30] Of which - capex of GEL 8.1 million in 1Q23 (GEL 3.8 million in 1Q22); proceeds from sale of PPE of GEL 1.6 million in 1Q23 (first tranche proceeds from sale of Traumatology hospital of GEL 1.8 million in 1Q22.).
[31] Operating cash flows less capex, less acquisition of subsidiaries / payment of holdback, plus net proceeds on sale of PPE/subsidiary.
[32] The respective costs divided by gross revenues.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- Negative cash flow from operating activities (excl. IFRS 16) was due to the delay in the collection of receivables from the State in 1Q23 as described above.
- Capex investment was GEL 8.1 million in 1Q23, mainly reflecting maintenance capex and renovation works in Iashvili Hospital, as described above.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- 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 DRG system, which aims to increase the efficiency of state financing and improve the quality of healthcare service on the market, became effective on 1-Jan-23. The system is expected to better reflect inflation and other price pressures that are present in the healthcare sector.
- The business key operating performance highlights for 1Q23 are noted below:

Key metrics	**1Q23**	**1Q22**	**Change**
Occupancy rate	*53.9%*	*61.9%*	*-8.0 ppts*
Number of admissions (thousands)	*262.4*	*314.7*	*-16.6%*

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 27.4% market share in property and casualty insurance based on gross premiums as of 31-Dec-22. 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 2022 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.

1Q23 performance (GEL'000), Insurance (P&C and Medical)[33]

INCOME STATEMENT HIGHLIGHTS	**1Q23**	**1Q22**	**Change**
Insurance revenue	46,970	39,388	19.2%
Net underwriting profit	12,692	11,008	15.3%
Net investment profit	3,118	1,783	74.9%
Net profit	6,616	4,586	44.3%
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	8,369	2,051	NMF
Free cash flow	**7,671**	**1,470**	**NMF**
BALANCE SHEET HIGHLIGHTS	**31-Mar-23**	**31-Dec-22**	**Change**
Total assets	223,635	217,373	2.9%
Total equity	128,872	122,016	5.6%

In 1Q23, 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 have a broadly equal share in total revenues, while the combined net profit in 1Q23 was mainly attributable to P&C (73.0% share in total 1Q23 net profit). The loss ratio was up by 1.5 ppts and the expense ratio was down by 1.2 ppts y-o-y in 1Q23, translating into a 0.3 ppts y-o-y increase in the combined ratio. As a result, ROAE[34] was 23.8% in 1Q23 (18.6% in 1Q22).

Discussion of results, P&C Insurance

(GEL '000)

INCOME STATEMENT HIGHLIGHTS	**1Q23**	**1Q22**	**Change**
Insurance revenue	25,160	21,705	15.9%
Net underwriting profit	9,312	8,439	10.3%
Net investment profit	2,057	891	NMF
Net profit	4,832	3,956	22.1%

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

[34] Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares.

CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	6,880	3,419	NMF
Free cash flow	**6,222**	**2,937**	**NMF**

BALANCE SHEET HIGHLIGHTS	**31-Mar-23**	**31-Dec-22**	**Change**
Total assets	155,635	151,795	2.5%
Total equity	90,566	86,080	5.2%

INCOME STATEMENT HIGHLIGHTS

- The increase in 1Q23 insurance revenue reflects a combination of factors:
  - Credit life insurance revenues were up by GEL 1.4 million y-o-y in 1Q23, resulting from the growth in the mortgage, consumer loan, and other portfolios by banks.
  - Motor insurance revenues were up by GEL 1.2 million y-o-y in 1Q23, mainly attributable to the growth in the retail client portfolio.
  - Border MTPL revenues increased by GEL 0.5 million y-o-y in 1Q23, reflecting the direct impact of migration and the significant recovery in tourism.

