



# Georgia-focused investment company

Investor Presentation: 1H18 results

**10 x = 10 y**

# Forward looking statements



## Disclaimer

This presentation 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: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional tensions and instability; regulatory risk across a wide range of industries; investment strategy risk; investment risk and liquidity risk and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's 1H18 results announcement and in BGEO Group PLC's Annual Report and Accounts 2017. No part of this presentation 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 presentation should be construed as a profit forecast.

# Content



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2. Capital allocation
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## Georgia Capital portfolio



*Investment company focused on investing in and developing businesses in Georgia*

Listed	Private			Pipeline
<b>Bank of Georgia (Banking)</b> 19.9%	<b>Late stage</b>			<b>Education</b>
	<b>Water utility (managed by GGU)</b> 100%	<b>Housing development (managed by m<sup>2</sup>)</b> 100%	<b>P&amp;C insurance (managed by Aldagi)</b> 100%	
<b>GHG (Healthcare)</b> 57%	<b>Early stage</b>			
	<b>Renewable energy (managed by GGU)</b> 65%	<b>Hospitality &amp; Commercial real estate (managed by m<sup>2</sup>)</b> 100%	<b>Beverages (managed by Georgia Beverages)</b> 80%	

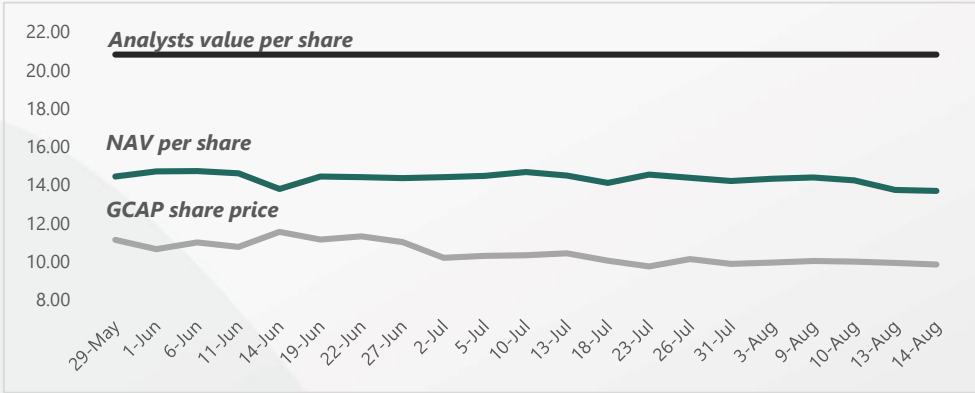
Georgia Capital aims to deliver total shareholder returns of 10-times over 10-years

**10x = 10y**

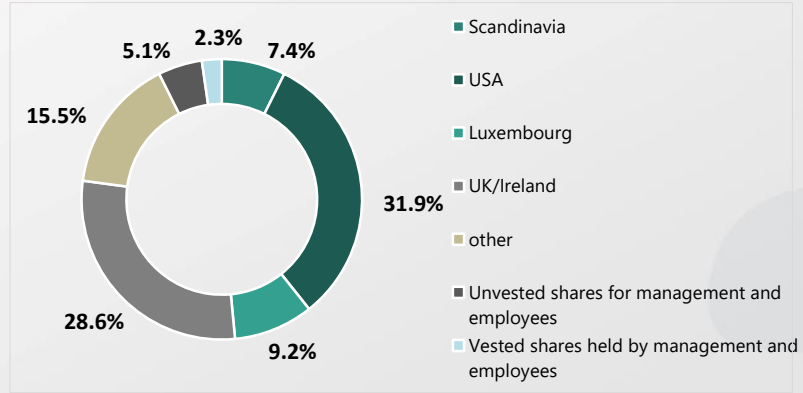
# CGEO:LN performance



## Historical GCAP share price vs. NAV per share & Analyst value per share



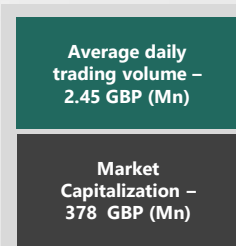
## GCAP shareholders allocation by geography



## Outstanding shares 30-Jun-18



As of 14 august 2018



## GCAP top shareholders | 29-Jun-2018

Rank	Shareholder name	Ownership
1.	Schroder Investment Management	5.29%
2.	M&G Investment Management Ltd	4.04%
3.	LGM Investments Ltd	3.82%
4.	Harding Loevner LP	3.32%
5.	Norges Bank Investment Management	3.28%

# 1H18 performance highlights (management accounts)



## Georgia Capital NAV overview

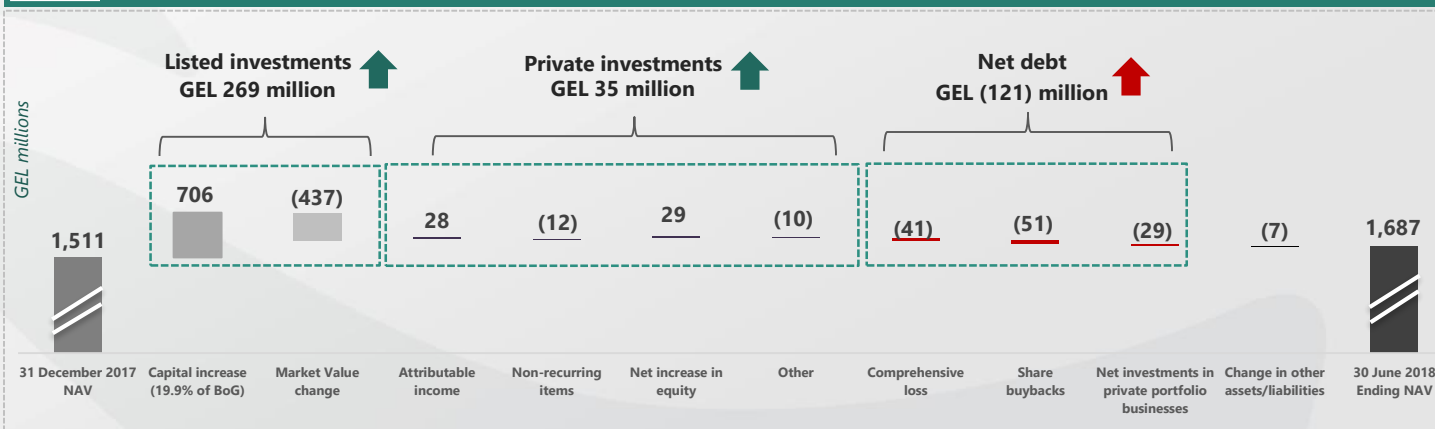
GEL billions, except for per share information	30-Jun-18	Change (YTD)
Net Asset Value	1.7	+11.7%
NAV per Share GBP	14.06	+28.3%
NAV per share GEL	45.71	19.1%
Investment Portfolio Value	1.8	+20.0%

## Georgia Capital performance

Period ended 30 June 2018, GEL millions unless otherwise noted	1H18	change (y-o-y)
GCAP net operating income	21.7	NMF
Total attributable income of portfolio companies	82.5	+55.3%
of which, income from listed investments	54.7	NMF
of which, income from private investments	27.8	-32.8%
Net income	70.8	+67.4%
<b>ROI</b>	<b>26.7%</b>	



Strong portfolio performance driven by GEL 71 million net income & ROI of 26.7%



# Investment company basis management accounts



## Net Asset Value Overview

	Number of Shares	Ownership %	Management Adjusted Value 30-Jun-18	Management Adjusted Value 31-Dec-17	Change	Change %
<b>GEL thousand unless otherwise noted</b>						
Listed Equity Investments						
<i>GHG (75,118,503 shares at market)</i>	75,118,503	57.0%	608,502	933,481	(324,979)	-34.8%
<i>BoG (9,784,716 shares at market)</i>	9,784,716	19.9%	594,069	-	594,069	NMF
Private Investments						
<i>Water Utility (at book)</i>		100.0%	282,319	267,923	14,396	5.4%
<i>Renewable energy (at book)<sup>2</sup></i>		65.0%	53,572	51,511	2,061	4.0%
<i>Housing Development (at book)</i>		100.0%	68,530	75,609	(7,079)	-9.4%
<i>Commercial and Hospitality (at book)</i>		100.0%	78,700	78,142	558	0.7%
<i>Beverages (at book)<sup>2</sup></i>		80.0% <sup>1</sup>	84,960	63,637	21,323	33.5%
<i>P&amp;C Insurance (at book)</i>		100.0%	48,869	51,193	(2,324)	-4.5%
<i>Education (at cost)</i>		100.0%	6,177	-	6,177	NMF
<i>Other (at cost)</i>		100.0%	82	-	82	NMF
<b>Total Portfolio Value</b>			<b>1,825,780</b>	<b>1,521,496</b>	<b>304,285</b>	<b>20.0%</b>
<b>Net Debt</b>			<b>(128,771)</b>	<b>(7,733)</b>	<b>(121,038)</b>	<b>NMF</b>
<i>Of which, cash and liquid funds</i>			352,002	264,546	87,456	33.1%
<i>Of which, loans issued</i>			252,488	-	252,488	NMF
<i>Of which, gross Debt</i>			(733,261)	(272,279)	(460,982)	NMF
<b>Net other assets/ (liabilities)</b>			<b>(9,839)</b>	<b>(2,687)</b>	<b>(7,153)</b>	<b>NMF</b>
<b>Net Asset Value</b>			<b>1,687,170</b>	<b>1,511,076</b>	<b>176,094</b>	<b>11.7%</b>
Shares outstanding <sup>3</sup>			36,912,664	39,384,712	(2,472,048)	-6.3%
<b>Net Asset Value per share (GEL)</b>			<b>45.71</b>	<b>38.37</b>	<b>7.34</b>	<b>19.1%</b>
<b>Net Asset Value per share (GBP)</b>			<b>14.06</b>	<b>10.96</b>	<b>3.10</b>	<b>28.3%</b>

(1) Aggregate ownership stake, as Georgia Capital holds the beverages business through multiple companies with different ownership stakes

(2) Management adjusted value of renewable energy business and the beverages business at 30 June 2018 includes mezzanine loans issued of GEL 33.9 million (31 December 2017: GEL 34.2 million) and GEL 13 million (31 December 2017: zero) respectively

(3) Number of outstanding shares at the end of the period under IFRS, i.e. issued shares less treasury shares

# Investment company basis management accounts

## Investment company basis income statement

<i>GEL thousands unless otherwise noted</i>	1H18	1H17	% change
Dividend income	31,340	17,500	79.1%
Interest income	14,742	271	NMF
Interest expense	(19,079)	(9,210)	NMF
<b>GCAP gross operating income</b>	<b>27,003</b>	<b>8,561</b>	<b>NMF</b>
Operating expenses	(5,282)	(1,919)	NMF
<b>GCAP net operating income (1)</b>	<b>21,721</b>	<b>6,642</b>	<b>NMF</b>
<b>Attributable income of listed portfolio companies</b>	<b>54,762</b>	<b>11,822</b>	<b>NMF</b>
<i>of which, GHG</i>	11,589	11,822	-2.0%
<i>of which, BoG</i>	43,172	-	NMF
<b>Attributable income of private portfolio companies</b>	<b>27,775</b>	<b>41,324</b>	<b>-32.8%</b>
<i>of which, Water Utility</i>	22,284	15,702	41.9%
<i>of which, Renewable Energy</i>	(490)	(2,057)	76.2%
<i>of which, Housing Development</i>	4,375	20,802	-79.0%
<i>of which, Hospitality and Commercial Real Estate</i>	763	1,304	-41.5%
<i>of which, Beverages</i>	(7,462)	(2,017)	NMF
<i>of which, P&amp;C Insurance</i>	8,305	7,590	9.4%
<b>Total portfolio company attributable income (2)</b>	<b>82,537</b>	<b>53,146</b>	<b>55.3%</b>
<b>Income before income taxes, provisions and adjustments (1)+(2)</b>	<b>104,258</b>	<b>59,788</b>	<b>74.4%</b>
Adjustment for dividend income accrual	(31,340)	(17,500)	79.1%
Provision	(2,115)	-	NMF
Income tax	-	-	NMF
<b>Net income</b>	<b>70,803</b>	<b>42,288</b>	<b>67.4%</b>
Net foreign currency (loss) gain	(5,104)	423	NMF
Non-recurring income (expense)	(49,970)	(2,225)	NMF
Realized gain from sale portfolio company shares	-	90,275	NMF
<b>Total comprehensive income</b>	<b>15,729</b>	<b>130,761</b>	<b>-88.0%</b>

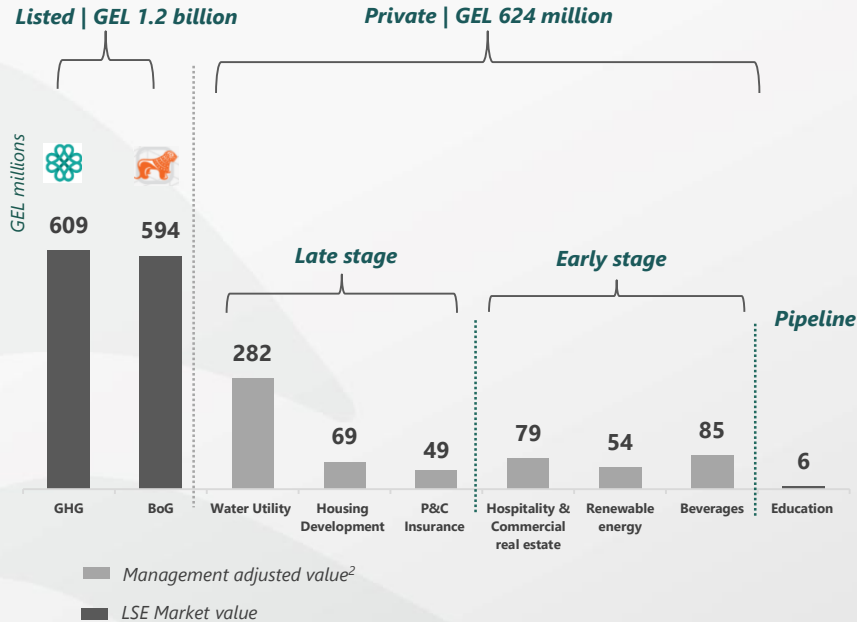
## Georgia Capital stand-alone cash flow highlights

<i>GEL thousands unless otherwise noted</i>	1H18	1H17	Change %
Dividends received	10,000	-	NMF
Interest received	10,426	189	NMF
Interest paid	(21,785)	-	NMF
<b>Cash outflow from Operations before operating expenses</b>	<b>(1,359)</b>	<b>189</b>	<b>NMF</b>
GCAP operating expenses	(2,787)	(244)	NMF
<b>Cash outflow from operations</b>	<b>(4,147)</b>	<b>(55)</b>	<b>NMF</b>
Investments in portfolio companies	(19,700)	(11,458)	71.9%
Loans Issued	(249,635)	(7,000)	NMF
Preferred stock	(19,029)	-	NMF
Proceeds from sale of shares in portfolio companies	-	108,780	NMF
<b>Cash outflow on investing activities</b>	<b>(288,364)</b>	<b>90,322</b>	<b>NMF</b>
Share buybacks	(49,580)	-	NMF
<b>Cash outflow on buybacks</b>	<b>(49,580)</b>	<b>-</b>	<b>NMF</b>
Increase in capital	-	2,249	NMF
Proceeds from debt securities issued	715,729	-	NMF
Repayment of borrowings from former parent company	(248,295)	(7,981)	NMF
Proceeds from borrowings	-	6,301	NMF
<b>Cash inflow from financing activities</b>	<b>467,434</b>	<b>569</b>	<b>NMF</b>
Demerger related outflows	(24,245)	-	NMF
<b>Net cash flow</b>	<b>101,097</b>	<b>90,835</b>	<b>11.3%</b>
Beginning cash and liquid funds	264,546	3,240	NMF
Ending cash and liquid funds	352,002	93,496	NMF
Fx Effect	(13,168)	(579)	NMF
Fair valuation	(474)	-	NMF

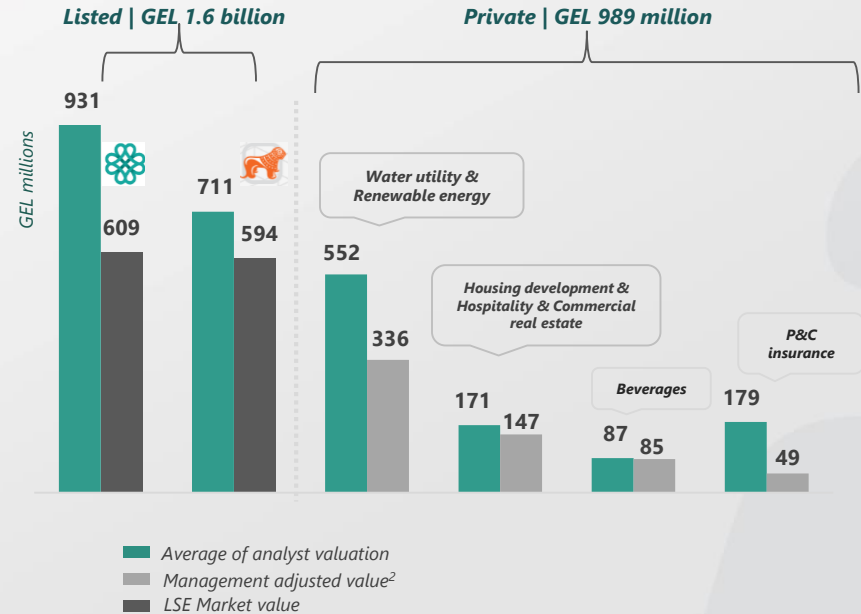


# Key portfolio highlights | 30 June 2018

## Portfolio value | GEL 1.8 billion



## Average of analyst valuation<sup>1</sup> | GEL 2.6 billion



(1) Analysts covering Georgia capital : Wood & Co (Report date: 31-May-2018); Investec (Report date: 29-May-2018); Renaissance Capital (Report date: 31-May-2018);

(2) For the definition please refer to slide 97

# Liquidity and cash management at Georgia Capital



**GEL 352 million**

**Liquid assets | 30-Jun-2018**

- ▶ Cash at bank of **GEL 164 million**
- ▶ Internationally listed debt securities of **GEL 148 million**
- ▶ Locally listed debt securities of **GEL 40 million**

**GEL 129 million**

**Net debt | 30-Jun-2018**

- ▶ Georgia Capital issued inaugural US\$ 300mln international corporate bonds in March 2018

**GEL 22 million**

**Standalone GCAP net operating income | 30-Jun-2018**

- ▶ Gross operating income more than tripled y-o-y to GEL 27.0 million from GEL 8.5 million

## Net debt overview | 30-Jun-2018



<i>GEL millions</i>	30-Jun-2018	Change <i>y-o-y</i>	Change% <i>y-o-y</i>
Dividend Income	31	+14	+79%
Interest Income	15	+14	NMF
Interest expense	(19)	+10	+107%
Gross operating income	27	+18	NMF
Operating expenses	(5)	+3	NMF
Net operating income	22	+15	NMF

Portfolio over net debt

**14.2x**

Listed assets over net debt

**9.3x**

# 1H18 portfolio performance highlights



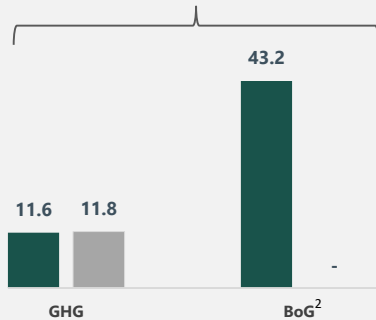
## 1H18 stand-alone performance highlights (IFRS)

<i>Private investments</i>	1H18	Change (y-o-y)
Water utility revenue	69.8	+15.3%
Renewable energy revenue	-	NMF
Housing development revenue	62.5	+10.6%
Hospitality & commercial real estate revenue	3.8	+115.8%
Net Insurance premiums earned	31.5	+6.7%
Beverages revenue	30.5	+73.3%
<b>Listed investments</b>		
GHG revenue	419.5	+13.1%
BoG revenue	488.9	+14.8%

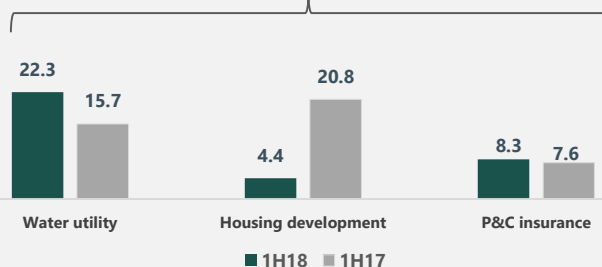
<i>Private investments</i>	1H18	Change (y-o-y)
Water utility EBITDA	37.2	+19.7%
Renewable energy EBITDA	(0.4)	NMF
Housing development EBITDA	5.2	-75.1%
Hospitality & commercial real estate EBITDA	1.9	+38.9%
P&C insurance net income <sup>1</sup>	8.3	+9.4%
Beverages EBITDA	(6.1)	NMF
<b>Listed investments</b>		
GHG EBITDA	62.6	+22.4%
BoG net income <sup>1</sup>	216.9	+25.6%

## 1H18 total portfolio attributable income (Management accounts) | GEL 82.5 million

### Listed investments – GEL 54.8m



### Private late stage portfolio – GEL 35.0m



### Private early stage portfolio – GEL (7.2)m



<sup>1</sup> Net incomes for P&C business and BoG are adjusted to exclude the impact of non-recurring items and non-recurring deferred tax remeasurement charges

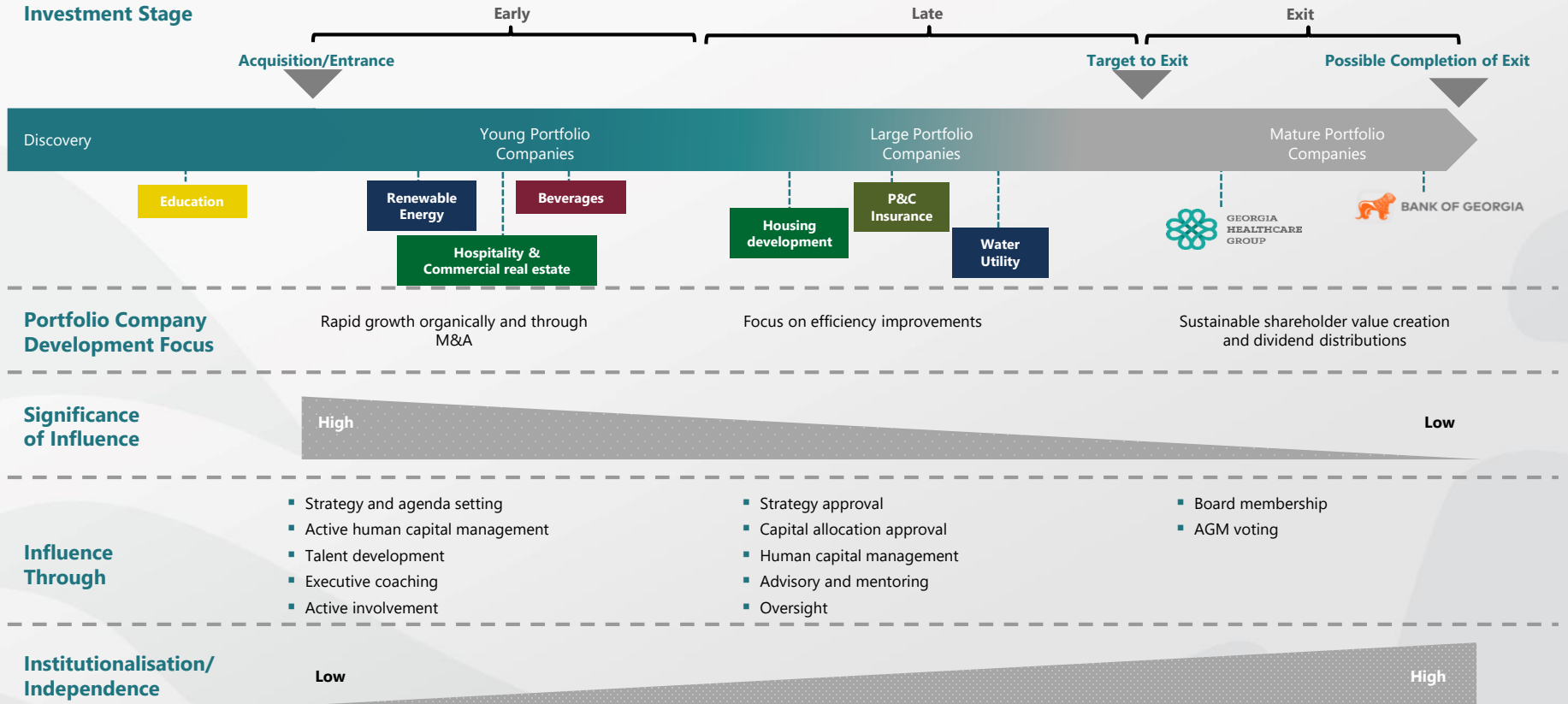
<sup>2</sup> Georgia Capital holds 19.9% BoG equity stake since February 2018

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# Portfolio management principles



# Georgia Capital's early stage portfolio – 3x1,000 target



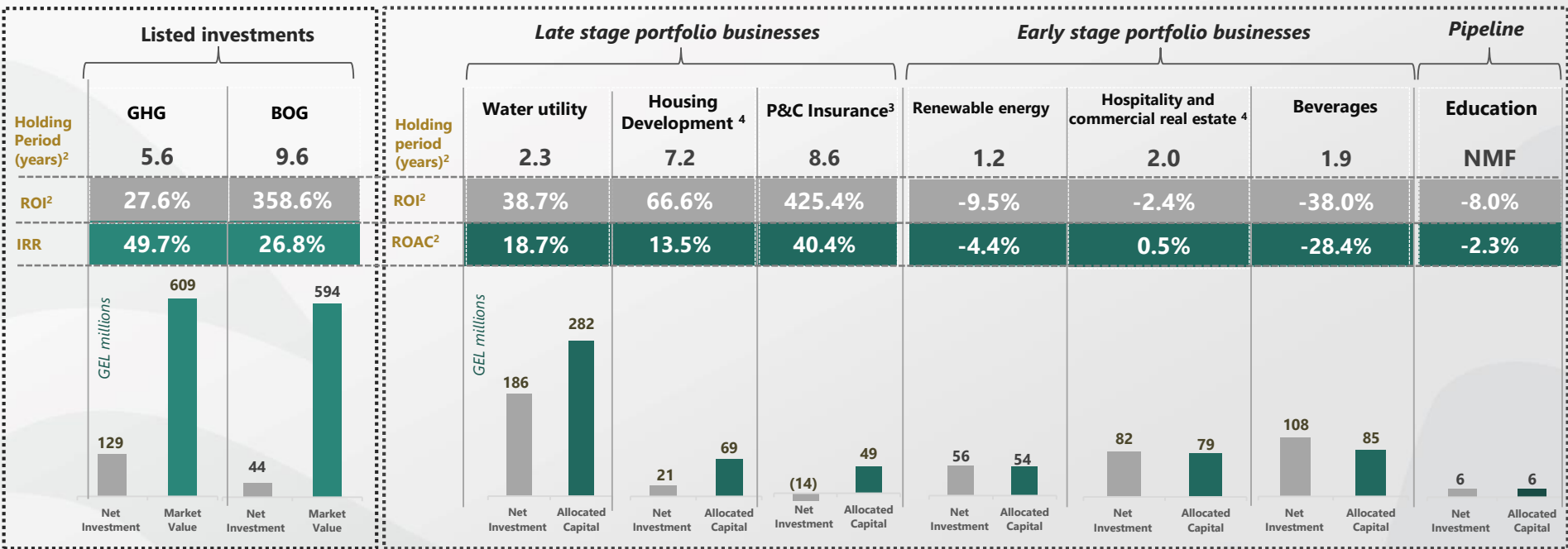
Target	Current   30 June 2018	
<p><b>1,000</b> Hotel rooms</p> <p>Georgia Capital targets to have 1,000 hotel rooms in its hospitality business portfolio <b>over the next 3 years</b></p>	<p>Currently <b>822 rooms</b> of which 152 are operational and 670 are in the pipeline (942 rooms at 20 August 2018)<sup>1</sup></p>	
<p><b>1,000</b> hectares of vineyard</p> <p>Our wine business targets to increase its vineyard base to 1,000 hectares <b>over the next 3 years</b></p>	<p>Currently <b>436 hectares</b> of vineyard base</p>	
<p><b>1,000</b> MW capacity</p> <p>Our energy business plans to have 500MW installed capacity <b>over the next 5 years</b> and 1,000MW installed capacity <b>over the long-term</b></p>	<p><b>50MW of hydro projects</b> are currently under construction  <b>46MW of hydro projects</b> are under development  <b>c.74MW of HPPs</b> in pre-development stage  <b>200MW wind projects</b> are at the feasibility stage  <b>30 MW of solar projects</b> at the feasibility stage</p>	
<p><b>3x1,000 target to capitalize on the fast-growing Georgian economy and increase shareholder value</b></p>		

(1) In August 2018, hospitality & commercial real estate business acquired a land plot for a hotel and office space development, adding 120 hotel rooms to the hospitality business portfolio

# Value creation



Georgia Capital invested GEL 634<sup>1</sup> million translating into GEL 1,232<sup>1</sup> million portfolio value and generated ROI<sup>2</sup> 26.7% at 30 June 2018



(1) Invested capital and portfolio value is stated excluding BoG  
 (2) For detailed definition please refer to the 97 slide  
 (3) Net investment amount is negative GEL 14 million, as the investment amount was fully recovered through dividends received from P&C insurance business over the investment holding period  
 (4) Net investment in hospitality and commercial real estate business was fully funded by housing development business

# Capital allocation outlook through 2022

Highly disciplined approach to unlock value through investments



GEL millions		2H18	2019	2020	2021	2022	
Listed investments	BoG	(24)	(26)	(27)	(29)	(31)	<b>+137 million</b> dividend inflows
	GHG	-	-	-	-	-	
Private investments Late stage	Water utility	(28)	(30)	(32)	(34)	(35)	<b>+296 million</b> dividend inflows
	Housing development	-	(10)	(15)	(20)	(25)	
	P&C insurance	-	(12)	(15)	(18)	(22)	
Private investments Early stage	Renewable energy	4	101	20	78	(19)	<b>(294) million</b> Capital deployment
	Hospitality & Commercial	33	30	9	-	-	
	Beverages	20	18	-	-	-	
Pipeline	Education	28	42	42	28	-	<b>(140) million</b> Capital deployment
<b>Total</b>		<b>33</b>	<b>113</b>	<b>(18)</b>	<b>5</b>	<b>(132)</b>	<b>+1 million</b> Net capital inflows



Together with the available GEL 604 million liquid funds and short-term loans, we are well-positioned to support the value creation across our private portfolio businesses and take advantage of new opportunities as and when they arise



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## Georgia Capital strategy is based on three pillars

1

### Georgia

#### Leading economy in the region

- Diversified non-commodity reliant economy with consistently high GDP growth across the last decade

#### Top-ranked in economy environment indices

- #9 in ease of doing business (2018)
- Top-9 in Europe region by Economic Freedom Index (Heritage Foundation, 2018) and #16 internationally
- Low corruption and bribery risk (TI, 2017 and Trace international, 2017)

#### Investment-led GDP growth with 5.5% growth expected in 2018

- Double-digit growth of tourism revenues supporting SME development and accelerating GDP growth
- Development of large public infrastructure programs backed by multilateral international funding driving potential GDP growth

#### Historically low inflation with 3% target set from 2018 by National Bank of Georgia

2

### 3-fundamental enablers

#### Access to capital

- Only investment company in Georgia
- Uniquely positioned given the access to capital in a small frontier economy
- Flexibility to use own shares as acquisition currency

#### Access to management

- Reputation among talented managers as the - “**best group to work for**”
- Attracted talents have demonstrated track record of successful delivery

#### Commitment to the highest level of corporate governance

- Outstanding track record
- Strong board and robust corporate governance
- Aligned shareholders’ and management’s interests by share compensation

3

### Capital allocation & Managing investments

#### Capital allocation

- **Highly disciplined approach** to unlock value through investments
- **Clear, company specific, exit paths** through IPO or trade sale in 5-10 years and **outstanding divesture skills** demonstrated via successful public listing of healthcare business
- **Disciplined when investing, by buying cheaply**
- Buying assets cheaply is the first and most important element of Georgia Capital’s investment strategy

#### Harvesting investments

- Attracting and developing talent is a top priority
- Aligned management style with institutionalized/ non-institutionalized portfolio companies
- Share ownership plans (proxy shares) for portfolio companies’ management
- Track record of Institutionalizing and creating independently managed healthcare business

## Access to a market with 2.8bn population without customs duties



- FTA with China signed in May 2017, effective from January 2018
- FTA with European Free Trade Association countries signed in June 2016, effective for Iceland and Norway from September 2017, effective for Liechtenstein and Switzerland from May 2018
- FTA with Hong Kong signed in June 2018
- FTA with India and Israel under consideration

**Georgia is the second country in the world, after Switzerland, with FTAs with both EU and China**

### Georgia highlights

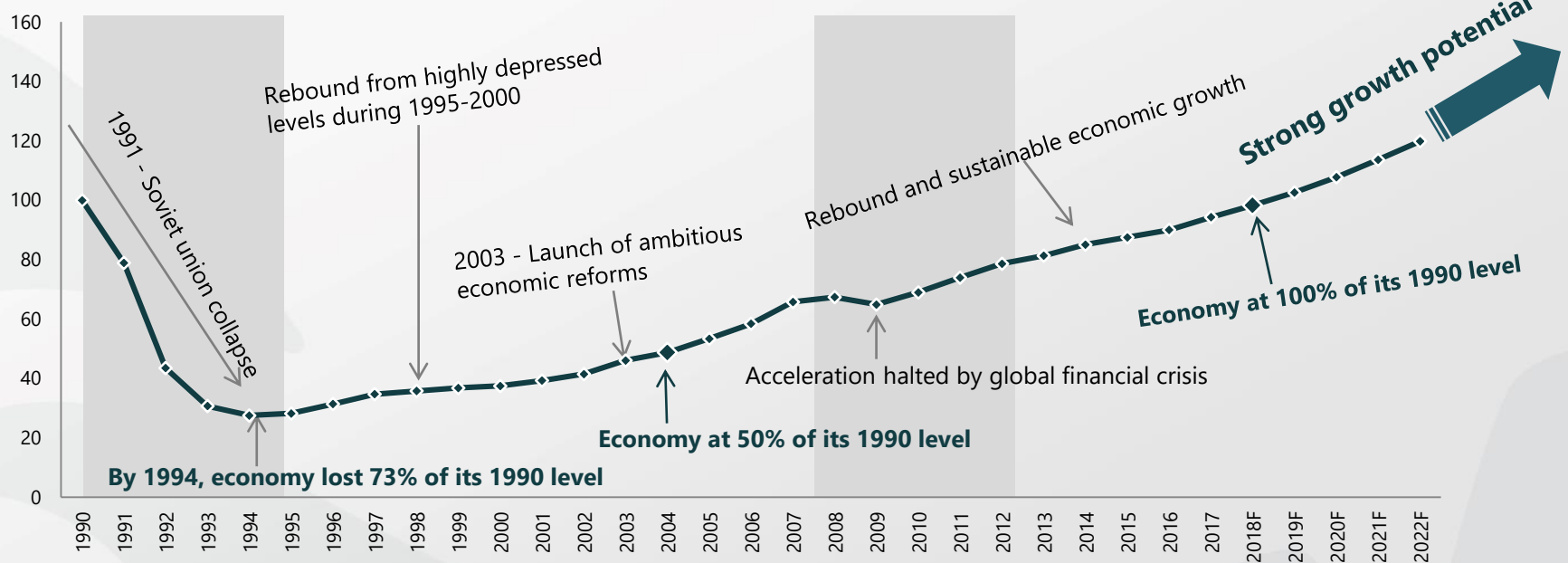
- WTO member since 2001
  - Very simple and service-oriented customs policy and administration
  - c. 80% of goods free from import tariffs
  - No quantitative restrictions
- Preferential Trade Regimes:**
1. DCFTA (Deep and Comprehensive Free Trade Agreement) with EU signed in June 2014
  2. FTA with CIS countries (Russia, Kazakhstan, etc.)
  3. FTA with Turkey
  4. FTA with China
  5. FTA with Hong Kong
  6. FTA with EFTA countries (Iceland, Liechtenstein, Norway and Switzerland)
  7. GSP agreements with USA, Canada, and Japan

# Ground floor opportunity



## Georgian Economy 1990-2017: collapse, stabilization, acceleration, crisis, rebound, sustainable economic growth and finally strong future growth potential

Real GDP Index, 1990=100



Sources: World Bank, IMF, GeoStat

# Georgia Capital value proposition – 3-fundamental enablers



## 1 Superior access to capital

- Only investment company in Georgia
- Uniquely positioned given the access to capital in a small frontier economy, where access to capital is limited:
  - **c.US\$ 500 mln** raised in equity at LSE
  - Issued five Eurobonds totaling **US\$ 1.5 billion**
  - **US\$ 3 billion+** raised from IFIs (EBRD, IFC etc.)
- **Flexibility to use own shares as acquisition currency**

## 2 Access to management

- Reputation among talented managers as the - **“best group to work for”**
- Attracted talents have demonstrated track record of successful delivery
- **Proven DNA in turning around companies and growing them efficiently**
- **Strong skillset in company exits**
  - LSE IPO track record
  - Divestiture skills

## 3 Strong corporate governance

- **Outstanding track record in:**
  - Institutionalizing businesses, creating independently run/managed institutions
  - Investor reporting transparency and granularity
- **Strong board and robust corporate governance**
- **Aligned shareholders' and management's interests**
  - Management compensation linked to performance
  - Equity/performance dominating compensation structure

## Georgia focused diversified investment company aiming to deliver total shareholder returns of 10-times over 10-years

1

### Capital allocation

- **Highly disciplined approach** to unlock value through investments, targeting
  - High-multiple businesses, defensive industries – service, consumer
  - Consider greenfields
- **360° analysis to be performed** when evaluating capital returns, new investment opportunities or divestments:
  - Buybacks to be actively considered as an investment opportunity when appropriate and subject to rigorous analyses
  - Recycling of publicly traded investments into privately held ones, while avoiding premature sale
  - Use of Georgia Capital shares as acquisition currency
  - **Clear exit paths** through IPO or trade sale in 5–10 years

2

### Harvesting investments

- Developing talent is a top priority
- Advisory approach for management of more mature phase companies
- Hands-on management approach to the non-public portfolio companies at early stages of their development
- Board participation (if needed) in publicly listed companies

## Board of directors - Georgia Capital PLC



**Irakli Gilauri**, Chairman & CEO

*Experience: formerly BGEO Group CEO; 14 years of experience in the banking, investment and finance. BMS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*



**William Huyett**, Independent Non-Executive Director

*Experience: formerly a Director of McKinsey & Company, based in its Boston office, for over 28 years*



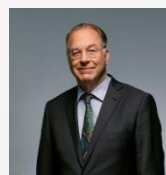
**Caroline Brown**, Independent Non-Executive Director

*Experience: Chief Financial Officer at Listen Media Campaign Company, Chief Innovation Officer and Founding Partner at Cambridge Advisory Partners*



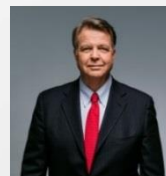
**Jyrki Talvitie**, Independent Non-Executive Director

*Experience: 28 years of experience in the banking, including Sberbank, VTB, East Capital and Bank of New York in both buy and sell-side transactions*



**David Morrison**, Senior Independent Director

*Experience: formerly Director at Sullivan & Cromwell with a track record of over 28 years, Founding CEO of the Caucasus Nature Fund (CNF)*



**Kim Bradley**, Independent Non-executive Director

*Experience: Goldman Sachs AM, Senior Executive at GE Capital, President of Societa Gestione Crediti, Board Chairman at Archon Capital Deutschland*



**Massimo Gesua'sive Salvadori**, Independent Non-Executive Director

*Experience: currently an analyst at Odey asset management, formerly with McKinsey & Company for over 9 years*

# Georgia Capital's highly experienced management team



## Georgia Capital Management

Georgia Capital



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



**Avto Namicheishvili**, Deputy CEO  
Formerly BGEO Group General Counsel. Joined as a General Counsel at the Bank in 2007, and has since played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, was a Partner at a leading Georgian law firm. Holds LLM in international business law from Central European University, Hungary.



**Ekaterina Shavgulidze**, Chief Investment Officer  
Formerly served as Head of Funding and Investor Relations in BGEO Group. Joined BGEO as a CEO of healthcare services business in 2011. Most recently Eka played a key role in the GHG IPO as a Group Head of IR. Prior, she was an Associate Finance Director at AstraZeneca, UK. Holds an MBA from Wharton Business School.



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

Listed

GHG



**Nikoloz Gamkrelidze**, CEO, Georgia Healthcare Group  
Previously deputy CEO (Finance) of BGEO Group. Our healthcare business story starts with Nick, who started it in 2006, and has successfully led it through outstanding growth and most recently the IPO on the London Stock Exchange. Holds an MA in international healthcare management from the Tanaka Business School of Imperial College London.

BoG



**Kaha Kiknavelidze**, CEO of Bank of Georgia  
Joined as member of the Bank's Supervisory Board and Audit Committee in 2008. Kaha founded and managed Rioni Capital Partners LLP, a London-based investment management company until his appointment as a CEO of the Bank. Kaha has served in a number of roles at UBS and Troika Dialog. Holds an MBA from Emory University.

GGU



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

m<sup>2</sup>



**Irakli Burdiladze**, CEO, m<sup>2</sup> Real Estate  
Joined as a CFO at the Bank of Georgia in 2006. Before taking leadership of real estate business in 2010, he served as the COO of the Bank. Prior he was a CFO at a leading real estate developer and operator in Georgia. Holds a graduate degree in International Economics and International Relations from the Johns Hopkins University School of Advanced International Studies.

Teliani



**Shota Kobelia**, CEO, Teliani Valley  
Having previously worked at Pernod Ricard in the USA and Easter Europe, joined Teliani to build up Ukrainian distribution in 2009. In 2010, became CEO for Teliani Valley and developed it from a small and loss-making winery into a major beverage group with own distribution channels on the main markets. Holds MS in Sales & Marketing from Bordeaux Business School.

Aldagi



**Giorgi Baratashvili**, CEO, Aldagi  
Joined as the Head of Corporate Clients Division of Aldagi in 2004. Before taking the leadership of our P&C insurance business in 2014, he served as Deputy CEO of Aldagi in charge of strategic management for corporate sales and corporate account management. Holds the Master Diploma in International Law.