- P&C Insurance's key performance ratios for 1Q23 are noted below:

Key ratios	**1Q23**	**1Q22**	***Change***
Combined ratio	85.6%	82.5%	3.1 ppts
Expense ratio	34.4%	33.6%	0.8 ppts
Loss ratio	51.2%	48.9%	2.3 ppts
ROAE[35]	25.7%	23.3%	2.4 ppts

- The combined ratio increased by 3.1 ppts y-o-y in 1Q23.
  - An increase in the loss ratio is mainly attributable to a large property insurance claim incurred in 1Q23, with an estimated net loss of GEL 1.2 million.
  - An increase in the expense ratio predominantly resulted from the increase in salary and other operating expenditures reflecting inflation and business growth.
- P&C Insurance's net investment profit was up by 130.9% y-o-y in 1Q23, reflecting a) a higher average liquid funds balance, b) an increase in global interest rates, and c) lower losses on investments placed in publicly traded debt securities.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- P&C Insurance's solvency ratio was 201% as of 31 March 2023, significantly above the required minimum of 100%.
- The increase in the operating cash flow in 1Q23 is mainly associated with higher underwriting cash flows of the business, as well as increased investment returns.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- With its 27.4% market share on the local insurance market, P&C remained the largest market player, maintaining a strong position.
- In 1Q23, the business expanded its operations into the regional reinsurance markets of Armenia and Azerbaijan, generating GEL 0.3 million in net written premiums from these countries during the quarter.

[35] Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares.

Discussion of results, Medical Insurance

(GEL '000)			
INCOME STATEMENT HIGHLIGHTS	**1Q23**	**1Q22**	**Change**
Insurance revenue	21,810	17,683	23.3%
Net underwriting profit	3,380	2,569	31.6%
Net investment profit	1,061	892	18.9%
Net profit	1,784	630	NMF
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	1,489	(1,368)	NMF
Free cash flow	**1,449**	**(1,467)**	**NMF**
BALANCE SHEET HIGHLIGHTS	**31-Mar-23**	**31-Dec-22**	**Change**
Total assets	68,000	65,578	3.7%
Total equity	38,306	35,936	6.6%

INCOME STATEMENT HIGHLIGHTS

- The increase in 1Q23 insurance revenue is due to the 7.4% y-o-y increase in the total number of insured clients (c.170,000 as of Mar-23), mainly in the corporate client segment.
- 1Q23 net claims expenses stood at GEL 17.5 million (up 22.6% y-o-y), out of which:
  - GEL 7.9 million (44.7% of the total) was inpatient;
  - GEL 6.6 million (37.8% of the total) was outpatient; and
  - GEL 3.0 million (17.5% of the total) was related to pharmaceuticals.
- The business maintained a targeted loss ratio of 80.5% in 1Q23 (down 0.5 ppts y-o-y).
- A 3.2 ppts y-o-y decrease in the expense ratio in 1Q23 was due to the top-line growth of the business, which translated into a 3.7 ppts y-o-y decrease in the combined ratio (down to 95.8% in 1Q23).
- The developments described above led to a 183.2% y-o-y increase in the 1Q23 net profit.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The business remains one of the largest medical insurers on the market with a 19% market share based on 2022 net insurance premiums. The insurance renewal rate was up 15.0 ppts to 82.7% in 1Q23.

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$.

1Q23 performance (US$ '000), Renewable Energy[36]

INCOME STATEMENT HIGHLIGHTS	**1Q23**	**1Q22**	**Change**
Revenue	**1,805**	**2,069**	**-12.8%**
Of which, PPA	*1,805*	*1,922*	*-6.1%*
Of which, Non-PPA	*-*	*147*	*NMF*
Operating expenses	(908)	(874)	3.9%
EBITDA	**897**	**1,195**	**-24.9%**
EBITDA margin	*49.7%*	*57.8%*	*-8.1 ppts*
Net (loss)	**(1,713)**	**(3,170)**	**-46.0%**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities	**572**	**1,122**	**-49.0%**
Cash flow used in investing activities	**(1,542)**	**(2,243)**	**-31.3%**
Cash flow used in financing activities	**(809)**	**(4,287)**	**-81.1%**
Dividends paid out	*(2,000)*	*(700)*	*NMF*
BALANCE SHEET HIGHLIGHTS	**31-Mar-23**	**31-Dec-22**	**Change**
Total assets	**121,338**	**122,645**	**-1.1%**
Of which, cash balance	*7,706*	*9,468*	*-18.6%*
Total liabilities	**84,374**	**84,288**	**0.1%**
Of which, borrowings	*81,966*	*80,570*	*1.7%*
Total equity	**36,964**	**38,357**	**-3.6%**