# Further value creation opportunity – education business

## Industry investment rationale

### LARGE AND GROWING MARKET

- Growing private school market
- Government expected to double spending over the next 5 years
- Low base – 3% of GDP, compared to 6% of peers (2016 data)
- Government incentivized to support private schools development

### EFFICIENCY UPSIDE

- Inefficient government spending
- Fragmented – 2,321 schools in total, only 10% is private
- Undersupplied private school market
- 83% of teachers teach only 1 subject – 56% for peers

### ACCESS IS HIGH, BUT QUALITY IS POOR

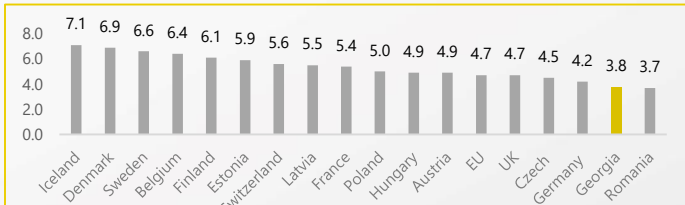
- Compulsory education lasts 9 years from age 6 to 14 years, literacy level - 99.8%
- Low supply of quality educators
- Poor international pupils assessment results – 60<sup>th</sup> among 72 countries

### HIGH TRADING MULTIPLES

- Due to its high quality revenue and high demand for good quality affordable education schools are trading at a very high multiples

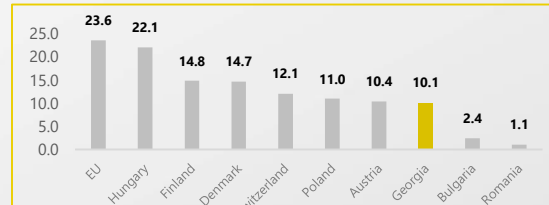
## Market opportunity

Government spending on education as GDP % (2016)



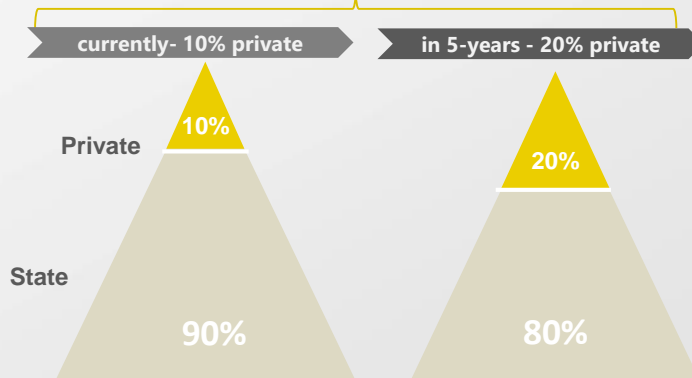
Source: Eurostat, World bank

Secondary private school enrollment % (2016)



Source: World bank

### Medium term demand outlook for private high schools



We aim to introduce a chain of affordable high schools to capitalise on scale advantage in Georgia

We expect to deploy GEL 140 million equity capital and by 2025 we are aiming to reach 30,000 pupils

# Bank of Georgia (BoG) Overview

<http://bankofgeorgiagroup.com/>



BANK OF GEORGIA



GEORGIA  
CAPITAL

## Key facts

### Investment rationale

- The first entity from Georgia to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE:BGEO) since February 2012.
- High standards of transparency and governance**
- Leading market position<sup>1</sup>** in Georgia by assets (34.5%), loans (33.0%), client deposits (34.0%) and equity (28.7%)
- Market with **stable growth perspectives**
- Strong brand name recognition** and retail banking franchise
- Sustainable growth combined with **strong capital, liquidity and robust profitability**
- Outstanding ROAE performance
- Dividend per share growing at 39.3% CAGR

### Value creation potential

- Loan book growth 15-20%
- Maintenance of dividend pay-out ratio within 25-40%

### Value realisation outlook

- Monetization of the existing stake through sales, while avoiding premature sale

## Financial metrics (GEL m)

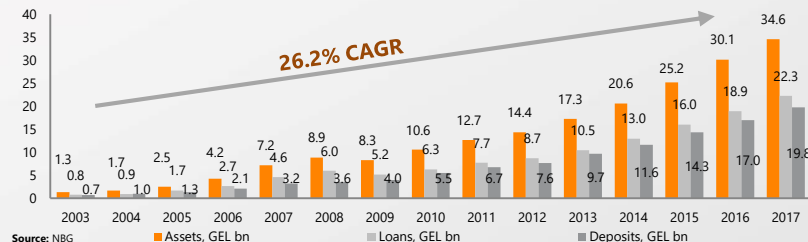
	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
ROAE	21.9%	22.2%	25.2%	23.9%	25.5%
NIM	7.7%	7.4%	7.3%	7.3%	7.0%
NPL coverage	83.4%	86.7%	92.7%	90.2%	110.5%
Loan portfolio	5,367	6,682	7,741	6,579	8,078
Retail banking growth	35.3%	39.5%	29.3%	34.1%	29.5%
Cost/income	35.5%	37.7%	37.7%	37.1%	36.9%

## Selected operating metrics

	1H17	1H18
Retail clients (millions)	2.2	2.4
Product to client ratio (retail)	2.0	2.2
Mobile bank transactions (thousands)	2,213	6,051
Digital transactions (mln)	17.1	22.0

## Market opportunity

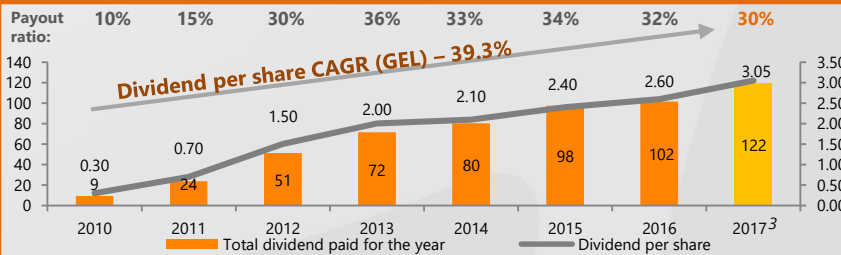
### Banking sector assets, loans and deposits



## GEL 8.4 bln loan portfolio breakdown (GEL m)<sup>(2)</sup> | 30 June 2018



## Dividend record (GEL m)



(1) Market data based on standalone accounts as published by the National Bank of Georgia (NBG) as of 30 June 2018 [www.nbg.gov.ge](http://www.nbg.gov.ge)  
(2) Excluding BNB

(3) Adjusted for 19.9% Bog share issuance, actual dividend per share was 2.44

# Healthcare and pharmacy business (GHG) overview

<http://ghg.com.ge/>



## Key facts

### Investment rationale

- Very low base: healthcare services spending per capita only US\$ 325
- Growing market: healthcare spending growth estimated at 8% CAGR 2017-2021

### Value creation potential

- High-growth potential driven by opportunity to develop medical tourism and Polyclinics (outpatient clinics)
- Only integrated player in the region with significant cost advantage in scale and synergies
- Well positioned to take advantage of the expected long term macroeconomic and structural growth drivers

### Value realisation outlook

- Monetization of the existing stake through sales, while avoiding premature sale

## Financial metrics (GEL m)

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
Revenue	246	426	748	371	419
EBITDA	56	78	108	51	63
Profit before tax	24	40	46	24	29
Healthcare EBITDA margin	27.4%	30.2%	26.4%	26.4%	24.7%
Pharma EBITDA margin	N/A	4.3% <sup>1</sup>	8.6%	7.9%	9.7%

## Selected operating metrics

	1H18	1H17	Change (y-o-y)
Number of hospitals	37	35	+5.7%
Number of beds	3,320	2,731	+21.6%
Number of polyclinics	17	13	+30.8%
Number of pharmacies	259	247	+4.9%
Bed occupancy rate, referral hospitals <sup>2</sup>	65.8%	69.7%	

<sup>1</sup> FY16 includes only May-Dec GPC's results

<sup>2</sup> Excl. Sunstone, DKC and emergency beds

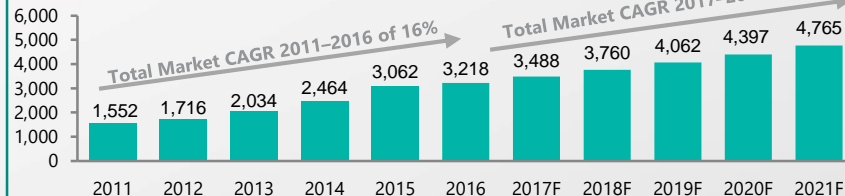
<sup>3</sup> Return on invested capital is adjusted to exclude newly launched Regional Hospital and Tbilisi Referral Hospitals

<sup>4</sup> ROIC is calculated as EBITDA less depreciation, plus interest income divided by aggregate amount of total equity and borrowed funds

## Market opportunity

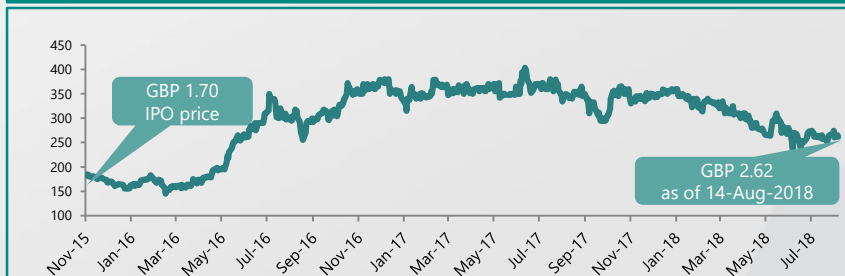
### Total healthcare market (including healthcare services and pharmacy)

GEL million



Source: Frost & Sullivan analysis 2017

## Stock price performance



## Return on invested capital<sup>4</sup>

	1H18	1H17
ROIC	10.4%	9.2%
ROIC adjusted <sup>3</sup>	13.7%	12.5%

# Water utility business overview

## Key facts

### Investment rationale

- Natural monopoly in Tbilisi and surrounding district
- Utilities sector represents ~3% of total Georgian economic output and is consistently growing at a sustainable rate (CAGR 8.2% in 2006 – 2017)
- Stable cash collection rates

### Value creation potential

- EU harmonization reforms in progress in utilities sector in accordance with Georgia's undertaking under the Association Agreement with the EU
- On the back of high GDP growth combined with rapid tourism growth, we expect disproportionately high demand levels from legal entities, in particular, by hotels and restaurants
- Upside opportunity from pursuing cost efficiencies by targeting decrease in consumption of own electricity in order to free up energy for third party electricity sales
- Growing dividend payment capacity

### Value realisation outlook

- IPO together with the renewable energy business

## Financial metrics (GEL m)

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
<b>Total revenue</b>	<b>119</b>	<b>127</b>	<b>135</b>	<b>60.6</b>	<b>69.8</b>
<i>Of which, utility revenue</i>	<i>105</i>	<i>109</i>	<i>119</i>	<i>55.0</i>	<i>61.8</i>
<i>Of which, energy revenue</i>	<i>9</i>	<i>10</i>	<i>10</i>	<i>3.1</i>	<i>4.7</i>
<i>Of which, other revenue</i>	<i>5</i>	<i>8</i>	<i>6</i>	<i>2.5</i>	<i>3.4</i>
<b>Total EBITDA</b>	<b>62</b>	<b>69</b>	<b>73</b>	<b>31.1</b>	<b>37.2</b>

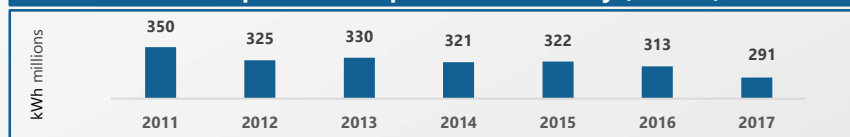
## Selected operating metrics

	1H18	1H17	change(y-o-y)
<i>Water sales (m<sup>3</sup>)</i>	86,547	83,601	+3.5%
<i>Electricity generation (kwh thousand)</i>	185,631	150,340	+23.5%
<i>Electricity consumption (kwh thousand)</i>	120,343	142,947	-15.8%
<i>New connections</i>	2,193	982	+123.3%

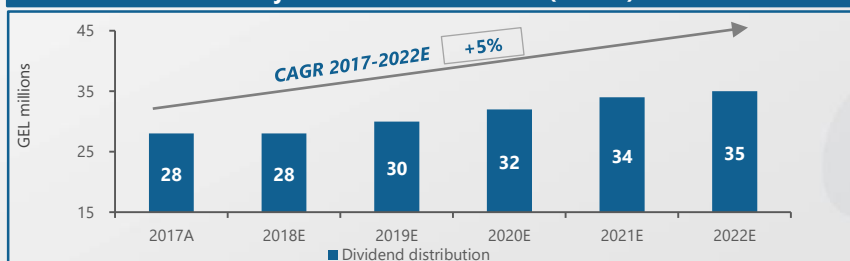
## Return on invested capital<sup>1</sup>

	1H18	1H17
<b>ROIC</b>	<b>9.8%</b>	<b>11.0%</b>

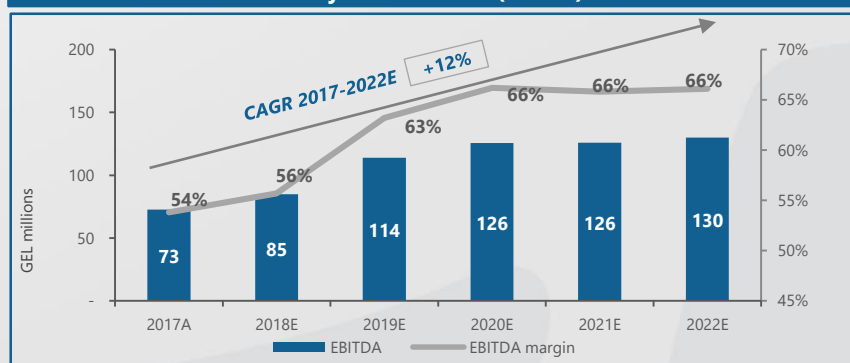
## Consumption of self-produced electricity (KWh m)



## Projected dividends record (GEL m)



## Projected EBITDA (GEL m)



<sup>1</sup> ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds

# Housing development business overview



## Key facts

### Investment rationale

- Shortage of housing from Soviet era combined with Georgian tradition of multi generations living under one roof, average household size is significantly higher at 3.3 compared to Eastern or Western Europe
- Most of the housing stock dates back to Soviet era and is amortised
- In line with the economic growth, urbanisation levels are increasing from current low level

### Value creation potential

#### Asset light strategy

- Unlock land value by developing housing projects
- Development of third-party land – franchise m<sup>2</sup> brand name. Undisputed market leading platform of 3,600 apartments to be delivered in 4-5 year
- Earn Construction management fees from third-party projects and bring construction works in-house

### Value realisation outlook

- Cash out by transformation into real estate asset manager

## Financial metrics (GEL millions)<sup>2</sup>

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
Gross revenue from apartments sales	45	96	93	34	52
EBITDA	18	11	22	21	5

## Selected operating metrics

	1H18	1H17	change (y-o-y)
Number of apartments sold	81	233	-65.2%
Apartments in stock	136	614	NMF
On-going projects	4	5	NMF

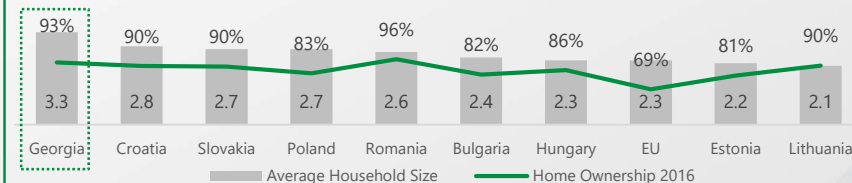
## Return on invested capital<sup>1</sup>

	1H18	1H17
ROIC	5.2%	19.5%

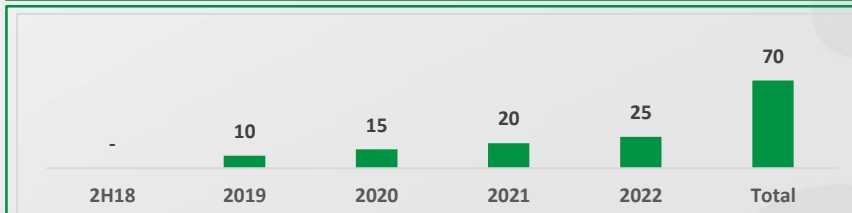
<sup>1</sup> ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds

## Market opportunity

### Average household size and home ownership



## Projected dividends through 2022 (GEL m)



## Projected EBITDA (GEL m)



<sup>2</sup> Housing development business' functional currency is US dollars

# P&C insurance business overview



## Key facts

### Investment rationale

- Significantly underpenetrated insurance market in Georgia
- Market leader with a powerful distribution network of point of sale and sales agents

### Value creation potential

- Compulsory border TPL effective from 1 March 2018
- Local TPL expected to kick in from 2020 and provide potential to access untapped retail casco insurance market with only 4% existing penetration
- First mover advantage on underpenetrated SME segment
- Growing dividend payout capacity

### Value realisation outlook

- Trade sale or IPO

## Financial metrics (GEL m)

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
Earned premiums, gross	68	71	86	39.4	42.5
Net income	12 <sup>1</sup>	14	16	7.6	8.3 <sup>2</sup>
Combined ratio	79%	73%	75%	73.1%	74.6%
Loss ratio	43%	35%	40%	39.1%	39.8%

## Selected operating metrics

	1H18	1H17	change (y-o-y)
Active corporate clients	3,596	2,171	+65.6%
Active retail clients	74,309	46,831	+58.7%
Corporate insurance policies written <sup>3</sup>	24,819	25,672	-3.3%
Retail insurance policies written	76,119	45,909	+65.8%

## Return on average equity

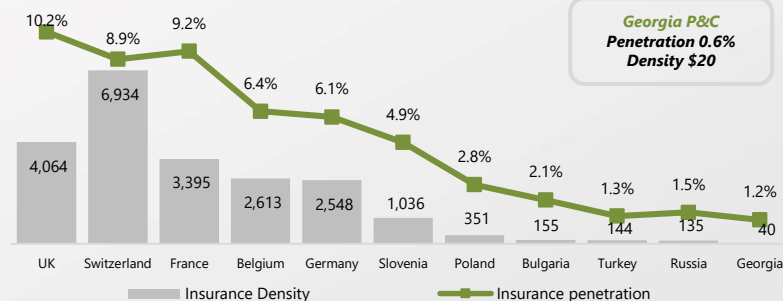
	1H18	1H17
ROAE <sup>2</sup>	32.7%	38.3%

(1) Excluding one-off FX contract with GEL 8 million loss

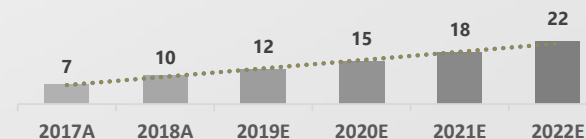
(2) Adjusted for non-recurrings

(3) Excluding credit life insurance

## Market opportunity



## Projected dividends distribution through 2022 (GEL m)



## Best combined ratio on the market



# Renewable energy business overview

## Key facts

### Investment rationale

- Underdeveloped energy market with potential for significant growth - Low per capita power usage
- Cheap to develop – up to US\$1.5mln for 1MW hydro and up to US\$1.3mln for wind development

### Value creation potential

- Opportunity to establish a renewable energy platform with 500MW operating capacity over the medium-term (500MW target includes existing energy assets of water utility business)
- Energy consumption has grown at c. 6% CAGR in last 10 years. We expect energy consumption to grow at CAGR 5%, translating into doubling of the consumption over the next 10 years
- Stable dividend provider capacity

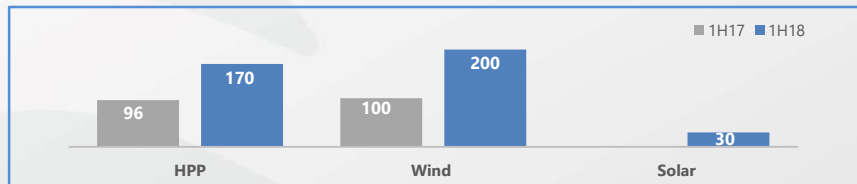
### Value realisation outlook

- IPO together with the water utility business

## Financial metrics (GEL m)

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
Development Capex	NMF	NMF	77	11	21

## Operating capacity pipeline (MW)

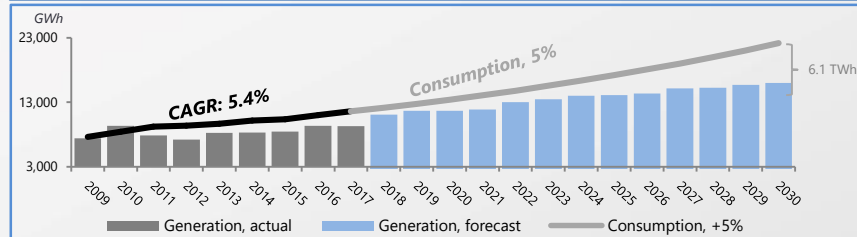


## Return on invested capital<sup>1</sup>

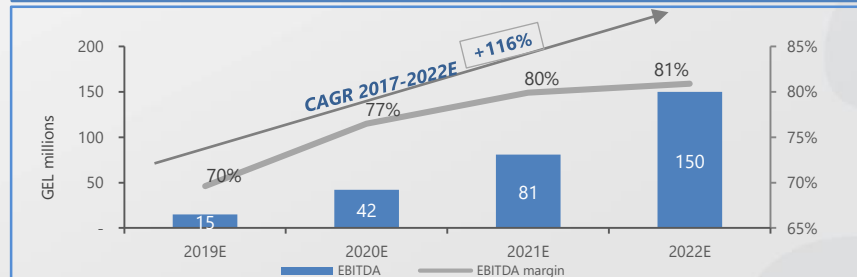
	1H18	1H17
ROIC	-1.3%	-18.9%

<sup>1</sup> ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds

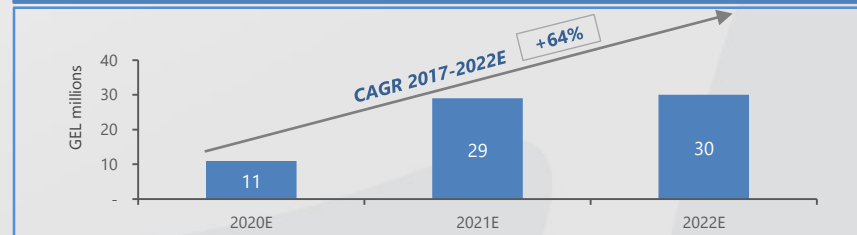
## Market opportunity



## Projected EBITDA (GEL m)



## Projected dividends distribution (GEL m)



# Hospitality and commercial real estate business overview

## Key facts

### Investment rationale

- Record number of tourists visiting Georgia every year: 1.9 million visitors in 1H18, up 23% y-o-y; Tourism inflows up 24% y-o-y

### Value creation potential

- Grow Portfolio of rent-earning assets through residential developments/opportunistic acquisitions
- Reach 1,000 hotel rooms over the next 3 years. Currently approximately 942 rooms of which 152 are operational and c. 790 are in the pipeline

### Value realisation outlook

- We aim to spin-off yielding properties as a listed REIT managed by m<sup>2</sup>

## Financial metrics (GEL m)<sup>3</sup>

	Annual		Semiannual	
	2016	2017	1H17	1H18
Gross profit from operating leases	2.6	3.0	1.5	1.9
Gross profit from hospitality services	-	-	-	0.5
EBITDA	2.4	3.4	1.3	1.9
Commercial real estate portfolio	41.6	77.2	68.0	95.2

## Selected operating metrics

	1H18	1H17	change (y-o-y)
Yield	10.2%	9.0%	+ 1.2 ppt
Occupancy rate	90%	87%	+ 3 ppt
Leased area (sq.m.)	22,286	18,792	+3,494 sq. m.

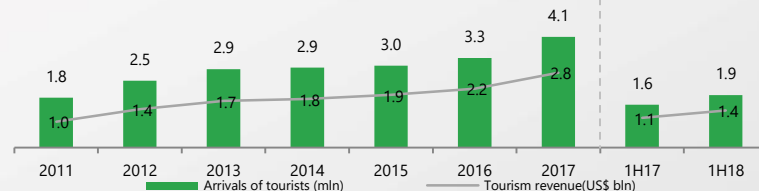
## Return on invested capital<sup>1</sup>

	1H18	1H17
ROIC	3.4%	3.9%

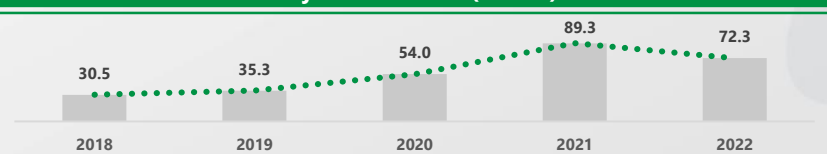
## Market opportunity

### Arrivals of tourists and tourism revenue | Georgia

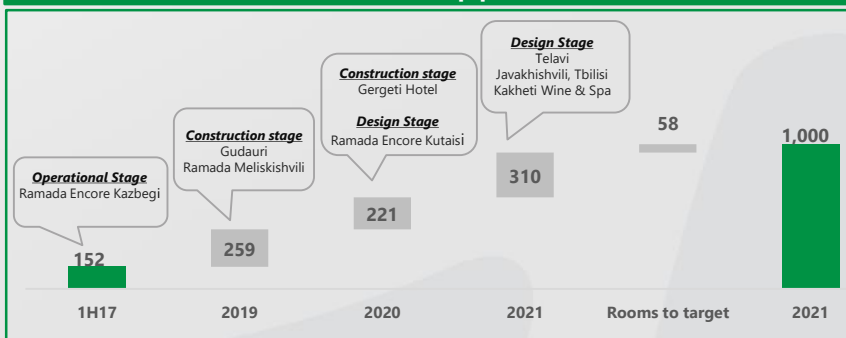
Source: Georgian National Tourism Administration



## Projected EBITDA (GEL m)



## Hotel rooms pipeline<sup>2</sup>



(1) ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds

(2) In August 2018, hospitality & commercial real estate business acquired a land plot for a hotel and office space development, adding 120 hotel rooms to the hospitality business portfolio

(3) Hospitality & Commercial real estate business' functional currency is US dollars



# Beverages business overview

## Key facts

### Investment rationale

- High growth sector, which has doubled during the last 5 years to GEL 1.9 billion market
- Beer consumption per capital at one of the lowest levels in the wider region at [27] liters per capita
- Georgia's favorable trade regimes (free trade agreements with EU and China) provide potential for export growth

### Value creation potential

- Best-in-class distribution network platform
- 10-year exclusivity from Heineken to produce and sell beer in Georgia, Armenia and Azerbaijan
- Grow vineyard base to 1,000 hectares, from current 436 hectares, over the next three years

### Value realization outlook

- Trade sale either of the whole business or parts

## Financial metrics (GEL m)

	Annual			Semiannual	
	2015	2016	2017	1H17	1H18
Revenue (wine)	18	18	22	8.6	10.8
Revenue (beer)	N/A	N/A	18	2.5	13.3
EBITDA (wine)	2	3	6	1.8	1.6
EBITDA (beer)	N/A	N/A	(5)	(2.8)	(7.5)

## Selected operating metrics

	1H18	1H17	Change (y-o-y)
Wine sales (bottles)	2,438,017	2,070,649	+17.7%
Beer sales (liters)	6,416,511	914,591	NMF

## Return on invested capital<sup>1</sup>

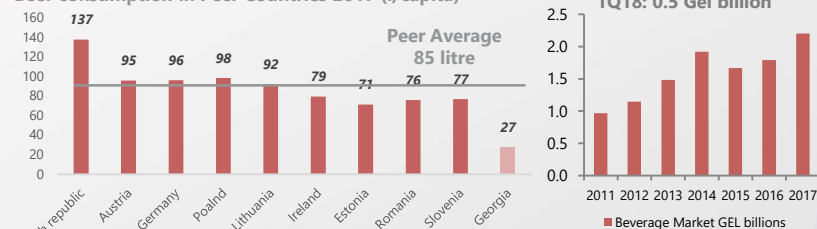
	1H18	1H17
ROIC	-15.4%	-5.7%

<sup>1</sup> ROIC is calculated as EBITDA less depreciation, plus divided by aggregate amount of total equity and borrowed fund

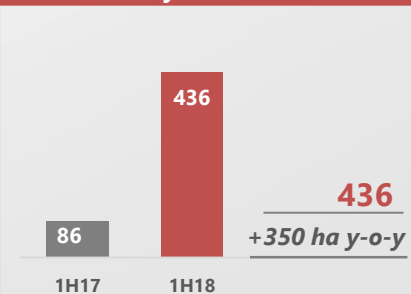
## Market opportunity

### Low consumption per capita compared to peers

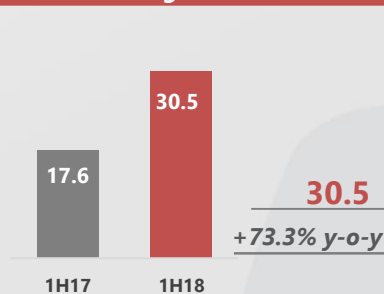
#### Beer consumption in Peer Countries 2017 (l/capita)



## Vineyard hectares



## Beverages revenue



# Content



1. 1H18 results discussion | Georgia Capital
2. Capital allocation
3. Investment strategy & portfolio overview
4. **1H18 results discussion | Investment portfolio**
  - **Water utility business**
5. Georgian Macro Overview
6. Appendices

# Water utility business financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y
Revenue from water supply to legal entities	42,151	38,928	8.3%
Revenue from water supply to individuals	19,602	16,053	22.1%
Revenue from electric power sales	4,722	3,094	52.6%
Revenue from technical support	1,303	1,412	-7.7%
Other income	2,055	1,095	87.7%
<b>Revenue</b>	<b>69,833</b>	<b>60,582</b>	<b>15.3%</b>
Salaries and benefits	(9,478)	(9,298)	1.9%
Electricity and transmission costs	(9,361)	(8,885)	5.4%
Other operating expenses	(10,742)	(10,175)	5.6%
<b>Operating expenses</b>	<b>(29,581)</b>	<b>(28,358)</b>	<b>4.3%</b>
Provisions for doubtful trade receivables	(3,022)	(1,125)	NMF
<b>EBITDA</b>	<b>37,231</b>	<b>31,099</b>	<b>19.7%</b>
<i>EBITDA Margin</i>	53.3%	51.3%	
Depreciation and amortization	(12,084)	(9,820)	23.1%
<b>EBIT</b>	<b>25,146</b>	<b>21,279</b>	<b>18.2%</b>
<i>EBIT Margin</i>	36%	35%	
Net interest expense	(7,253)	(5,125)	41.5%
Net non-recurring expenses	(5,484)	(251)	NMF
Foreign exchange (loss) gain	4,391	(63)	NMF
<b>EBT</b>	<b>16,800</b>	<b>15,840</b>	<b>6.1%</b>
<b>Profit</b>	<b>16,800</b>	<b>15,450</b>	<b>8.7%</b>

## Cash flow statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y
Cash received from customers	77,223	66,220	16.6%
Cash paid to suppliers	(22,139)	(20,276)	9.2%
Cash paid to employees	(9,246)	(8,147)	13.5%
Interest received	235	565	-58.4%
Taxes paid	(7,289)	(5,363)	35.9%
<b>Cash flow from operating activities before interest and maintenance capex</b>	<b>38,784</b>	<b>32,999</b>	<b>17.5%</b>
Maintenance capex	(12,444)	(14,201)	-12.4%
<b>Operating cash flow after maintenance capex</b>	<b>26,339</b>	<b>18,797</b>	<b>40.1%</b>
Purchase of PPE and intangible assets	(77,070)	(35,795)	NMF
Proceeds from PPE and investment property sale	1,458	-	NMF
Restricted cash in Bank	3,509	1,362	NMF
<b>Total cash used in investing activities</b>	<b>(72,103)</b>	<b>(34,433)</b>	<b>NMF</b>
Proceeds from borrowings	27,522	32,946	-16.5%
Repayment of borrowings	(297)	(8,994)	-96.7%
Contributions under share-based payment plan	(779)	-	NMF
Interest paid	(9,718)	(5,266)	84.5%
<b>Total cash flow from financing activities</b>	<b>16,729</b>	<b>18,686</b>	<b>-10.5%</b>
Effect of exchange rates changes on cash	(2,453)	(382)	NMF
<b>Total cash (outflow)/inflow</b>	<b>(31,488)</b>	<b>2,668</b>	<b>NMF</b>
Cash, beginning balance	61,963	27,511	NMF
Cash, ending balance	<b>30,475</b>	<b>30,179</b>	<b>1.0%</b>

# Water utility business financial highlights



Balance sheet					
<i>GEL thousands, unless otherwise noted</i>	Jun-18	Jun-17	Change	Dec-17	Change
Inventories	3,410	3,299	3.3%	3,787	-10.0%
Trade and other receivables	17,684	21,846	-19.1%	23,738	-25.5%
Prepaid taxes other than income tax	7,612	1,066	NMF	2,243	NMF
Prepayments	2,414	5,353	-54.9%	1,764	36.9%
Other current assets	3,635	4,411	-17.6%	8,168	-55.5%
Cash and cash equivalents	30,475	30,179	1.0%	61,963	-50.8%
<b>Total current assets</b>	<b>65,229</b>	<b>66,153</b>	<b>-1.4%</b>	<b>101,663</b>	<b>-35.8%</b>
Property, plant and equipment	525,339	363,552	44.5%	441,556	19.0%
Investment Property	9,596	18,371	-47.8%	11,286	-15.0%
Intangible assets	1,583	1,117	41.7%	2,026	-21.9%
Other non-current assets	8,023	1,040	NMF	11,404	-29.6%
<b>Total non-current assets</b>	<b>544,541</b>	<b>384,080</b>	<b>41.8%</b>	<b>466,273</b>	<b>16.8%</b>
<b>Total assets</b>	<b>609,770</b>	<b>450,233</b>	<b>35.4%</b>	<b>567,936</b>	<b>7.4%</b>
Current borrowings	1,578	54,300	-97.1%	1,341	17.6%
Trade and other payables	40,493	21,159	91.4%	32,778	23.5%
Other non-current liabilities	1,300	3,135	-58.6%	541	NMF
<b>Total current liabilities</b>	<b>43,370</b>	<b>78,595</b>	<b>-44.8%</b>	<b>34,660</b>	<b>25.1%</b>
Long term borrowings	263,795	75,892	NMF	246,015	7.2%
Deferred income	20,286	17,833	13.8%	19,474	4.2%
<b>Total non-current liabilities</b>	<b>284,081</b>	<b>93,725</b>	<b>NMF</b>	<b>265,490</b>	<b>7.0%</b>
<b>Total liabilities</b>	<b>327,451</b>	<b>172,320</b>	<b>90.0%</b>	<b>300,150</b>	<b>9.1%</b>
<b>Total equity</b>	<b>282,319</b>	<b>277,913</b>	<b>1.6%</b>	<b>267,786</b>	<b>5.4%</b>
<b>Total liabilities and equity</b>	<b>609,770</b>	<b>450,233</b>	<b>35.4%</b>	<b>567,936</b>	<b>7.4%</b>

# Water utility business overview

## Utility

### At a glance



**Natural monopoly in water utility servicing c. 1.4m population**  
(Provision of water and wastewater services in Tbilisi and surrounding areas)



**Hydros linked to utility – 152MW**

Zhinvali  
130MW  
Operating

Tetrikhevi  
12MW  
Operating

Saguramo  
4.4MW  
Operating

Pshavela  
2.9MW  
Operating<sup>1</sup>

Bodorna  
2.5MW  
UC<sup>2</sup>

**EBITDA 1H18 (LTM): 78.7m**  
**Dividend distribution 1H18 (LTM): GEL 28m**

### Key facts

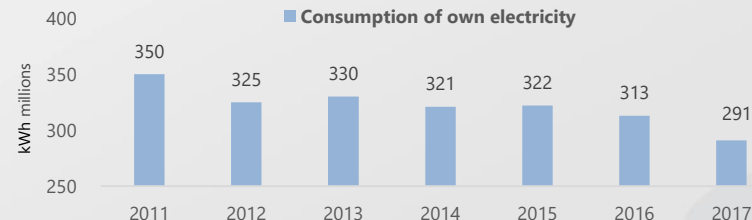
- **New WSS tariffs set by GNERC for a 3-year regulatory period.** Tariffs in Tbilisi have increased by 23.8% for residential customers and decreased by 0.4% for legal entities, serving as a first step towards gradually unifying WSS tariffs
- **Long-term financing obtained from international financial institutions** (EIB, FMO, DEG), total committed amount of up to EUR 81.5mln through GWP in 3Q17 to finance capital expenditures increasing efficiency
- GWP, a wholly owned subsidiary of GGU which operates the water utility business in Tbilisi, had its **credit rating of BB- reaffirmed with stable outlook by Fitch in February 2018.**

Notes:

1. Under operating lease
2. Under construction

GEL millions, unless otherwise noted

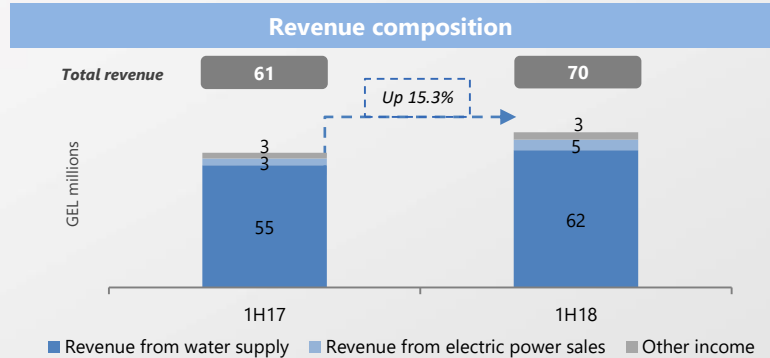
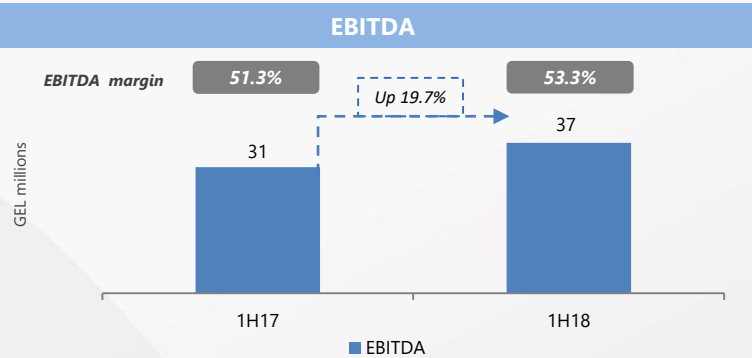
<b>Key Highlights</b>	<b>1H18</b>	<b>1H17</b>	<b>change</b>
LTM revenue	144.3	131.0	10.1%
LTM EBITDA	78.7	72.6	8.4%
LTM development capex	154.9	50.5	NMF
LTM maintenance capex	21.4	27.6	-22.5%
LTM FCF	43.7	26.1	67.4%
LTM Cash from operations	65.6	46.6	40.8%
Net debt	234.9	100	NMF



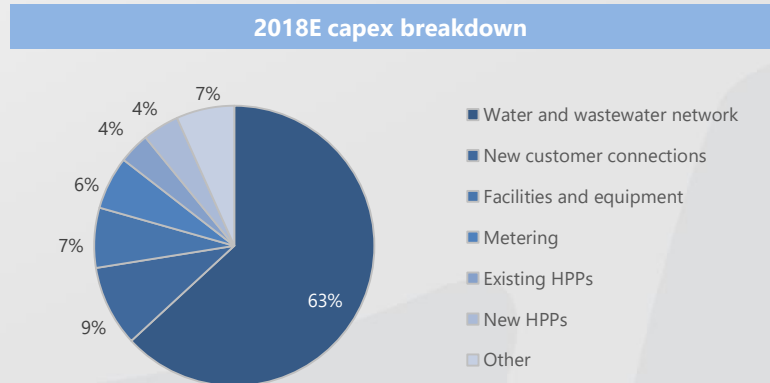
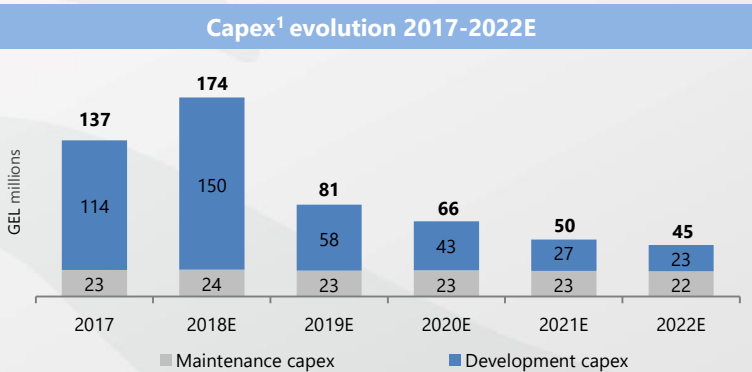
- As a result of efficient management of operating expenses coupled with strong increase in revenues, **utility business EBITDA increased** by 8.4% to GEL 78.7million in 1H18 (LTM)
- **2017 and 2018 are capital-intensive years for the water utility business.** Capital expenditure level is anticipated to step down after 2018, reaching long-term run-rate Capex of c. GEL 50 m by 2021, as most of the value-enhancing energy efficient projects will already be undertaken
- **GGU focuses on decrease of consumption of own electricity to increase third party sales and diversify its revenues.** GGU anticipates further upsides from pursuing cost efficiencies by targeting improvements of the worn-out infrastructure, thus reducing consumption of own electricity and increasing third party electricity sales

# Water utility business performance highlights

## Strong performance



## Capex forecast



<sup>1</sup>Capex figures are presented including VAT

# Georgian utility market overview

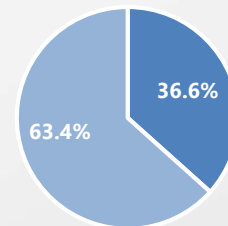
## Largely privatized utility sector with high barriers to entry

- Utilities sector represents ~3% of total economic output in Georgia and is constantly growing at a sustainable rate (CAGR 8.2% in 2006 – 2017)
- Bulk of sector players are natural monopolies and the barriers to entry are high
- Large part of the industry is privatized, except for the fraction of WSS utilities and irrigation
- Reforms are in progress in utilities sector to approximate the sector with EU energy regulations in accordance to Georgia's undertaking under the Association Agreement with the EU
- Georgian National Energy and Water Supply Regulatory Commission (GNERC) is an independent body that regulates the utilities market
- GNERC is independent from the Government of Georgia and has no direct supervision from any state authorities and its independence is guaranteed by a legally mandated, self-sufficient revenue stream from the regulation fees paid by utility market participants (0.3% of the utility revenues)
- The sector is regulated by the set of laws, by-laws and government decrees on tariff setting, utilities (water, electricity, natural gas) market rules, grid / network codes, legislation on licensing, resource extraction and environmental accountability

## GGU - only profitable player on Georgia's WSS market

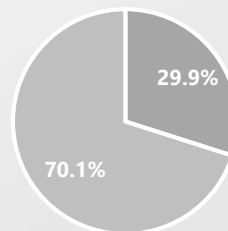
- Largely depreciated water and sanitation infrastructure with average water losses at c. 70% (4-5 times higher than in western Europe)
- Average collection rates from households in Georgia - c. 50%
- GGU's average collection rates - around 96%
- Water utilities other than GGU heavily subsidized by state
- c. 47% of the population serviced on the municipal level with bad service quality, frequent interruptions and poor coverage

## Coverage by population



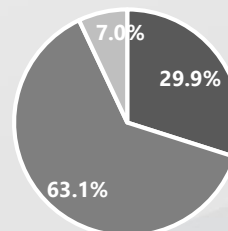
### Water

- GGU
- State



### Electricity (privatized)

- Telasi (Tbilisi)
- Energo-Pro (regions)



### Natural Gas (privatized)

- KazTransGas (Tbilisi)
- Socar Group
- Other

# Water utility business strategy

## Business strategy

Current standing

Medium term goal

Targeting

Water utility

Revenue 1H18 (LTM): **GEL 144m**

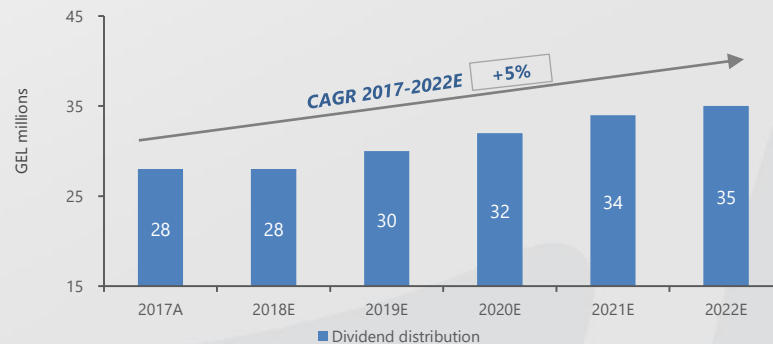
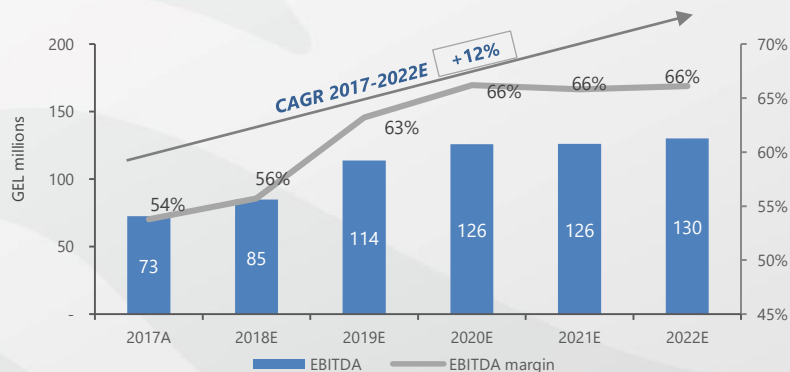
EBITDA 1H18 (LTM): **GEL 79m**

Revenue 2022: **GEL 195m +**

EBITDA 2022: **GEL 130m +**

**Stable dividend provider**  
**IPO with renewable energy business**

## Projected EBITDA and dividend distribution





# Content

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# Renewable energy financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y NMF
<b>Total Revenue</b>	-	-	
Salaries and benefits	(134)	(560)	-76.1%
Other operating expenses	(269)	(444)	-39.3%
<b>Total Operating Expenses</b>	<b>(403)</b>	<b>(1,004)</b>	<b>-59.8%</b>
<b>EBITDA</b>	<b>(403)</b>	<b>(1,004)</b>	<b>-59.8%</b>
<b>EBIT</b>	<b>(564)</b>	<b>(1,076)</b>	<b>-47.6%</b>
Net interest expense	46	(211)	NMF
Non-recurring expenses	338	-	NMF
Foreign exchange loss	(236)	(406)	-41.9%
<b>Loss before income tax</b>	<b>(416)</b>	<b>(1,693)</b>	<b>-75.4%</b>
<b>Net loss</b>	<b>(416)</b>	<b>(1,693)</b>	<b>-75.4%</b>
<b>Attributable to:</b>			
– shareholders of Georgia Capital	(270)	(1,327)	NMF
– non-controlling interests	(146)	(366)	NMF