[36] The detailed IFRS financial statements (in both US$ and GEL) are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

INCOME STATEMENT HIGHLIGHTS (GEL)	1Q23	1Q22	Change
Revenue	**4,705**	**6,410**	**-26.6%**
EBITDA	**2,339**	**3,703**	**-36.8%**

INCOME STATEMENT HIGHLIGHTS

- A y-o-y decrease in revenue from electricity sales in 1Q23 resulted from:
  - A 14.8% y-o-y decrease in electricity generation in 1Q23. This reflects: a) a 49.7% y-o-y decrease in electricity generation at Hydrolea HPPs as one of the power-generating units was temporarily taken offline due to planned rehabilitation works (the works are expected to be completed in June 2023), and b) an 8.7% y-o-y increase in electricity generation at Qartli Wind Farm due to the favourable weather conditions in 1Q23.
  - The average electricity selling price was up 2.4% y-o-y to 62.4 US$/MWh in 1Q23.
- Electricity sales during 1Q23 were fully covered by long-term fixed-price power purchase agreements (PPAs) formed with a Government-backed entity.
- In 1Q23 operating expenses remained largely flat y-o-y, which to coupled with the developments described above, led to a 24.9% y-o-y decrease in EBITDA.

1Q23 Revenue and generation breakdown by power assets:

US$ '000, unless otherwise noted	**Revenue from electricity sales**	***Change y-o-y***	**Electricity generation (MWh)**	***Change y-o-y***
30MW Mestiachala HPP	83	*-7.9%*	1,497	*-7.9%*
21MW Qartli wind farm	1,349	*+8.7%*	20,759	*+8.7%*
20MW Hydrolea HPPs	373	*-49.5%*	6,657	*-49.7%*
Total	**1,805**	***-12.7%***	**28,913**	***-14.8%***

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- A 49.0% y-o-y decrease in 1Q23 operating cash flow reflects the decrease in 1Q23 revenues, as described above. Additionally, staff bonuses for the 2022 fiscal year were paid in 1Q23, while bonuses for the comparative period (2021 year) were paid in 2Q22.
- The decrease in cash outflow on investing activities in 1Q23 (down by 31.3% y-o-y) is attributable to a US$ 1.0 million investment in short-term financial securities in 1Q22.
- The y-o-y decrease in cash outflow from financing activities is mainly attributable to the US$ 3.7 million interest payment on the currently redeemed Eurobonds in 1Q22, while the interest payments on the recently issued local bonds will occur in the second and fourth quarters.

Discussion of Education Business Results

Our education business currently combines majority stakes in four private school brands operating across six 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.

1Q23 performance (GEL '000), Education[37]

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue	**13,940**	**10,803**	**29.0%**
Operating expenses	(8,578)	(6,486)	32.3%
EBITDA	**5,362**	**4,317**	**24.2%**
EBITDA Margin	*38.5%*	*40.0%*	-1.5 ppts
Net profit	**5,002**	**3,891**	**28.6%**
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	3,096	1,684	83.8%
Net cash flows used in investing activities	(15,124)	(2,435)	NMF
Net cash flows from financing activities	12,539	906	NMF
BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	**171,236**	**156,320**	**9.5%**
Of which, cash	5,921	5,709	3.7%
Total liabilities	**52,120**	**52,168**	**-0.1%**
Of which, borrowings	23,693	21,740	9.0%
Total equity	**119,116**	**104,152**	**14.4%**

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

Our education business has experienced a significant increase in the total number of learners during the academic year of 2022-2023. The total number of learners increased by 1,297 (up by 40.3% y-o-y to 4,512 learners as of 31-Mar-23), of which 305 learners were added through the recent expansion in the affordable segment as described below.

INVESTMENTS IN 2023

In 1Q23 Education business increased its capacity in the affordable segment by 1,200 learners though the acquisition of the new campus. With this investment, the education business has expanded from the built capacity of 5,670 learners to 6,870 learners, while the capacity of the affordable segment increased from 3,500 learners to 4,700 learners.

In 1Q23, the education business acquired a land plot adjacent to the operational campuses of our premium and international schools. This acquisition will increase the total secured pipeline capacity for 2025 by 350 learners, in total from 2,410 learners to 2,760 learners, of which, the secured pipeline capacity of the premium and international schools will increase from the current 1,200 learners to 1,550 learners.