## Cash flow statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y NMF
Cash paid to suppliers	(172)	(1,505)	-88.5%
Cash paid to employees	(244)	(759)	-67.9%
Interest received	46	5	NMF
Taxes paid	963	(221)	NMF
<b>Cash flow from operating activities</b>	<b>593</b>	<b>(2,480)</b>	<b>NMF</b>
Purchase of PPE and intangible assets	(20,564)	(10,653)	93.0%
Restricted cash in Bank	-	(12,249)	NMF
<b>Total cash flow used in investing activities</b>	<b>(20,564)</b>	<b>(22,902)</b>	<b>-10.2%</b>
Net Proceeds from borrowings	18,277	35,304	-48.2%
Capital increase	5,441	9,834	-44.7%
<b>Total cash flow used in financing activities</b>	<b>23,717</b>	<b>45,138</b>	<b>-47.5%</b>
Exchange losses on cash equivalents	(693)	(594)	16.6%
<b>Total cash inflow</b>	<b>3,053</b>	<b>19,162</b>	<b>-84.1%</b>
<b>Cash balance</b>			
Cash, beginning balance	8,298	4,867	70.5%
Cash, ending balance	<b>11,351</b>	<b>24,029</b>	-52.8%

# Renewable energy financial highlights



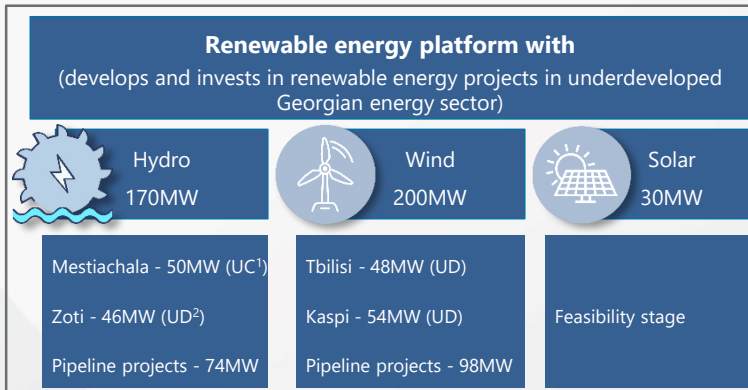
## Balance sheet

<i>GEL thousands, unless otherwise noted</i>	Jun-18	Jun-17	Change	Dec-17	Change
<b>Total current assets</b>	<b>15,045</b>	<b>36,072</b>	<b>-58.3%</b>	<b>15,554</b>	<b>-3.3%</b>
Property, plant and equipment	71,333	7,094	NMF	47,953	48.8%
Other non-current assets	30,936	9,997	NMF	33,043	-6.4%
<b>Total non-current assets</b>	<b>102,269</b>	<b>17,091</b>	<b>NMF</b>	<b>80,996</b>	<b>26.3%</b>
<b>Total assets</b>	<b>117,314</b>	<b>53,163</b>	<b>NMF</b>	<b>96,550</b>	<b>21.5%</b>
<b>Total current liabilities</b>	<b>4,572</b>	<b>1,142</b>	<b>NMF</b>	<b>6,284</b>	<b>-27.2%</b>
Long term borrowings	81,316	35,399	NMF	62,357	30.4%
Other non-current liabilities	1,203	-	NMF	1,279	-6.0%
<b>Total non-current liabilities</b>	<b>82,519</b>	<b>35,399</b>	<b>NMF</b>	<b>63,636</b>	<b>29.7%</b>
<b>Total liabilities</b>	<b>87,091</b>	<b>36,541</b>	<b>NMF</b>	<b>69,920</b>	<b>24.6%</b>
<b>Total equity attributable to shareholders of Georgia Capital</b>	<b>19,645</b>	<b>11,155</b>	<b>76.1%</b>	<b>16,504</b>	<b>19.0%</b>
Non-controlling interest	10,578	5,467	93.5%	10,126	4.5%
<b>Total equity</b>	<b>30,223</b>	<b>16,622</b>	<b>81.8%</b>	<b>26,630</b>	<b>13.5%</b>
<b>Total liabilities and equity</b>	<b>117,314</b>	<b>53,163</b>	<b>NMF</b>	<b>96,550</b>	<b>21.5%</b>

# Renewable energy business overview

## Energy

### At a glance



**Total non-current assets (Jun-18):** GEL 102m

### Key facts

- Investing in additional capacity for electricity generation **with the goal to establish a renewable energy platform**
- Cheap to develop** – Up to US\$1.5m/ln for 1MW hydro and up to US\$1.3m/ln for wind development in Georgia
- Strategic partnership with RP Global (Austria) – Independent Power Producer **with 30 years experience of developing, building, owning and operating renewable power plants globally**

*GEL millions, unless otherwise noted*

<b>Key Highlights</b>	<b>1H18</b>	<b>1H17</b>	<b>change</b>
LTM revenue	n/a	n/a	n/a
LTM EBITDA	(1.1)	(1.0)	NMF
LTM development capex	87	14	NMF
LTM maintenance capex	n/a	n/a	n/a
LTM FCF	n/a	n/a	n/a
LTM Cash from operations	n/a	n/a	n/a
Net debt	71	11	NMF

**Medium-term targeted installed capacity: 500 MW<sup>3</sup>**

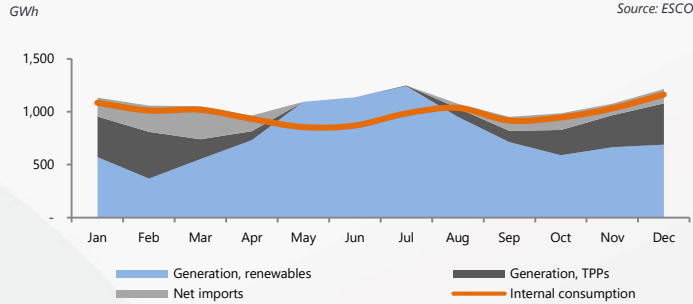
- GRPC is currently investing in construction and development of an extensive **pipeline of renewable energy projects**
- 50 MW Mestiachala HPPs** – cascade of run-of-the-river plants in northwestern part of Georgia – are at the construction stage with expected COD in 2Q19
- 46 MW Zoti HPPs** are at the development stage with expected COD in 2021, while other pipeline projects are at different development stages

Notes:

- Under construction
- Under development
- 500 MW target includes existing energy assets of utility business (GGU)

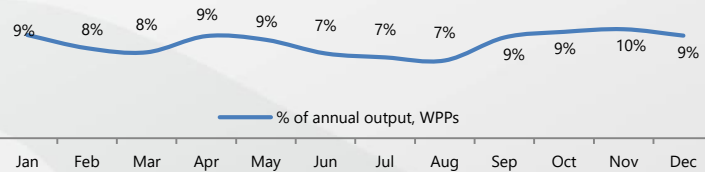
# Georgian electricity market overview

## Electricity supply and consumption, 2017



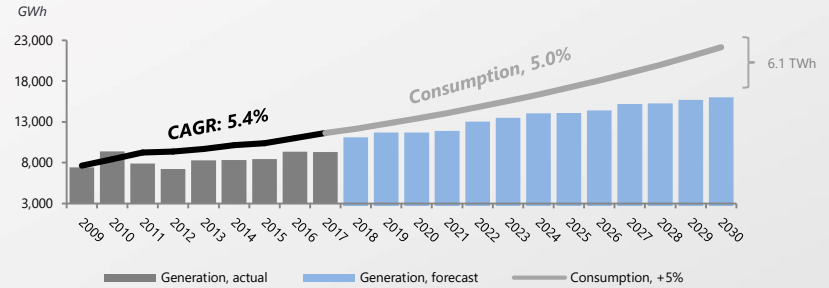
- Electricity deficit during Aug-Apr
- Currently, 8-month PPA policy in place
- 18.8% of total consumption produced by gas-fired TPPs, 12.6% - imported (2017 data)

## Distribution of windfarms annual generation<sup>1</sup>



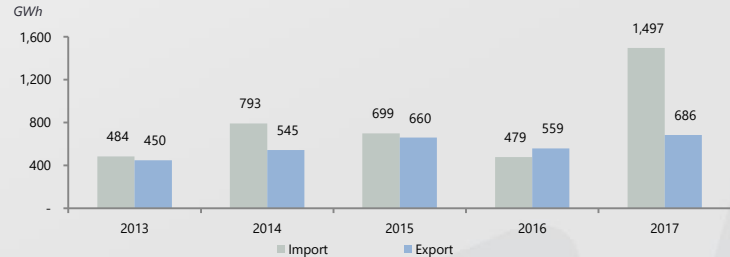
- Compared to HPPs, wind power plants (WPPs) have more even distribution throughout the year, adding more portion of output to domestic supply deficit
- Merchant risk is c. 30% in May-Aug, as opposed to 48% on average in run-of-river HPPs

## Actual and forecasted consumption



- growth of internal consumption 7.7% in 2017 (9.7% and 14.4% growth in Jul & Aug) and 8.4% in 1H18 (12.3% and 12.6% in May & June)
- Consumption growth forecasted at minimum 5.0% CAGR in coming 15 years
- Anticipated deficit of 6.1TWh by 2030

## Import-export dynamics



- Import's share in domestic consumption has tripled in 2017 compared to 2016, as the y-o-y growth in consumption was entirely supplied for by imports

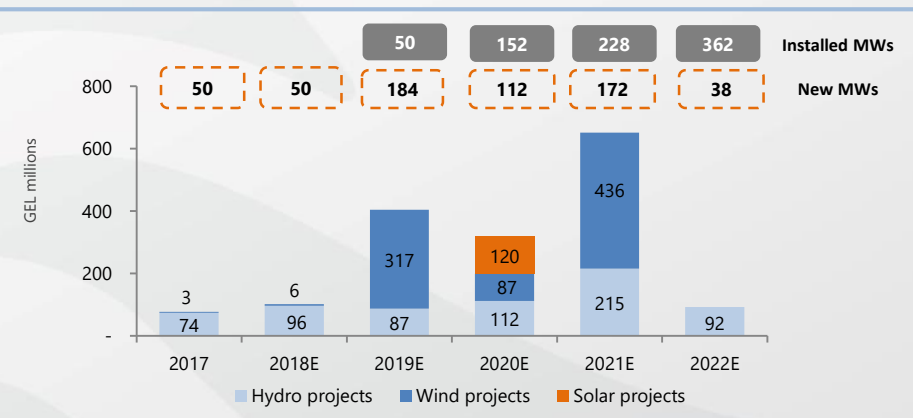
Note 1: Based on preliminary measurement of GGU windfarm locations

# Renewable energy project pipeline

## Project pipeline and capex forecast

Project	MW	Start of construction	Commissioning	Target ROIC	Generation capacity (GWh) <sup>1</sup>
Mestiachala HPPs	50	1H17	1H19	13.2%	171
Zoti HPPs	46	2H19	1H21	12.9%	164
Bakhvi 2 HPP	36	2H19	1H22	13.5%	127
Racha HPPs	38	1H21	1H23	14.7%	165
Wind Tbilisi	48	1H19	1H20	13.3%	146
Wind Kaspi	54	1H19	1H20	14.1%	215
Wind (other)	98	1H21	1H22	12.5%	306
Solar	30	1H20	1H21	10.1%	64
<b>Total</b>	<b>400</b>				<b>1,358</b>

- Renewable energy continues to build ground for its 500MW operating capacity target and seeks acquisition opportunities among existing projects, which are either commissioned or under feasibility stage
- One of such projects is Bakhvi 2, for which preliminary SPA has been signed in August 2018 and the management is working on prolongation of MoU formed with the Government
- Search for opportunities to develop new hydro projects is also continuing, as the company has applied for an MoU for a 38 MW Racha project in 2Q 2018



- Renewable energy business is on track to complete the construction works on Mestiachala HPP by the end of 2018 with the full commissioning expected in 1H19
- In addition, the business also has 46MW of hydro projects under development and additionally c. 74 MW of HPPs targeted in the medium term
- Further 200MW wind projects are at the feasibility stage together with 30MW of solar projects

Note 1: Generation capacity refers to target net annual generation

# Renewable energy business strategy

## Business strategy

Current standing

Medium term goal

Targeting

Renewable  
energy

Revenue 1H18 (LTM): **GEL 0m**

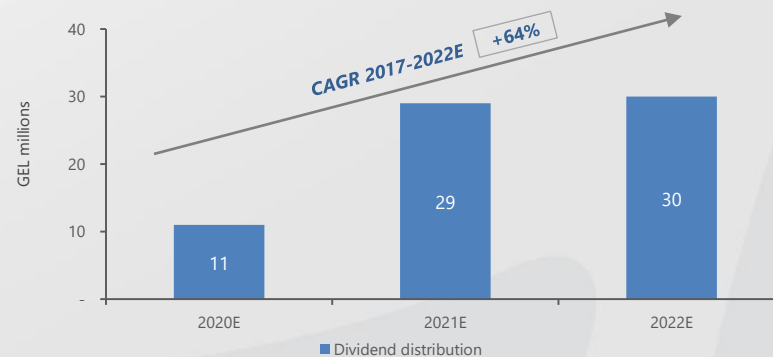
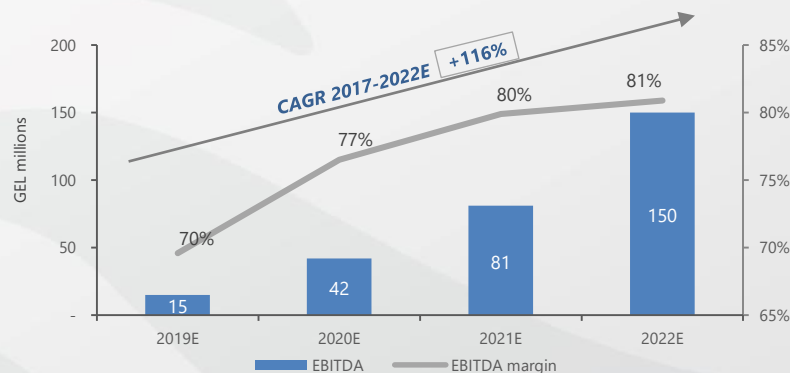
EBITDA 1H18 (LTM): **GEL (1)m**

Revenue 2022: **GEL 185m**

EBITDA 2022: **GEL 150m**

Value creation upside  
IPO together with water utility  
business

## Projected EBITDA and dividend distribution



# Content

1. 1H18 results discussion | Georgia Capital
2. Capital allocation
3. Investment strategy & portfolio overview
- 4. 1H18 results discussion | Investment portfolio**
  - **Housing development business**
5. Georgian Macro Overview
6. Appendices



# Housing development business financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change
Revenue from apartments sale	52,136	34,325	51.9%
Cost of apartments	(45,731)	(32,185)	42.1%
<b>Gross profit from apartments sale</b>	<b>6,405</b>	<b>2,140</b>	<b>NMF</b>
Revenue construction services	7,532	-	<b>NMF</b>
Cost of construction services	(6,452)	-	<b>NMF</b>
<b>Gross profit from construction services</b>	<b>1,080</b>	-	<b>NMF</b>
Other income	109	58	87.9%
Revaluation of commercial property	2,311	21,785	-89.4%
<b>Gross Real Estate Profit</b>	<b>9,905</b>	<b>23,983</b>	<b>-58.7%</b>
<b>Operating expenses</b>	<b>(4,742)</b>	<b>(3,221)</b>	<b>47.2%</b>
<b>EBITDA</b>	<b>5,163</b>	<b>20,762</b>	<b>-75.1%</b>
Depreciation & amortization	(332)	(123)	NMF
Net foreign currency loss	(524)	(270)	93.8%
Net interest income	259	455	-43.0%
Interest expense	(86)	(2)	NMF
<b>Net operating income before non-recurring items</b>	<b>4,480</b>	<b>20,822</b>	<b>-78.5%</b>
Net non-recurring items	(4,443)	111	NMF
<b>Profit before income tax</b>	<b>37</b>	<b>20,933</b>	<b>-99.8%</b>
<b>Profit</b>	<b>37</b>	<b>20,933</b>	<b>-99.8%</b>

## Cash Flow

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change
Proceeds from sales of apartments	37,138	45,620	-18.6%
Outflows for development	(45,293)	(36,607)	23.7%
Net proceeds from construction services	(2,619)	-	NMF
Personnel Costs	(4,740)	(2,974)	59.4%
Other	(2,609)	(1,935)	34.8%
Interest paid	(4,554)	(5,512)	-17.4%
Income tax paid	-	(3,854)	NMF
<b>Net cash flows from operating activities</b>	<b>(22,677)</b>	<b>(5,262)</b>	<b>NMF</b>
Capital expenditure on investment property and PPE	(7,161)	(5,126)	39.7%
<b>Net cash flows used in investing activities</b>	<b>(7,161)</b>	<b>(5,126)</b>	<b>39.7%</b>
Net Intersegment loans received	28,925	41,153	-29.7%
Repayment of debt securities issued	-	(34,099)	NMF
Contributions under share-based payment plan	(1,281)	-	NMF
Proceeds from borrowings	41,614	19,421	NMF
Repayment of borrowings	(42,464)	(1,107)	NMF
<b>Net cash flows from financing activities</b>	<b>26,794</b>	<b>25,368</b>	<b>5.6%</b>
Exchange losses on cash equivalents	(3,171)	(6,537)	-51.5%
<b>Total cash inflow/(outflow)</b>	<b>(6,215)</b>	<b>8,443</b>	<b>NMF</b>
<b>Cash, beginning balance</b>	<b>20,059</b>	<b>42,280</b>	<b>-52.6%</b>
<b>Cash, ending balance</b>	<b>13,844</b>	<b>50,723</b>	<b>-72.7%</b>

# Housing development business financial highlights



## Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	<b>Jun-18</b>	<b>Jun-17</b>	<b>change</b>	<b>Dec-17</b>	<b>Change</b>
Cash and cash equivalents	13,521	50,337	-73.1%	19,945	-32.2%
Amounts due from credit institutions	324	386	-16.1%	114	NMF
Investment securities	1,623	2,868	-43.4%	3,205	-49.4%
Accounts receivable and other loans	3,154	5,755	-45.2%	333	NMF
Prepayments	52,771	42,157	25.2%	36,226	45.7%
Inventories	51,441	66,450	-22.6%	59,199	-13.1%
Investment property	92,967	83,778	11.0%	93,373	-0.4%
<i>Land bank</i>	57,024	55,200	3.3%	58,373	-2.3%
<i>Commercial real estate</i>	35,943	28,578	25.8%	35,000	2.7%
Property and equipment	5,941	3,701	60.5%	4,214	41.0%
Other assets	12,811	5,214	NMF	29,042	-55.9%
<b>Total assets</b>	<b>234,553</b>	<b>260,646</b>	<b>-10.0%</b>	<b>245,652</b>	<b>-4.5%</b>
Amounts due to credit institutions	42,055	54,501	-22.8%	44,243	-4.9%
Debt securities issued	61,779	60,268	2.5%	65,122	-5.1%
Deferred income	22,459	59,631	-62.4%	46,660	-51.9%
Other liabilities	38,832	12,129	NMF	12,952	NMF
<b>Total liabilities</b>	<b>165,125</b>	<b>186,529</b>	<b>-11.5%</b>	<b>168,977</b>	<b>-2.3%</b>
<b>Total equity</b>	<b>69,428</b>	<b>74,117</b>	<b>-6.3%</b>	<b>76,675</b>	<b>-9.5%</b>
<b>Total liabilities and equity</b>	<b>234,553</b>	<b>260,646</b>	<b>-10.0%</b>	<b>245,652</b>	<b>-4.5%</b>

# m<sup>2</sup> – a leading player on Georgian real estate market

## Housing Development – Market of US\$ 1.1 bln<sup>1</sup>

### 1 Affordable housing

Fully Develop land bank with total value of US\$ 28 mln and c.3,697<sup>3</sup> apartments

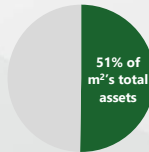
**7 Completed projects**  
1,691 apartments, 99% sold with 145mln US\$ sales value

**4 Ongoing projects**  
1,202 apartments, 90% sold with 88mln US\$ sales value

#### Asset base at 30 June 2018

Includes: US\$ 83 million<sup>2</sup>

- Inventory of residential real estate
- Land bank



### 2 Franchise m<sup>2</sup>

Develop third-party land plots under m<sup>2</sup> brand name

#### Largest Franchise Deal Signed

- 3,600** apartments to be delivered in 4-5 years; Expected m<sup>2</sup> fees:
- Construction Fee: **10%** of construction costs
  - Sales & Marketing Fee: **2.5%** sales commissions
  - Incentive Fee: **30%** of projects overall profit

#### Track record contributing to m<sup>2</sup> strengths and opportunities

- m<sup>2</sup> Brand name:** 92% customer brand awareness among real estate developers in Georgia  
**m<sup>2</sup> pricing power:** Extensive development expertise to increase efficiency in planning and design stages and drive revenues as well as margins;  
**m<sup>2</sup> sales:** m<sup>2</sup> pre-sales power reduces equity needed to finance the projects; Top three banks in Georgia provide mortgages under m<sup>2</sup> completion guarantee;  
**m<sup>2</sup> execution:** m<sup>2</sup> manages process from feasibility through apartment handover and property management; m<sup>2</sup> completed all projects on time and on budget;  
**m<sup>2</sup> accessibility to financing:** m<sup>2</sup> has the ability to raise financing, both in terms of securing mortgage lending to clients from the local banks and in terms of standby facilities for liquidity support in case of slowdown in sales;

### 3 Construction Management

*Earn Construction management fees from third-party projects and bring construction works in-house*

**2 Signed third party deals**

- Saburtalo City Mall
- Radisson Tsinandali

**7 Inhouse projects**

- Melikishvili Ave mixed-use (Hotel and Residential)
- Hotel on Gergeti St.
- Hotel in Telavi
- Hotel in Gudauri
- Hotel on Javakishvili str.
- Kakheti Wine & Spa
- Ramada Encore Kutaisi

1. Transactions volume of residential flats in Tbilisi in 2017

2. Total Assets are US\$ 163mln. Pie charts do not sum-up to 100% due to Cash holdings of US\$ 9mln

3. Including 3,300 apartments of Digomi project and 397 apartments of Kavtaradze project, both are subject to city hall permits finalization