INCOME STATEMENT HIGHLIGHTS

- Strong intakes and a ramp-up of the utilisation, led to a 29.0% y-o-y increase in revenue in 1Q23, which is in line with both the organic growth and expansion of the business.
- EBITDA margin was down by 1.5 ppts y-o-y to 38.5% in 1Q23, reflecting increased operating expenses (up by 32.3% y-o-y in 1Q23), due to the increased salary, catering and utility expenses, in line with the expansion of the business and inflation.
- The business posted GEL 5.0 million net income in 1Q23, up by 28.6% y-o-y.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- Strong cash collection rates (at 91.3% as of 31-Mar-23, largely at last year's level of 90.6%), combined with enhanced revenue streams, led to an 83.8% y-o-y increase in operating cash flow generation of the business in 1Q23.
- A GEL 15.1 million cash outflow on investing activities reflects the capacity expansion of the campuses as described above and investments for the development of a new campus in the mid-scale segment which will be launched for the 2023-2024 academic year.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The utilisation rate for the total 6,870 learner capacity was up by 2.1 ppts y-o-y to 65.7% as of 31-Mar-23.
    - The utilisation rate for the pre-expansion 2,810 learner capacity (i.e., excluding the new capacity addition of 4,060 learners) was up by 4.1 ppts y-o-y to 100% as of 31-Mar-23.
    - The utilisation of the newly added capacity of 4,060 learners was 41.9% as of 31-Mar-23.

Discussion of Clinics and Diagnostics Business Results

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. The business comprises two segments: 1) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services); 17 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".

1Q23 performance (GEL '000), Clinics and Diagnostics[38]

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net[39]	**19,897**	**25,928**	**-23.3%**
Of which, clinics	*17,069*	*19,607*	*-12.9%*
Of which, diagnostics	*4,416*	*7,828*	*-43.6%*
Of which, inter-business eliminations	*(1,588)*	*(1,507)*	*5.4%*
Gross Profit	**8,401**	**10,453**	**-19.6%**
Gross profit margin	*41.7%*	*40.2%*	*1.5ppts*
Operating expenses (ex. IFRS 16)	(5,826)	(5,733)	1.6%
EBITDA (ex. IFRS 16)	**2,575**	**4,720**	**-45.4%**
EBITDA margin (ex. IFRS 16)	*12.8%*	*18.2%*	*-5.4ppts*
Net (loss)/profit (ex. IFRS 16)	**(471)**	**1,582**	**NMF**

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

[39] Net revenue – Gross revenue less corrections and rebates. Margins are calculated from Gross revenue.

CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	**(1,039)**	**1,076**	**NMF**
EBITDA to cash conversion (ex. IFRS 16)	*-40.3%*	*22.8%*	*-63.1ppts*
Cash flow used in investing activities	**(2,979)**	**(2,442)**	**22.0%**
Free cash flow (ex. IFRS 16)[40]	**(3,963)**	**(1,313)**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**4,274**	**(1,344)**	**NMF**

BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	**195,537**	**190,767**	**2.5%**
Of which, cash balance and bank deposits	7,224	6,966	3.7%
Of which, securities and loans issued	3,081	3,107	-0.8%
Total liabilities	**99,335**	**94,786**	**4.8%**
Of which, borrowings	65,820	60,832	8.2%
Total equity	**96,202**	**95,981**	**0.2%**

Discussion of results, Clinics

(GEL '000)

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net[49]	**17,069**	**19,607**	**-12.9%**
Of which, polyclinics	11,422	11,007	3.8%
Of which, community clinics	5,647	8,600	-34.3%
Gross Profit	**7,383**	**8,177**	**-9.7%**
Gross profit margin	*42.6%*	*41.6%*	*1.0ppts*
Operating expenses (ex. IFRS 16)	(5,064)	(4,532)	11.7%
EBITDA (ex. IFRS 16)	**2,319**	**3,645**	**-36.4%**
EBITDA margin (ex. IFRS 16)	*13.4%*	*18.5%*	*-5.1ppts*
Net (loss)/profit (ex. IFRS 16)	**(317)**	**832**	**NMF**

CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	**373**	**1,423**	**-73.8%**
EBITDA to cash conversion (ex. IFRS 16)	*16.1%*	*39.0%*	*-22.9ppts*
Cash flow used in investing activities[41]	**(2,389)**	**(2,103)**	**13.6%**
Free cash flow (ex. IFRS 16)[42]	**(1,954)**	**(607)**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**3,361**	**(1,036)**	**NMF**

BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	**165,035**	**160,691**	**2.7%**
Of which, cash balance and bank deposits	7,170	5,825	23.1%
Of which, securities and loans issued	3,357	3,379	-0.7%
Total liabilities	**87,502**	**83,531**	**4.8%**
Of which, borrowings	60,914	56,908	7.0%
Total equity	**77,533**	**77,160**	**0.5%**

INCOME STATEMENT HIGHLIGHTS

- The 1Q23 net revenue reflects a combination of factors:
  - A 3.8% increase in revenue of polyclinics, attributable to the net impact of a) a 38.5% y-o-y increase in the revenues from non-COVID, regular ambulatory services, resulting from the expansion of the business (opened two new polyclinics in 1H22), and b) a 97.0% y-o-y decrease in COVID-related revenues, following the suspension of the Government COVID contracts in mid-March last year.
  - A 34.3% y-o-y decrease in 1Q23 revenues of the community clinics, reflecting a 98.7% y-o-y decrease in COVID-related revenues, partially offset by a 103.2% y-o-y increase in revenues from non-COVID services.
- The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the direct materials and salary rates[43] (a significant portion of direct salaries are fixed). The 1.0 ppts y-o-y increase in the 1Q23 gross profit margin was due to the following factors:
  - The post-COVID transition was reflected in the improved materials rate (COVID treatments are characterised by high materials rate) and stood at 4.8% in 1Q23 compared to 12.2% in 1Q22.
  - The 1Q23 direct salary rate was up by 3.7 ppts y-o-y resulting from a) the opening of a new polyclinic as mentioned above, and b) the suspension of the COVID contracts in March 2022 and related decrease in revenue.
- Operating expenses (excl. IFRS 16) were up y-o-y in 1Q23, mainly reflecting the increase in salaries and other employee benefits (up 6.0% y-o-y) and general and administrative expenses (excl. IFRS 16) (up 3.8% y-o-y). The increase is mainly attributable to the expansion as well as the restructuring of the business back to normal operating levels.
- As a result, the EBITDA margin (excl. IFRS 16) was down 5.1 ppts y-o-y to 13.4% in 1Q23.

[40] Operating cash flows less capex.
[41] Of which capex of GEL 2.3 million in 1Q23 (GEL 2.0 million in 1Q22).
[42] Operating cash flows less capex.
[43] The respective costs divided by gross revenues.

- The interest expense (excl. IFRS 16) was up 9.6% y-o-y in 1Q23, reflecting a) an increased balance of net debt due to weaker cash generation and investment made for the openings of new polyclinics and b) increased interest rates on the market.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- The decrease in operating cash flow reflects the state prepayment of some invoices under the universal healthcare coverage in December 2022, coupled with the nature of the first quarter, characterised by weak cash collection.
- In 1Q23, the business spent GEL 2.3 million on capex, primarily related to the opening of two new polyclinics in 2022.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- Our community clinics and (to a lesser extent) our polyclinics were both affected by the reduced traffic for COVID services, such as COVID tests and vaccinations in 1Q23:

	1Q23	1Q22	Change
Number of admissions (thousands)	510.1	638.6	-20.1%
Of which, polyclinics	*411.6*	*488.4*	*-15.7%*
Of which, community clinics	*98.6*	*150.2*	*-34.4%*

- The business added 2 polyclinics over the last 12 months.

	Mar-23	Dec-22	*Change (q-o-q)*	Mar-22	*Change (y-o-y)*
Number of clinics	36	36	NMF	34	2
Of which, polyclinics	*17*	*17*	*NMF*	*15*	*2*
Of which, community clinics	*19*	*19*	*NMF*	*19*	*NMF*

- The number of registered patients increased by c.18,000 y-o-y to c.280,000 in Tbilisi and by c.22,000 y-o-y to c.617,000 across the country as of 31-Mar-23.

Discussion of results, Diagnostics

(GEL '000)			
INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net[44]	**4,416**	**7,828**	**-43.6%**
Of which, from COVID-19 tests	213	4,156	-94.9%
Of which, from regular lab tests	4,203	3,672	14.5%
Gross Profit	**1,018**	**2,270**	**-55.2%**
Gross profit margin	*23.1%*	*29.0%*	*-5.9ppts*
Operating expenses (ex. IFRS 16)	(762)	(1,195)	-36.2%
EBITDA (ex. IFRS 16)	**256**	**1,075**	**-76.2%**
EBITDA margin (ex. IFRS 16)	*5.8%*	*13.7%*	*-7.9ppts*
Net (loss)/profit (ex. IFRS 16)	**(154)**	**750**	**NMF**

INCOME STATEMENT HIGHLIGHTS

- A 43.6% y-o-y decrease in the 1Q23 revenue of the business, which apart from regular diagnostics services was also actively engaged in COVID testing, reflects a significantly reduced number of COVID cases in the country and the suspension of Government contracts from mid-March 2022, which led to a 94.9% y-o-y decrease in revenues from COVID-19 tests in 1Q23.
- The impact of the post-COVID transition on total revenue was partially offset by increased revenues from regular lab tests, up 14.5% in 1Q23, y-o-y.
- A decrease in total revenue translated into reduced gross profit and EBITDA. The growth is expected to rebound over the next few quarters from the launch of the new ambulatory services as well as referrals and tests performed in the expanded polyclinics chain.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The key operating performance highlights for 1Q23 are noted below:

	1Q23	1Q22	Change
Number of non-Covid tests performed (thousands)	*608*	*603*	*0.9%*
Average revenue per non-Covid test (GEL)	*6.9*	*6.1*	*13.4%*

[44] Net revenue – Gross revenue less corrections and rebates.

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 287.6 million at 31-Mar-23, which represented 8.8% of our total portfolio.

1Q23 aggregated performance highlights (GEL '000), Other Portfolio

	1Q23	**1Q22**	**Change**
Revenue	121,173	76,777	57.8%
EBITDA	3,890	1,302	NMF
Net cash flows from operating activities	10,957	(3,371)	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 1Q23, revenue was up by 70.0% y-o-y to GEL 11.8 million, reflecting an increase in retail, corporate and wholesale segments. Similarly, the gross profit was up by 89.5% to GEL 3.1 million in 1Q23, y-o-y. As a result, the business posted GEL 0.7 million EBITDA in 1Q23, up from GEL 0.1 million in 1Q22.
  - **Periodic technical inspection (PTI) business |** In 1Q23, the revenue of the PTI business increased by 13.1% y-o-y to GEL 4.6 million, primarily due to a 7.4% y-o-y increase in primary vehicle inspections during the quarter. The 1Q23 revenue was further impacted by the introduction of paid secondary checks in 1Q23 compared to the preceding quarters where this service was provided free of charge. Revenue growth led to an increase in EBITDA (up by 14.7% y-o-y to GEL 2.3 million), translating into a 49.1% EBITDA margin (up by 0.7ppts y-o-y in 1Q23). Starting in June, the government will increase fines on vehicles that have not undergone the necessary technical inspection.

- **Beverages |** The beverages business combines three business lines: a beer business, a distribution business and a wine business.
  - **Beer business |** The net revenue of the beer business increased by 44.3% y-o-y to GEL 16.6 million in 1Q23, reflecting the impact of the strong recovery in tourism and increased selling prices due to increased demand. Beer and lemonade y-o-y sales (in hectolitres) were up 28.1% and 73.5%, respectively, in 1Q23. Exports in the first quarter were up by 2.4x, leading to a 23.1% share in total sales (in hectolitres) compared to 13.6% in 1Q22. The average 1Q23 GEL price per litre (average for beer and lemonade) increased by 8.0% y-o-y. Consequently, the EBITDA of the business increased by GEL 1.7 million y-o-y and stood at GEL 2.3 million in 1Q23.
  - **Distribution business |** Revenues of the distribution business increased by 40.0% in 1Q23, reflecting the increased local demand for beer, lemonade and wine, driving 1Q23 EBITDA up by 47.4% y-o-y.
  - **Wine business |** The net revenue of the wine business was up by 78.0% to GEL 9.7 million in 1Q23, driven by an increase in the number of bottles sold (up 2.3x y-o-y). This reflects a significant increase in sales on the Georgian market (up 96.5% y-o-y in 1Q23) and an 8.0% y-o-y increase in sales prices. Consequently, EBITDA was up by GEL 0.3 million in 1Q23.