# Housing development business performance highlights

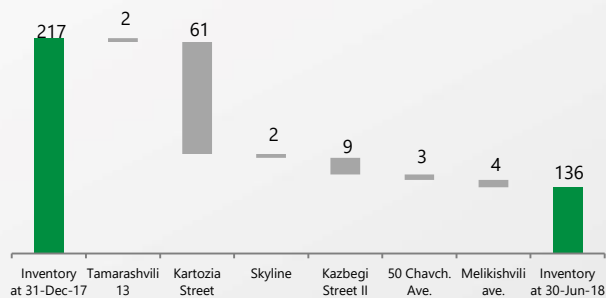


## Strong sales performance

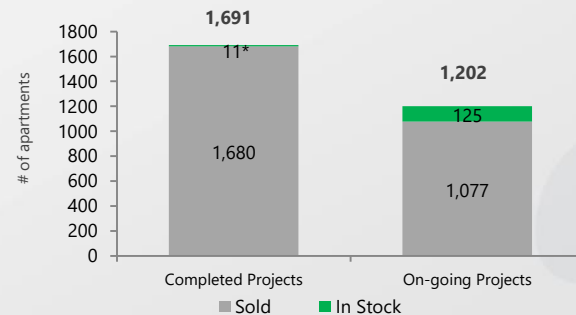
### Key highlights

All amounts in GEL millions	1H18	1H17	change
LTM revenue	121.1	122.3	-1.0%
LTM EBITDA	6.4	27.8	-77.0%
LTM Development Capex	9.7	8.2	18.3%
LTM Maintenance Capex	-	-	NMF
LTM FCF	2.2	1.7	29.4%
LTM Cash from operations	(7.6)	(6.5)	16.9%
Net debt	102.8	64	60.6%

### 1H18 apartments sales track record

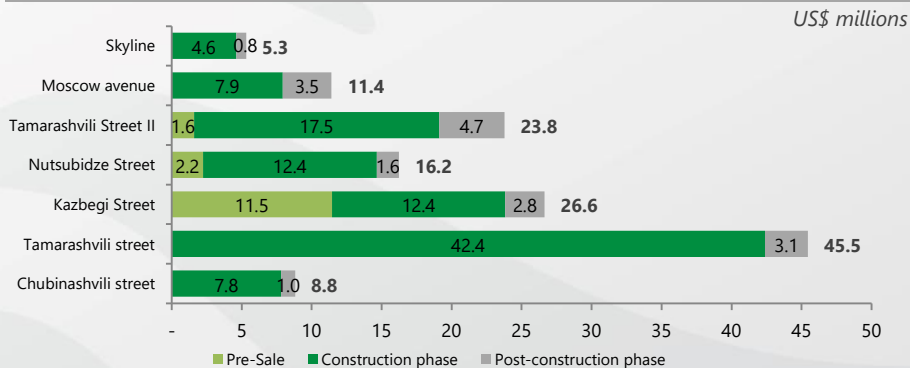


### 95% of apartments are sold-out

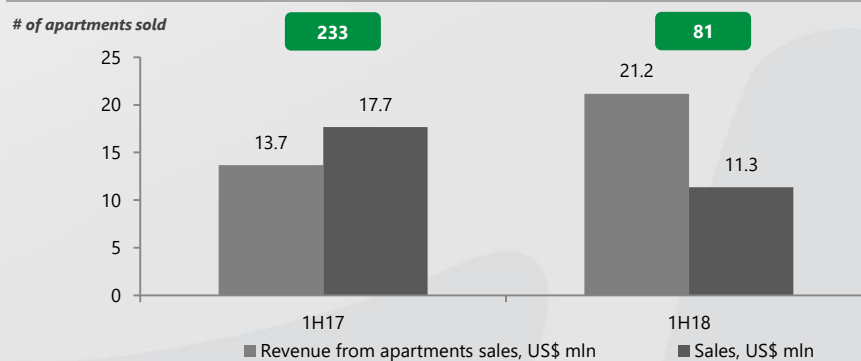


\* These apartments are reclassified to investment property and are available for lease

### Apartment sales track record in completed projects



### Revenue and sales from residential segment



# Affordable housing track record

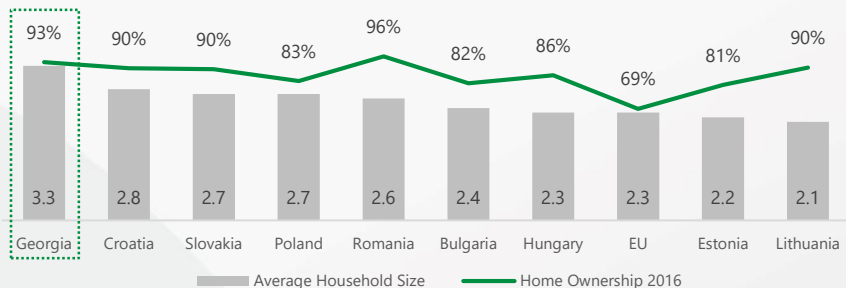
## Operating/Financial data for completed and on-going projects at 30 June 2018

#	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Construction commencement date	Actual / Planned Completion date (construction)	Construction progress	Total Sales (US\$ mln)	Recognised as revenue (US\$ mln)	Deferred revenue (US\$ mln)	Deferred revenue expected to be recognised as revenue in 2018	Land value unlocked (US\$)	Realised & Expected IRR
<b>Completed projects</b>		<b>1,691</b>	<b>1,680</b>	<b>99.3%</b>	<b>11</b>				<b>145.5</b>	<b>145.5</b>	<b>-</b>	<b>-</b>	<b>19.5</b>	
1	Chubinashvili Street	123	123	100.0%	-	Sep-10	Aug-12	100%	9.9	9.9	-	-	0.9	47%
2	Tamarashvili Street	525	525	100.0%	-	May-12	Jun-14	100%	48.9	48.9	-	-	5.4	46%
3	Kazbegi Street	295	295	100.0%	-	Dec-13	Feb-16	100%	27.2	27.2	-	-	3.6	165%
4	Nutsubidze Street	221	221	100.0%	-	Dec-13	Sep-15	100%	17.4	17.4	-	-	2.2	58%
5	Tamarashvili Street II	270	266	98.5%	4	Jul-14	Jun-16	100%	24.3	24.3	-	-	2.7	71%
6	Moscow Avenue	238	238	100.0%	-	Sep-14	Jun-16	100%	12.3	12.3	-	-	1.6	31%
7	Skyline	19	12	63.2%	7	Dec-15	Dec-17	100%	5.4	5.4	-	-	3.1	329%
<b>On-going projects</b>		<b>1,202</b>	<b>1,077</b>	<b>89.6%</b>	<b>125</b>				<b>88.2</b>	<b>74.0</b>	<b>14.2</b>	<b>13.9</b>	<b>14.2</b>	
8	Kartozia Street	801	764	95.4%	37	Nov-15	Oct-18	92%	55.0	49.6	5.3	5.3	5.8	60%
9	Kazbegi Street II	303	226	74.6%	77	Jun-16	Nov-18	64%	20.0	14.5	5.5	5.5	4.3	51%
10	50 Chavchavadze Ave.	82	72	87.8%	10	Oct-16	Oct-18	78%	9.4	8.0	1.4	1.4	3.3	75%
11	Melikishvili ave.	16	15	93.8%	1	Sep-17	May-19	16%	3.9	1.9	2.0	1.6	0.8	101%
<b>Total</b>		<b>2,893</b>	<b>2,757</b>	<b>95.3%</b>	<b>136</b>				<b>233.7</b>	<b>219.5</b>	<b>14.23</b>	<b>13.87</b>	<b>33.7</b>	

# Housing development business – market opportunity

## Average household size and home ownership | 2016

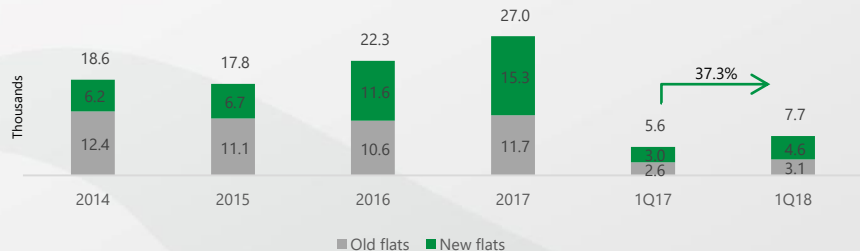
Source: Eurostat, Colliers International



Georgia has one of the highest average household size of 3.3 people. This number has dropped from 3.8 in 2015 and further decrease in this number will increase the demand

## Number of sales transactions by unit types

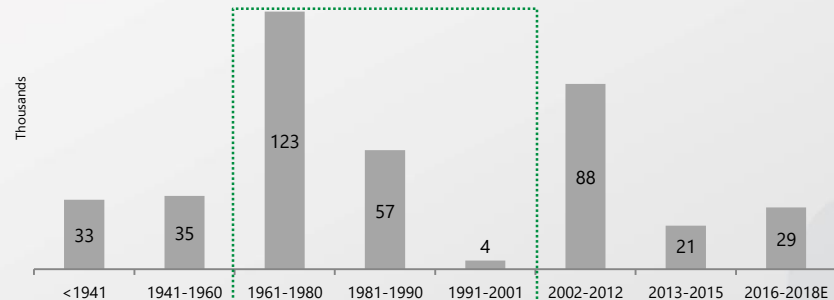
Source: Colliers International



The share of the new flats in residential transactions have increased from 33% in 2014 to 57% in 2017, while total number of transactions have increased by CAGR of 13% over 2014-2017.

## # of housing units developed by time periods

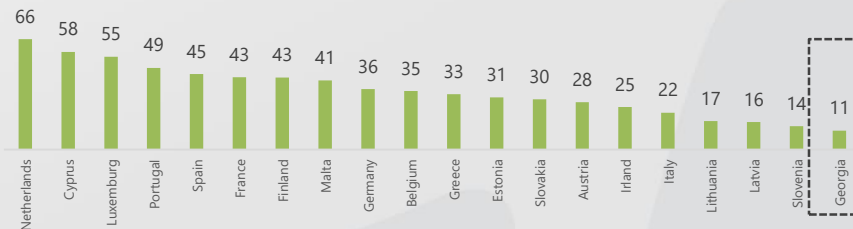
Source: Colliers International



Around 120,000 (35%) of housing units in Tbilisi were built more than 40 years ago and are out of their usable lifecycle

## Mortgage loans as a % of GDP 2017

Source: IMF, Central banks



Compared to peers, Georgia has one of the lowest Mortgage Loan as a % of GDP ratio. Implying that there is a room for increase on the total value of outstanding mortgage loans.

# Content



1. 1H18 results discussion | Georgia Capital
2. Capital allocation
3. Investment strategy & portfolio overview
- 4. 1H18 results discussion | Investment portfolio**
  - **Hospitality & Commercial real estate business**
5. Georgian Macro Overview
6. Appendices

# Hospitality & Commercial real estate business financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	Jun-18	Jun-17	Change
Revenue from operating lease	2,215	1,780	24.4%
Cost of operating leases	(315)	(280)	12.5%
<b>Gross profit from operating leases</b>	<b>1,900</b>	<b>1,500</b>	<b>26.7%</b>
Revenue from hospitality services	1,576	-	NMF
Cost of hospitality services	(1,119)	-	NMF
<b>Gross profit from hospitality services</b>	<b>457</b>	<b>-</b>	<b>NMF</b>
Other income	51	-	NMF
<b>Gross Real Estate Profit</b>	<b>2,408</b>	<b>1,500</b>	<b>60.5%</b>
<b>Operating expenses</b>	<b>(557)</b>	<b>(167)</b>	<b>NMF</b>
<b>EBITDA</b>	<b>1,851</b>	<b>1,333</b>	<b>38.9%</b>
Depreciation & amortization	(105)	(6)	NMF
Net foreign currency loss	(20)	(14)	46.3%
Interest income	44	24	80.3%
Interest expense	(993)	(93)	NMF
<b>Net operating income before non-recurring items</b>	<b>777</b>	<b>1,244</b>	<b>-37.5%</b>
Net non-recurring items	(1,187)	6	NMF
<b>Profit before income tax</b>	<b>(410)</b>	<b>1,250</b>	<b>NMF</b>
<b>Profit</b>	<b>(410)</b>	<b>1,250</b>	<b>NMF</b>

## Cash Flow

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	change
Net proceeds from rent generating assets	2,124	1,500	41.6%
Net proceeds from hospitality services	539	-	NMF
Other operating expenses paid	(1,056)	(148)	NMF
Interest paid	(1,625)	(95)	NMF
<b>Net cash flows from operating activities</b>	<b>(18)</b>	<b>1,257</b>	<b>NMF</b>
Acquisition of investment property	(36,760)	(1,401)	NMF
Capital expenditure on investment property	(14,188)	(6,839)	NMF
Other	(724)	(3)	NMF
<b>Net cash flows used in investing activities</b>	<b>(51,672)</b>	<b>(8,243)</b>	<b>NMF</b>
Contributions under share-based payment plan	(81)	-	NMF
Net Intergroup loans received	(27,465)	(41,153)	-33.3%
Proceeds from borrowings	91,031	-	NMF
Repayment of borrowings	(17,191)	(114)	NMF
<b>Net cash flows from financing activities</b>	<b>46,294</b>	<b>(41,267)</b>	<b>NMF</b>
Effect of exchange rate changes on cash and cash equivalents	(201)	(197)	1.5%
<b>Total cash outflow</b>	<b>(5,597)</b>	<b>(48,450)</b>	<b>-88.4%</b>
<b>Cash, beginning balance</b>	<b>14,806</b>	<b>50,930</b>	<b>-70.9%</b>
<b>Cash, ending balance</b>	<b>9,209</b>	<b>2,480</b>	<b>NMF</b>



# Hospitality & Commercial real estate business financial highlights



## Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	<b>Jun-18</b>	<b>Jun-17</b>	<b>change</b>	<b>Dec-17</b>	<b>change</b>
Cash and cash equivalents	9,209	2,480	NMF	14,806	-37.8%
Prepayments	5,157	3,220	60.2%	3,436	50.1%
Investment property	150,578	52,816	NMF	56,770	NMF
<i>Land bank</i>	18,534	13,422	38.1%	14,529	27.6%
<i>Commercial real estate</i>	132,044	39,394	NMF	42,241	NMF
Property and equipment	201	10,785	NMF	45,427	NMF
Other assets	24,104	6,749	NMF	9,584	NMF
<b>Total assets</b>	<b>189,249</b>	<b>76,049</b>	<b>NMF</b>	<b>130,022</b>	<b>45.5%</b>
Borrowings	89,895	2,222	NMF	14,749	NMF
Other liabilities	10,824	988	NMF	27,318	-60.3%
<b>Total liabilities</b>	<b>100,719</b>	<b>3,210</b>	<b>NMF</b>	<b>42,067</b>	<b>NMF</b>
<b>Total equity attributable to shareholders</b>	<b>78,681</b>	<b>72,839</b>	<b>8.0%</b>	<b>77,537</b>	<b>1.5%</b>
Non-controlling interest	9,849	-	NMF	10,418	-5.5%
<b>Total equity</b>	<b>88,530</b>	<b>72,839</b>	<b>21.5%</b>	<b>87,955</b>	<b>0.7%</b>
<b>Total liabilities and equity</b>	<b>189,249</b>	<b>76,049</b>	<b>NMF</b>	<b>130,022</b>	<b>45.6%</b>

# Targeting to spin-off yielding properties as a listed REIT managed by m<sup>2</sup>

## Hospitality & Commercial real estate – Market of US\$ 6.8bln<sup>1</sup>

**1**

### Rent-earning assets

Grow Portfolio of rent-earning assets through residential developments/opportunistic acquisitions

**10.2%**  
Yield

**90%**  
Occupancy

#### Portfolio composition

As a property manager, m<sup>2</sup> makes opportunistic investments and manages a well diversified portfolio of yielding assets:

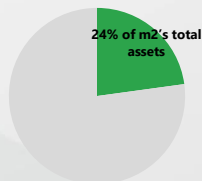
- M<sup>2</sup> retains commercial space (ground floor) at its own residential developments, constituting **up to 30%** of total yielding portfolio
- m<sup>2</sup> acquired opportunistically the commercial space, constituting **over 70%** of total yielding portfolio

#### Asset base at 30 June 2018

*Includes:*

US\$ 39 million<sup>2</sup>

1. High street retail
2. Industrial properties: warehouses and logistics centers
3. Offices


**2**

### Hotels

Develop hotels with combined room-count of **1,000 keys in three years**

#### 152 Operational Rooms

3-star Ramada Encore Kazbegi in Tbilisi, opened in Feb'18

#### 359 Rooms under construction

4-star Ramada Melikishvili in Tbilisi: 125 rooms; Lifestyle hotel on Gergeti St. in Tbilisi: 100 rooms; Hotel on ski resort Gudauri: 134 rooms;

#### 431 Rooms under design

Ramada Encore in Kutaisi: 121 rooms; Hotel in Telavi: 130 rooms, Kakheti, Wine & Spa: 60 rooms; Hotel on Javakishvili str.: 120 rooms<sup>3</sup>



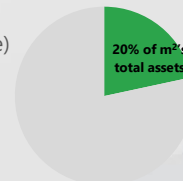
**Only c.60 rooms left to reach the target**

#### Asset base at 30 June 2018

*Includes:*

US\$ 32 million<sup>2</sup>

1. Hotels (mixed use)
2. Land bank



1. Gross tourism inflows (US\$ 2.8bln) and retail trade volume(US\$ 4.0bln) in 2017

2. Total Assets are US\$ 163mln. Pie charts do not sum-up to 100% due to Cash holdings of US\$ 9mln

3. Acquired in Aug-18

# Hospitality & commercial real estate business performance highlights

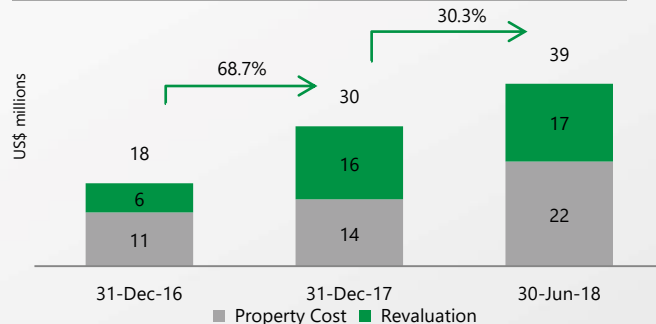


## Strong Performance

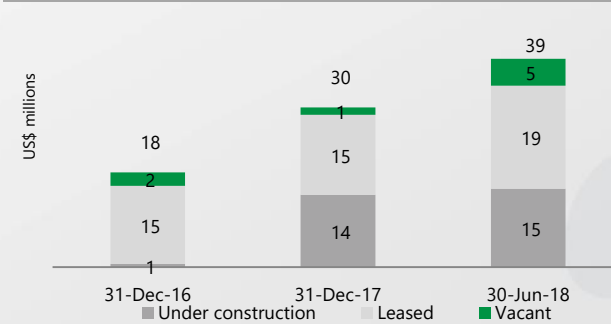
### Key highlights

All amounts in GEL millions	1H18	1H17	change
LTM revenue	6.6	3.4	NMF
LTM EBITDA	3.9	2.7	44.2%
LTM Development Capex	81.2	5.4	NMF
LTM Maintenance Capex	-	-	NMF
LTM FCF	82.2	8.0	NMF
LTM Cash from operations	1.0	2.6	61.5%
Net debt	91	(0.3)	NMF

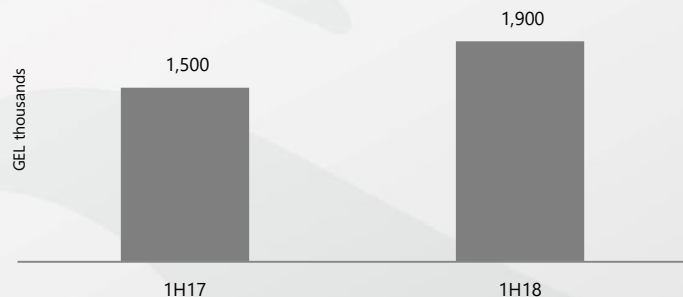
### Yielding portfolio growth



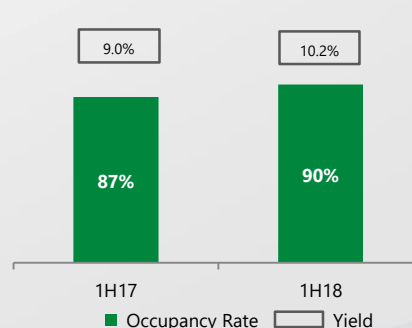
### Yielding portfolio composition



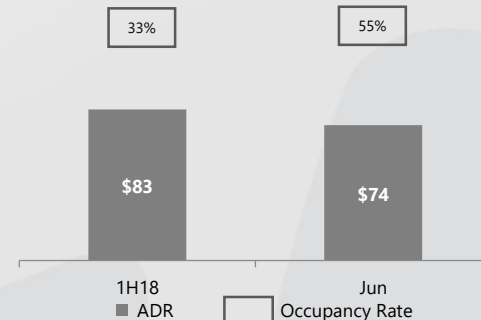
### Gross profit from operating leases



### Key performance metrics of yielding business

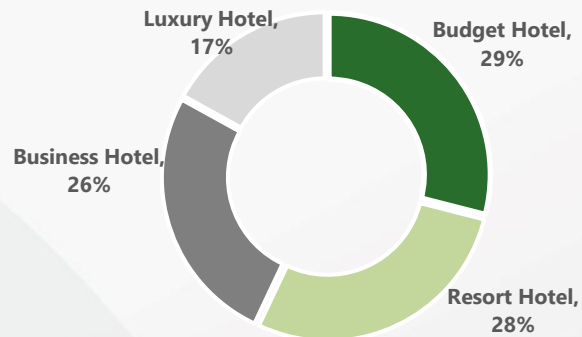


### Ramada Encore on Kazbegi ave. performance

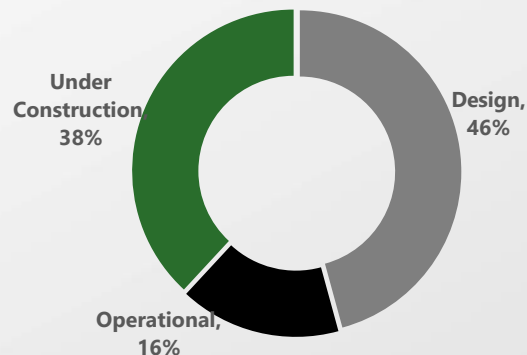


# Hospitality business overview

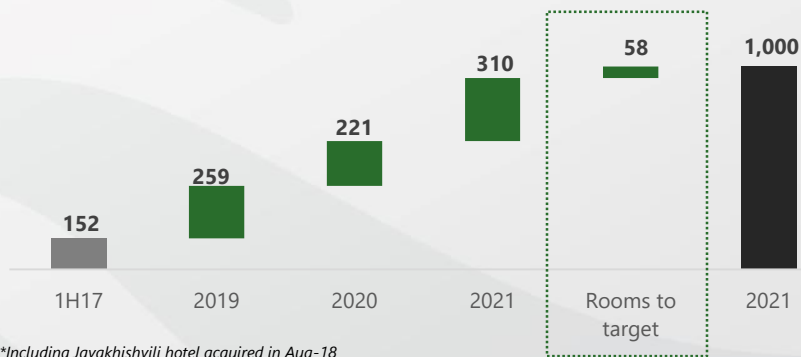
Hotel rooms by types | operational, construction, design stages



Hotel rooms by types | operational, construction, design stages



Rooms operational by years\*



Target return on invested capital (ROIC)

Hotel	Rooms	Hotel opening date	Current Stage	Target ROIC
Ramada Encore Kazbegi	152	Q1-2018	Operational	18.0%
Gudaure	134	Q1-2019	Construction	12.8%
Ramada Melikishvili	125	Q3-2019	Construction	15.7%
Gergeti Hotel	100	Q1-2020	Construction	13.7%
Ramada Encore Kutaisi	121	Q3-2020	Design	17.5%
Telavi	130	Q1-2021	Design	13.4%
Javakishvili, Tbilisi	120	Q2-2021	Design	13.8%
Kakheti Wine & Spa	60	Q3-2021	Design	17.3%
<b>Total</b>	<b>942</b>			

\*Including Javakishvili hotel acquired in Aug-18

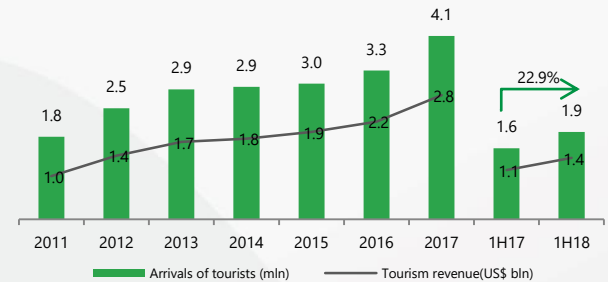
\*\* Return on invested capital per each hotel equals stabilized adjusted net operating income divided by total investment

# Hospitality & commercial real estate business – market opportunity



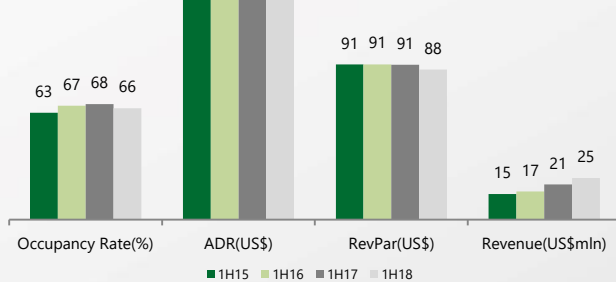
## Arrivals of tourists and tourism revenue | Georgia

Source: Georgian National Tourism Administration



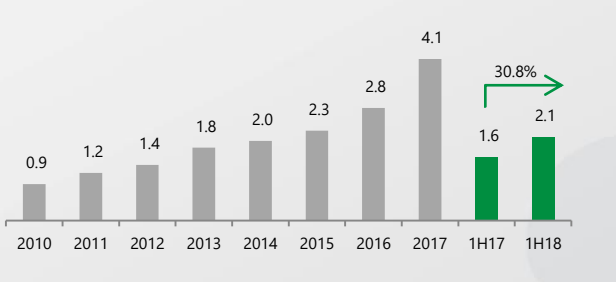
## Key performance metrics of hotels | Tbilisi

Source: STR



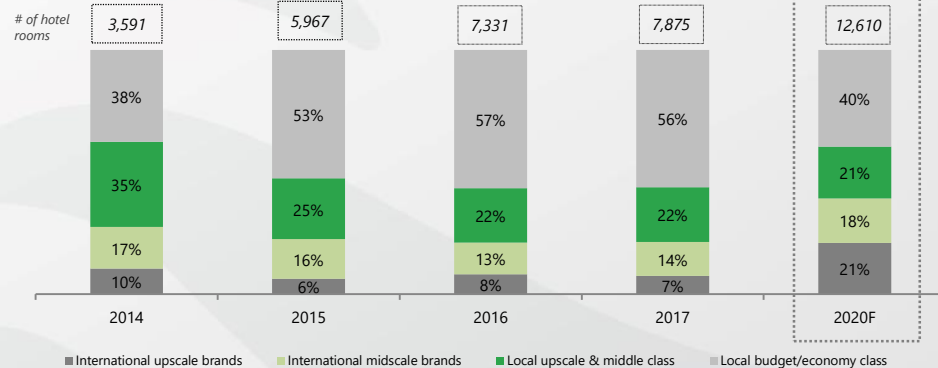
## Arrivals at airports (mln) | Georgia

Source: Georgian Civil Aviation Agency



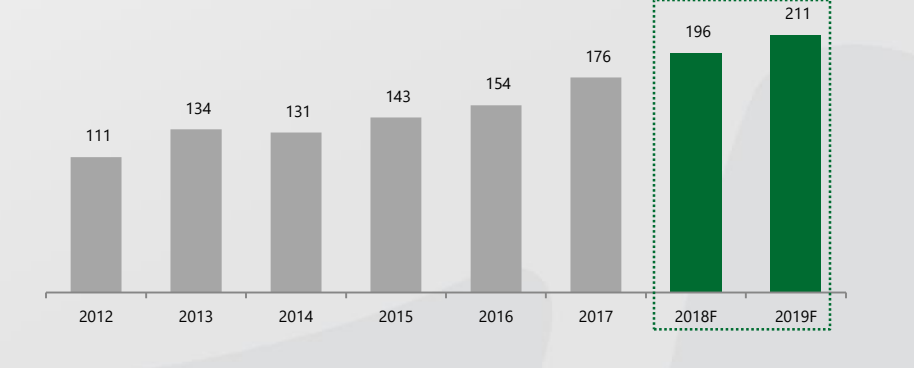
## Hotel Room Supply | Tbilisi

Source: Colliers International



## Modern office stock supply (GLA'000) | Tbilisi

Source: Colliers International



# Agenda



1. 1H18 results discussion | Georgia Capital
2. Capital allocation
3. Investment strategy & portfolio overview
- 4. 1H18 results discussion | Investment portfolio**
  - P&C insurance business
5. Georgian Macro Overview
6. Appendices

# P&C insurance business financial highlights



## Income Statement

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y
Gross premiums written	45,885	49,190	-6.7%
Earned premiums, gross	42,551	39,420	7.9%
<b>Earned premiums, net</b>	<b>31,451</b>	<b>29,485</b>	<b>6.7%</b>
Insurance claims expenses, gross	(13,982)	(19,112)	-26.8%
<b>Insurance claims expenses, net</b>	<b>(12,503)</b>	<b>(11,543)</b>	<b>8.3%</b>
<b>Acquisition costs, net</b>	<b>(3,807)</b>	<b>(3,594)</b>	<b>5.9%</b>
<b>Net underwriting profit</b>	<b>15,141</b>	<b>14,348</b>	<b>5.5%</b>
Investment income	1,724	1,364	26.4%
Net Fee and commission income	290	212	36.7%
<b>Net investment profit</b>	<b>2,014</b>	<b>1,576</b>	<b>27.8%</b>
Salaries and employee benefits	(4,618)	(4,138)	11.6%
Selling, general and administrative expenses	(1,836)	(1,557)	17.9%
Depreciation & Amortisation	(475)	(475)	0.0%
Impairment charges	(658)	(432)	52.3%
Net other operating income	432	189	NMF
<b>Operating profit</b>	<b>10,000</b>	<b>9,511</b>	<b>5.1%</b>
Foreign exchange loss	(346)	(571)	-39.4%
Non-recurring costs	(629)	-	NMF
<b>Pre-tax profit</b>	<b>9,025</b>	<b>8,940</b>	<b>1.0%</b>
Income tax expense	(1,349)	(1,350)	-0.1%
<b>Net profit</b>	<b>7,676</b>	<b>7,590</b>	<b>1.1%</b>

## Cash flow

<i>GEL thousands, unless otherwise noted</i>	1H18	1H17	Change y-o-y
<b>Cash flows from operating activities</b>			
Insurance premium received	38,127	36,175	5.4%
Reinsurance premium paid	(7,327)	(5,655)	29.6%
Insurance benefits and claims paid	(17,279)	(14,351)	20.4%
Reinsurance claims received	7,351	5,580	31.7%
Acquisition costs paid	(3,089)	(3,061)	0.9%
Salaries and benefits paid	(7,328)	(7,024)	4.3%
Interest received	1,373	1,239	10.8%
Net other operating expenses paid	(1,617)	(1,693)	-4.5%
<b>Net cash flows from operating activities before income tax</b>	<b>10,211</b>	<b>11,210</b>	<b>-8.9%</b>
Income tax paid	(706)	(1,928)	-63.4%
<b>Net cash flows from operating activities</b>	<b>9,505</b>	<b>9,282</b>	<b>2.4%</b>
<b>Cash flows from (used in) investing activities</b>			
Purchase of property and equipment and intangible assets	(1,468)	(501)	NMF
Net loans Issued	3	(100)	NMF
Proceeds from bank deposits	4,100	1,377	NMF
Purchase of investment securities/ Deposits	(3,465)	(3,289)	5.4%
<b>Net cash flows from used in investing activities</b>	<b>(830)</b>	<b>(2,513)</b>	<b>-67.0%</b>
<b>Cash flows from financing activities</b>			
Dividend Paid	(10,000)	(7,000)	42.9%
<b>Net cash flows from financing activities</b>	<b>(10,000)</b>	<b>(7,000)</b>	<b>42.9%</b>
Effect of exchange rates changes on cash and cash equivalents	(121)	(219)	-44.7%
<b>Net decrease in cash and cash equivalents</b>	<b>(1,446)</b>	<b>(449)</b>	<b>NMF</b>
<b>Cash and cash equivalents, beginning</b>	<b>4,186</b>	<b>4,349</b>	<b>-3.7%</b>
<b>Cash and cash equivalents, ending</b>	<b>2,740</b>	<b>3,900</b>	<b>-29.7%</b>

# P&C insurance business financial highlights



## Balance Sheet

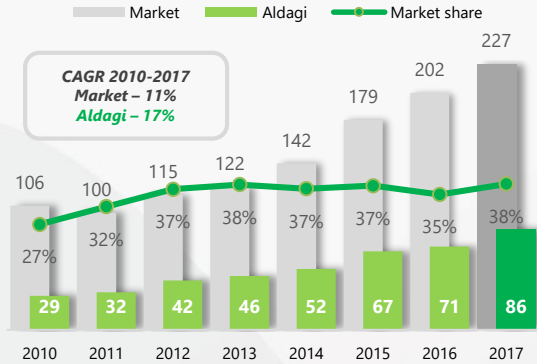
*GEL thousands, unless otherwise noted*

	Jun-18	Jun-17	Change	Dec-17	Change
Cash and cash equivalents	2,740	3,900	-29.7%	4,186	-34.5%
Amounts due from credit institutions	25,404	24,247	4.8%	25,968	-2.2%
Investment securities	4,442	4,551	-2.4%	4,180	6.3%
Insurance premiums receivable, net	27,779	31,533	-11.9%	28,491	-2.5%
Ceded share of technical provisions	19,530	23,509	-16.9%	20,671	-5.5%
PPE and intangible assets, net	8,440	10,023	-15.8%	11,899	-29.1%
Goodwill	13,113	13,051	0.5%	13,051	0.5%
Deferred acquisition costs	3,197	1,692	88.9%	3,047	4.9%
Pension fund assets	19,327	17,198	12.4%	18,536	4.3%
Other assets	10,046	5,465	83.8%	5,130	95.8%
<b>Total assets</b>	<b>134,018</b>	<b>135,169</b>	<b>-0.9%</b>	<b>135,159</b>	<b>-0.8%</b>
Gross technical provisions	49,513	55,016	-10.0%	50,272	-1.5%
Other insurance liabilities	12,577	18,171	-30.8%	11,147	12.8%
Current income tax liabilities	736	636	15.7%	30	NMF
Pension benefit obligations	19,326	17,198	12.4%	18,536	4.3%
Derivative financial instruments	-	-	NMF	130	NMF
Other Liabilities	5,337	4,111	29.8%	6,296	-15.2%
<b>Total liabilities</b>	<b>87,489</b>	<b>95,132</b>	<b>-8.0%</b>	<b>86,411</b>	<b>1.2%</b>
<b>Total equity</b>	<b>46,529</b>	<b>40,037</b>	<b>16.2%</b>	<b>48,748</b>	<b>-4.6%</b>
<b>Total liabilities and equity</b>	<b>134,018</b>	<b>135,169</b>	<b>-0.9%</b>	<b>135,159</b>	<b>-0.8%</b>

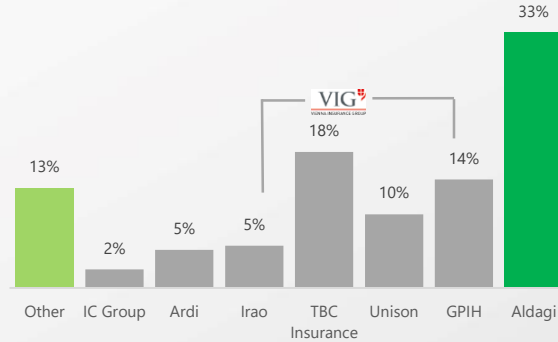


# P&C insurance market overview

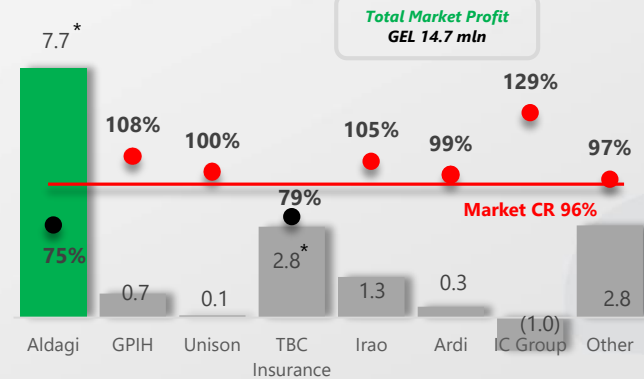
## Market & Aldagi Revenue



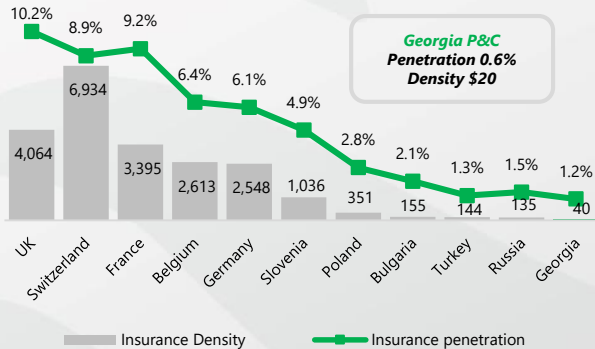
## Market Share 1H18 (earned premium, gross)



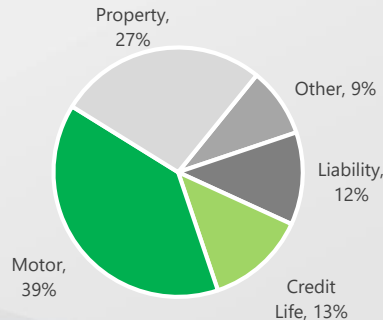
## Market PL & Combined Ratio 1H18



## Insurance Penetration & Density



## Market Composition by product lines



## Highlights

- 17 insurance companies operating in Georgia
- Aldagi is undisputed leader in P&C market
- Aldagi had 145% solvency ratio\*\* as of 30.06.2018
- Outperforming market growth by 6% (2010-2017)
- Aldagi's share in total market profit 52%

Source: Insurance State Supervision Service of Georgia, Swiss Re Institute  
\* Aldagi and TBC Insurance net profits and combined ratios are based on IFRS amounts  
\*\* Solvency ratio - regulatory capital divided by required solvency capital (greater of 18% of premium written and 26% of claims paid)

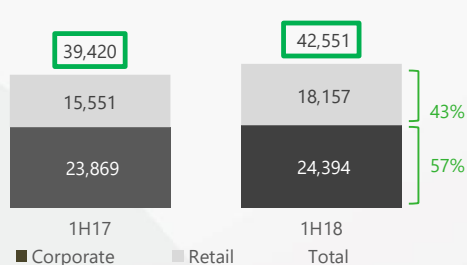
# P&C insurance business performance highlights



## Earned Premium, gross (GEL '000)

+7.9% y-o-y

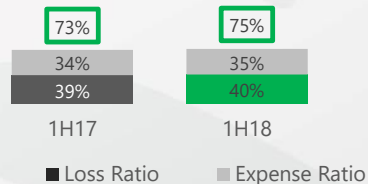
**GEL 42.6 mln**



## Combined Ratio

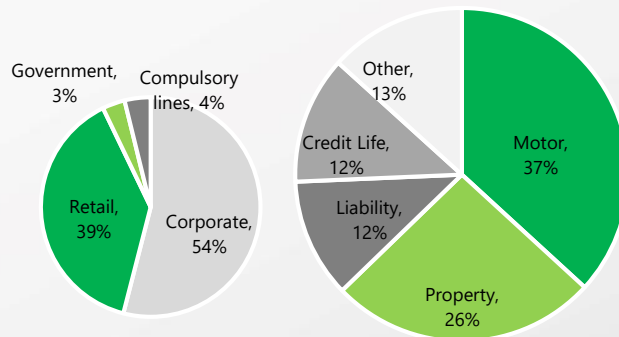
-2 ppt y-o-y

**75%**



**Stable dividend payout within 40% -60% range**

## Earned Premium, gross | Composition



## ROAE

-5ppt y-o-y

**30%**



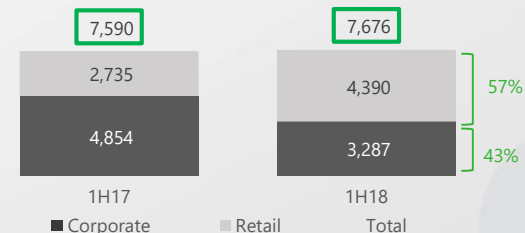
## Key highlights (GEL mln)

	1H18	1H17	change
LTM earned premiums, net	64.7	56.7	14.1%
LTM net income <sup>2</sup>	17	15.3	11.3%
LTM FCF	9.1	13.8	-34.3%
LTM Cash from operations	12.9	14.8	-12.8%

## Profit (GEL '000)

+1.1% y-o-y

**GEL 7.7mln**



## 1H18

Retail segment growth (premiums earned)	17%	
Retail Segment Concentration in portfolio	43% (+4ppt y-o-y)	
Retail profit growth	60%	
Market Share	33% (-5ppt y-o-y)	
Renewal Ratio	Corporate	86%
	Retail	63%

<sup>1</sup>adjusted for non-recurring costs  
<sup>2</sup>LTM net income is stated before non-recurring items

# P&C insurance business overview



## Well-diversified business model

Key Segments		Motor	Property	Credit life	Liability	Other
		Motor own damage, motor third party liability insurance	CAR <sup>(2)</sup> , Commercial property, Household Property, Machinery breakdowns insurance	Loan-linked life insurance	Financial risk, employer's liability, professional indemnity, GTPL <sup>(3)</sup> , FFL <sup>(4)</sup> , Household GTPL, Product liability insurance	Cargo, CPM <sup>(5)</sup> , Livestock, BBB <sup>(6)</sup> , D&O <sup>(7)</sup> , Agro insurance
Market size (1H18)		GEL 51mln	GEL 35mln	GEL 17mln	GEL 16mln	GEL 11mln
Aldagi market share (by earned premium gross)		31%	36%	29%	41%	26%
# of Clients		Corporate – 1,202 Retail – 21,109	Corporate – 1,018 Retail – 35,575	Retail - 3 channels	Corporate – 1,098 Retail – 718	Corporate - 269 Retail – 16,900
Financials 1H18	Earned premiums, gross	GEL 42.6 mln				
	Underwriting profit, net	GEL 15.1 mln				
	Net profit	GEL 8.3* mln				
Combined ratio: 75%		Corporate – 93% Retail – 91%	Corporate – 68% Retail – 50%	Retail – 52%	Corporate – 62% Retail – 39%	Corporate – 56% Retail – 88%

Segment	2014-2017 CAGR	Corporate %	Retail %	GEL mln
Motor	19%	59%	41%	15.7
Property	2%	19%	81%	11.0
Credit life	34%	99%	1%	4.9
Liability	26%	12%	88%	5.3
Other	52%	22%	78%	5.7
Motor	3%	61%	39%	4.3
Property	16%	49%	51%	3.1
Credit life	27%	100%	0%	3.1
Liability	29%	21%	79%	2.4
Other	39%	25%	75%	2.2
Motor	4%	67%	33%	1.1
Property	19%	54%	46%	1.8
Credit life	31%	99%	1%	2.2
Liability	41%	29%	71%	1.2
Other	60%	6%	94%	1.3

(1) Sources: Insurance State Supervision Service of Georgia  
 (2) CAR: Contractors' all risks insurance  
 (3) GTPL: General third party liability insurance  
 (4) FFL: Freight Forwarders' liability

(5) CPM: Contractor's Plant And Machinery insurance  
 (6) BBB: Bankers blanket bond insurance  
 (7) D&O: Directors and officers liability Insurance  
 \* adjusted for non-recurring items

■ Corporate  
 ■ Retail

# Expansion into Motor service business – opportunity to develop unique platform with significant synergy potential

## Key facts

- As part of the Georgia-EU Association Agreement, Georgia will implement a mandatory vehicle inspection program in several phases starting from January 2018
- P&C insurance business has won state tender to launch 51 periodic technical inspection lines across Georgia
- An initial inspection of all vehicles will take two years through the end of 2019
- Forecasted annual market revenue – **50 mln GEL**
- Forecasted market share - **30-35%**

## GEL 35-40 mln investment required

### Consultant and technical support provider

- Worldwide leader in the testing, inspection and certification sector
- Market presence in more than 70 countries
- Global and multidisciplinary team of experienced and skilled professionals



## 51 Inspection Lines

**Tbilisi**  
(30 lines)

**12 inspection centers** in most convenient places in the capital city

**Regions**  
(21 lines)

**16 inspection centers** in the regions, and 3 mobile inspection stations, covering in total 17 regions

## Up to 300,000 vehicle inspections per year



# P&C insurance business targets & priorities



**Retail** | Penetration ↓



- Local MTPL insurance to be introduced in 2019-2020
- Develop simple products for mass retail
- Digitalization of all processes
- More partnership with financial institutions after demerger