Housing development and hospitality businesses | In light of the increased sales and construction progress, the 1Q23 revenue of the housing development business nearly doubled (up by 97.7% y-o-y to GEL 51.3 million). However, 1Q23 EBITDA decreased by 61.9% y-o-y to negative GEL 3.1 million, reflecting decreased profitability of the ongoing residential projects due to the remeasurement of the construction budgets as a result of significant inflation within the construction materials. The revenue of the hospitality business increased by 12.0% y-o-y in 1Q23, while the hospitality business EBITDA was down by 3.3% y-o-y to GEL 2.1 million in 1Q23. In 2023, the hospitality business completed the sale of two operational hotels and a vacant land plot in Tbilisi. The total consideration from these transaction amounts to US$ 28 million. The proceeds from these sales were fully utilised for deleveraging the hospitality business's balance sheet. As a result, the net debt balance of the business decreased to US$ 11.1 million in 1Q23. Additionally, subsequent to 1Q23, our hospitality business entered into a binding agreement to sell another under-construction hotel located in Tbilisi for US$ 8.4 million. The transaction is expected to close by the end of 2Q23.

Basis of presentation

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

Under IFRS 10, Georgia Capital PLC meets the "investment entity" definition. For more details about the bases of preparation please refer to page 96 in Georgia Capital PLC 2022 Annual report.

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

This announcement contains unaudited financial results presented in accordance UK-adopted international accounting standards ("IFRS"). The financial results are unaudited and derived from management accounts.

GLOSSARY

1. **APM** – Alternative Performance Measure.
2. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts.
3. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole.
4. **NMF** – Not meaningful.
5. **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
6. **LTM** – last twelve months.
7. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Group considers EBITDA to be an important indicator of its representative recurring operations.
8. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by the aggregate amount of total equity and borrowed funds.
9. **Loss ratio** equals net insurance claims expense divided by insurance revenue.
10. **Expense ratio** in P&C Insurance equals sum of acquisition costs and operating expenses divided by insurance revenue.
11. **Combined ratio** equals sum of the loss ratio and the expense ratio in the insurance business.
12. **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders of the business for the same period.
13. **Net investment** - gross investments less capital returns (dividends and sell-downs).
14. **EV** – enterprise value.
15. **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans at GCAP level.
16. **Total return / value creation** - total return / value creation of each portfolio investment is calculated as follows: we aggregate a) change in beginning and ending fair values, b) gains from realised sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total value creation / investment return.
17. **WPP** – Wind power plant.
18. **HPP** – Hydro power plant.
19. **PPA** – Power purchase agreement.
20. **Number of shares outstanding** – Number of shares in issue less total unawarded shares in JSC GCAP's management trust.
21. **Market Value Leverage ("MVL"), also Loan to Value ("LTV")** – Interchangeably used across the document and is calculated by dividing net debt to the total portfolio value.
22. **NCC** - Net Capital Commitment, representing an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP HoldCo level.
23. **NCC Ratio** – Equals Net Capital Commitment divided by portfolio value.

ABOUT GEORGIA CAPITAL PLC

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

Georgia Capital currently has the following portfolio businesses: **(1) a retail (pharmacy) business, (2) a hospitals business, (3) an insurance business (P&C and medical insurance); (4) a renewable energy business (hydro and wind assets) and (5) an education business; and (6) a clinics and diagnostics business.** Georgia Capital also holds other small private businesses across different industries in Georgia; a 20.0% equity stake in the **water utility business** and a 19.9% equity stake (at 5-May-23) in LSE premium-listed **Bank of Georgia Group PLC ("BoG")**, a leading universal bank in Georgia.

Forward looking statements

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: regional instability; impact of COVID-19; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; and other key factors that could adversely affect our business and financial performance, including those which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's Annual Report and Accounts 2022. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

COMPANY INFORMATION

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