**SME** | Penetration **Zero**



- Underpenetrated market
- Developing tailored products
- Digital portal for SME

**Corporate** | Penetration ↑



- Good investment climate
- Stable economical growth
- Increase in infrastructural projects

# Content



1. 1H18 results discussion | Georgia Capital
2. Capital allocation
3. Investment strategy & portfolio overview
- 4. 1H18 results discussion | Investment portfolio**
  - **Beverages**
5. Georgian Macro Overview
6. Appendices

# Beverages financial highlights



## Income Statement

GEL thousands; unless otherwise noted	1H18	1H17	Change y-o-y
Wine Business	10,758	8,644	24.5%
Beer Business	13,251	2,501	NMF
Distribution Business	6,458	6,433	0.4%
<b>Revenue</b>	<b>30,467</b>	<b>17,578</b>	<b>73.3%</b>
Wine Business	(5,360)	(4,161)	28.8%
Beer Business	(8,803)	(1,794)	NMF
Distribution Business	(5,046)	(4,930)	2.4%
<b>COGS</b>	<b>(19,209)</b>	<b>(10,885)</b>	<b>76.5%</b>
<b>Gross Profit</b>	<b>11,257</b>	<b>6,693</b>	<b>68.2%</b>
<i>Gross Profit Margin</i>	36.9%	38.1%	
Salaries and other employee benefits	(6,352)	(2,788)	NMF
Sales and marketing expenses	(3,794)	(1,944)	95.2%
General and administrative expenses	(3,557)	(1,806)	97.0%
Distribution expenses	(2,012)	(877)	NMF
Other operating expenses	(1,630)	(183)	NMF
<b>EBITDA</b>	<b>(6,088)</b>	<b>(905)</b>	<b>NMF</b>
Of which, wine EBITDA	1,625	1,800	-9.7%
Of which, beer EBITDA	(7,502)	(2,809)	NMF
Of which, distribution EBITDA	(211)	104	NMF
Net foreign currency gain	4,501	232	NMF
Depreciation and amortization	(5,245)	(1,600)	NMF
Net interest expense	(2,938)	(783)	NMF
Net non-recurring items	(196)	27	NMF
<b>Loss before income tax</b>	<b>(9,967)</b>	<b>(3,029)</b>	<b>NMF</b>
<b>Loss</b>	<b>(9,967)</b>	<b>(3,029)</b>	<b>NMF</b>

## Balance Sheet

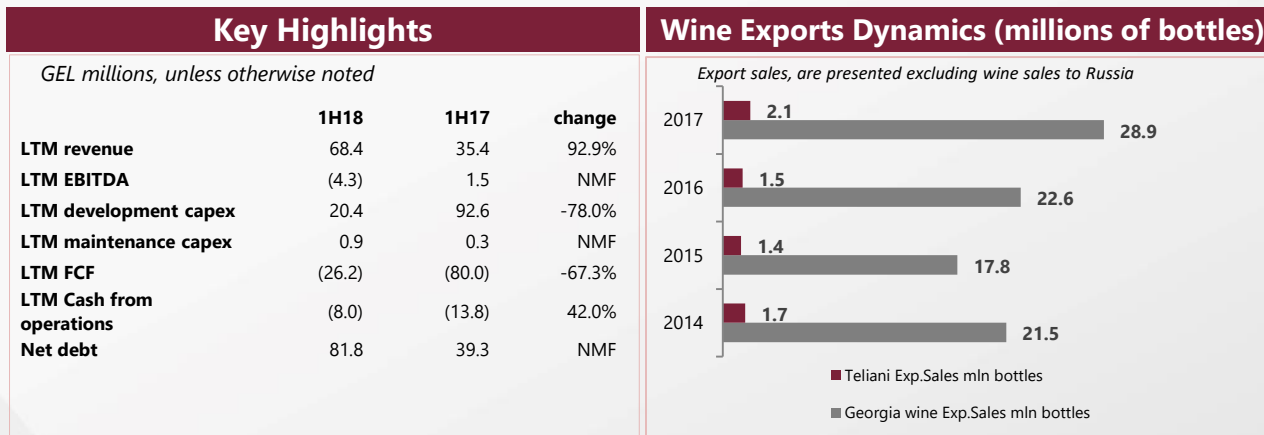
GEL thousands, unless otherwise noted	Jun-18	Jun-17	Change	Dec-17	Change
Cash and cash equivalents	6,774	13,508	-49.9%	17,455	-61.2%
Amounts due from financial institutions	2,612	4,842	-46.1%	4,381	-40.4%
Accounts Receivable	12,913	8,808	46.6%	12,179	-6.0%
Prepayments & Other assets	5,769	6,460	-10.7%	4,472	29.0%
Inventory	24,747	15,115	-63.7%	17,454	41.8%
Intangible Assets, Net	2,101	1,680	25.1%	1,799	16.8%
Goodwill	5,062	2,836	78.5%	2,836	78.5%
Property and Equipment, Net	135,154	98,409	37.3%	102,872	31.4%
<b>Total Assets</b>	<b>195,132</b>	<b>151,658</b>	<b>28.7%</b>	<b>163,448</b>	<b>19.4%</b>
Accounts Payable	21,181	17,548	20.7%	14,335	47.8%
Borrowings	91,208	57,621	58.3%	71,430	27.7%
Short-term loans	20,273	8,025	NMF	9,948	NMF
Long-term loans	70,935	49,596	43.0%	61,482	15.4%
Other current liabilities	4,553	1,631	NMF	1,776	NMF
<b>Total Liabilities</b>	<b>116,942</b>	<b>76,800</b>	<b>52.3%</b>	<b>87,541</b>	<b>33.6%</b>
<b>Total Equity</b>	<b>78,189</b>	<b>74,859</b>	<b>4.4%</b>	<b>75,907</b>	<b>3.0%</b>
<b>Total Liabilities and Equity</b>	<b>195,131</b>	<b>151,659</b>	<b>28.7%</b>	<b>163,448</b>	<b>19.4%</b>

# Beverages targets & priorities

Goal	Become leading beverages producer and distributor in Caucasus		
	Wine business	Distribution business	Beer production business
Business Segments			
Market share 2018	<ul style="list-style-type: none"> <li>C. 2.4 million bottles sold in 1H18 (Up 17% y-o-y)</li> <li>GEL 10.8 mln revenue in 1H18 (Up 24.5% y-o-y)</li> <li>GEL 1.625 k EBITDA in 1H18</li> <li>70% of sales from export</li> <li>In April 2018, we acquired a 60% indirect controlling interest in Kindzmarauli Marani LLC, a producer of exquisite Georgian wines and spirits, which owns 350 hectares of vineyards. With this acquisition major step was made towards increasing our vineyard base to the targeted 1,000 hectares, from the 86 hectares, over the next three years</li> </ul>	<ul style="list-style-type: none"> <li>C. 5,003 sales points</li> <li>Exporting wine to 15 countries, including all FSU, Poland, Sweden, USA, Canada, China, Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Additionally launched mainstream beer under Aragveli brand in May 2018 and globally well known licensed Czech beer Krusovice in June 2018</li> <li>In February 2018, we acquired a 100% equity stake in a leading Georgian craft beer producer – Black Lion LLC</li> <li>Beer and Lemonade sales amounted GEL 13.3 mln and GEL 1.0 mln in 1H18, respectively</li> <li>C. 8,400 sales points at the end of 1H18</li> <li>10 year exclusivity with Heineken to produce beer to be sold in Georgia, Armenia and Azerbaijan (c.17mln population)</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Local market – market leader with 35% market share in premium HoReCa and modern trade segment based on bottle wine sales</li> <li>Export sales – c. 8.2 % market share of exported wine from Georgia, excluding Russia</li> </ul>	<ul style="list-style-type: none"> <li>Wine &amp; Sparkling Wine distribution – market leader</li> <li>Other products distribution – second largest distributor on the market</li> <li>Lavazza coffee distribution – market leader in ground coffee and in HoReCa distribution</li> </ul>	<ul style="list-style-type: none"> <li>Local production – 12% market share based on LT sales at the end of 1H18</li> <li>Imported beer – 24% market share of the total imported beer (LT) at the end of 1H18</li> <li>Heineken is the highest equity valued brand in Georgia – 8.4 (out of 10)</li> </ul>
	<ul style="list-style-type: none"> <li>Grow in line with market locally</li> <li>Enhance exports</li> <li>Grow its vineyard base to 1,000 hectares from currently owned 436 hectares over the next three years</li> </ul>	<ul style="list-style-type: none"> <li>Enhance product portfolio, becoming the leading FMCG distributor in Georgia</li> </ul>	<ul style="list-style-type: none"> <li>Achieve 23% market share</li> </ul>



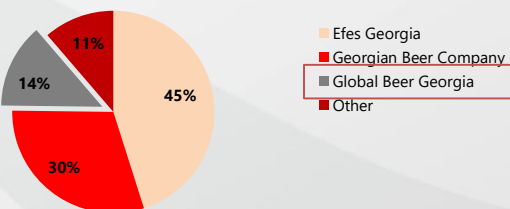
# Beverages performance highlights



## Exclusive Heineken producer in Caucasus

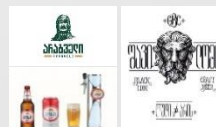
### Highly concentrated beer market

#### Domestic market segmentation 1H18

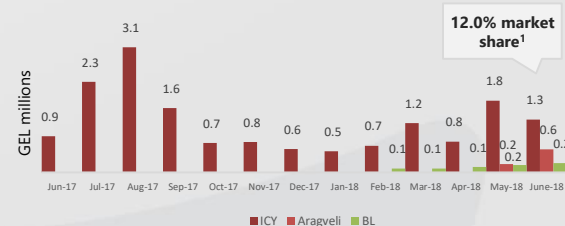


### Strong performance of local beer brands

#### Local beer brands: ICY, Aragveli & Black Lion



#### Local Beer Gross sales dynamics



<sup>1</sup> Market share is calculated based on beer sales in liters

# Content



1. 1H18 results discussion | Georgia Capital
2. Capital allocation
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- 5. Georgian Macro Overview**
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# Sovereign ratings with stable outlook and favourable macro fundamentals



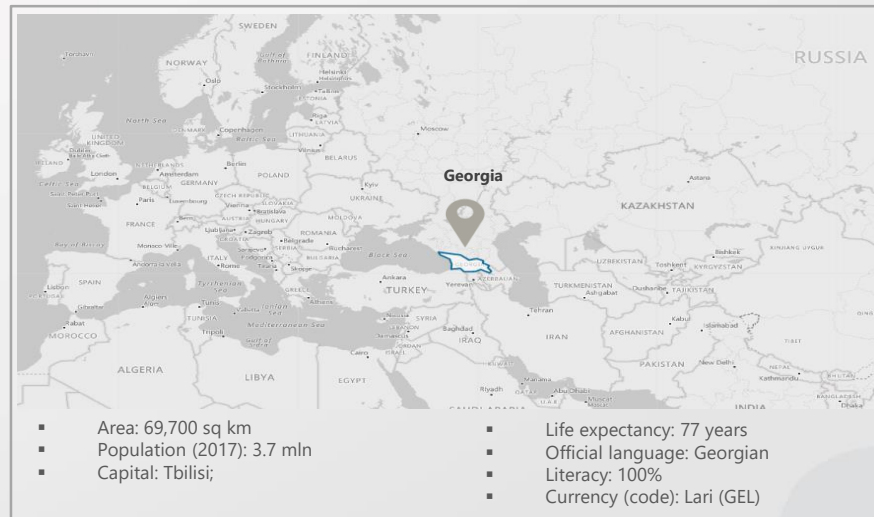
## Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
<b>MOODY'S</b>	Ba2	Stable	March 2018
<b>S&amp;P Global</b>	BB-	Stable	May 2018
<b>FitchRatings</b>	BB-	Positive	March 2018

## Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	B+	Positive
Azerbaijan	BB+	Stable
Belarus	B	Stable
Czech Republic	A+	Positive
<b>Georgia</b>	<b>BB-</b>	<b>Positive</b>
Kazakhstan	BBB	Stable
Turkey	BB	Negative
Ukraine	B-	Stable

## General Facts



## Economy

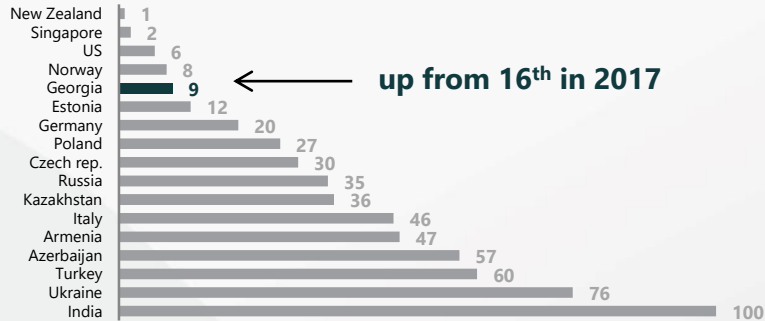
- Nominal GDP (Geostat, preliminary) 2017: GEL 38.0 bln (US\$15.2 bln)
- Real GDP growth rate 2013-2017: 3.4%, 4.6%, 2.9%, 2.8%, 5.0%
- Real GDP 2007-17 annual average growth rate: 4.5%
- GDP per capita 2017 (PPP) per IMF: US\$ 10,644
- Annual inflation (e-o-p) 2017: 6.7%
- External public debt to GDP 2017: 35.4%

# Georgia's key economic drivers

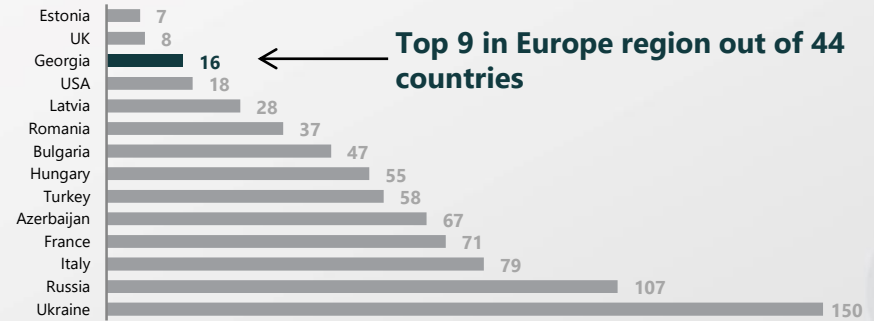
<b>Liberal economic policy</b>	<p><b>Top performer globally in WB Doing Business over the past 12 years</b></p> <ul style="list-style-type: none"><li>Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework:</li><li>Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%</li><li>Business friendly environment and low tax regime (attested by favourable international rankings)</li></ul>
<b>Regional logistics and tourism hub</b>	<p><b>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</b></p> <ul style="list-style-type: none"><li>Access to a market of 2.8bn customers without customs duties: Free trade agreements with EU, China, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Hong Kong was signed in June 2018. FTA with India under consideration.</li><li>Tourism revenues on the rise: tourism inflows stood at 18.1% of GDP in 2017 and arrivals reached 7.9 mln visitors in 2017 (up 18% y-o-y), out of which tourist arrivals were up 23% y-o-y to 4.1 mln visitors.</li><li>Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes</li></ul>
<b>Strong FDI</b>	<p><b>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</b></p> <ul style="list-style-type: none"><li>FDI stood at US\$ 1.9bln (12.3% of GDP) in 2017, up 16.2% y-o-y</li><li>FDI averaged 10.0% of GDP in 2007-2017</li></ul>
<b>Support from international community</b>	<p><b>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</b></p> <ul style="list-style-type: none"><li>Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017</li><li>Discussions commenced with the USA to drive inward investments and exports</li><li>Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU</li></ul>
<b>Electricity transit hub potential</b>	<p><b>Developed, stable and competitively priced energy sector</b></p> <ul style="list-style-type: none"><li>Only 20% of hydropower capacity utilized; 145 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development</li><li>Georgia imports natural gas mainly from Azerbaijan</li><li>Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded</li><li>Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe</li></ul>
<b>Political environment stabilised</b>	<ul style="list-style-type: none"><li>Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU</li><li>New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency</li><li>Continued economic relationship with Russia, although economic dependence is relatively low</li><li>Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgians citizens effective December 23, 2015</li><li>Direct flights between the two countries resumed in January 2010</li><li>Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia</li><li>In 2017, Russia accounted for 14.5% of Georgia's exports and 10.0% of imports; just 3.5% of cumulative FDI over 2003-2017</li></ul>

# Institutional oriented reforms

## Ease of Doing Business | 2018 (WB-IFC Doing Business Report)

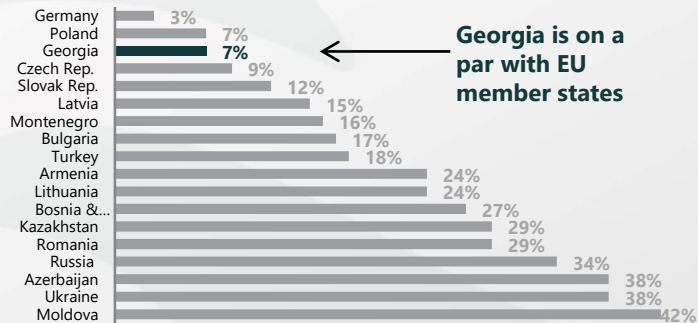


## Economic Freedom Index | 2018 (Heritage Foundation)

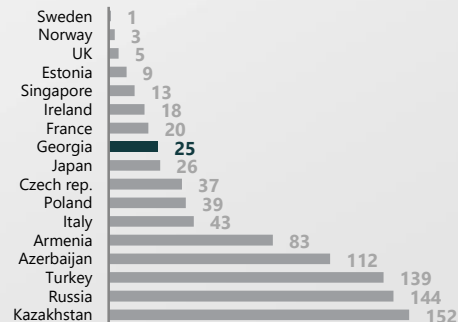


## Global Corruption Barometer | TI 2017

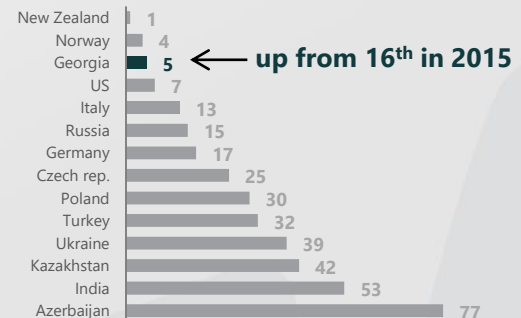
*% admitting having paid a bribe last year*



## Business Bribery Risk, 2017 | Trace International



## Open Budget Index, 2017 | International Budget Partnership

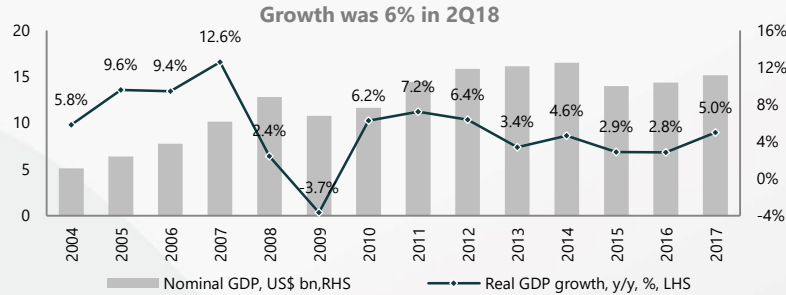


Sources: Transparency International, Heritage Foundation, World Bank, Trace International

# Diversified resilient economy

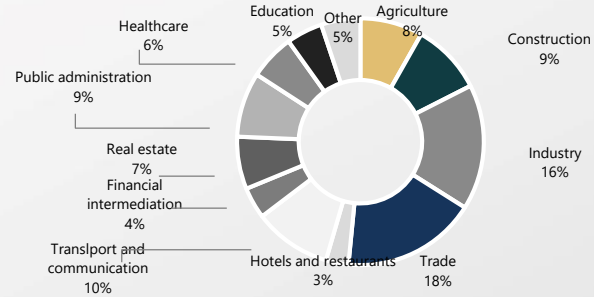
## Gross domestic product

Source: Geostat



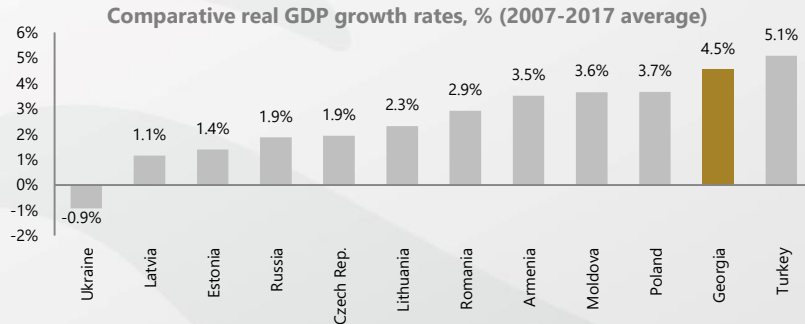
## Diversified nominal GDP structure, 2017

Source: Geostat



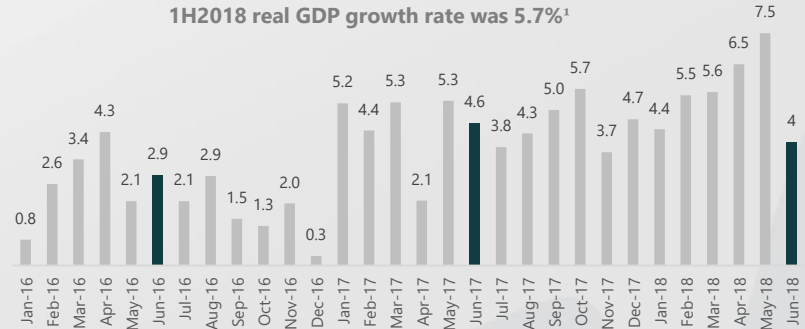
## One of the Fastest Developing Economies in the Region (2007-2017 average)

Sources: IMF



## Monthly Economic Activity Estimate, y/y growth

Sources: GeoStat

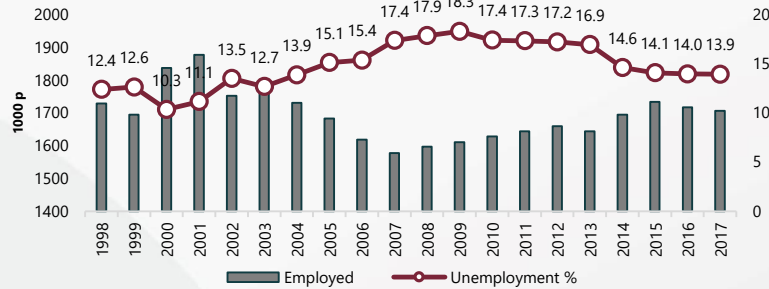


<sup>1</sup> preliminary data

# Room for further job creation

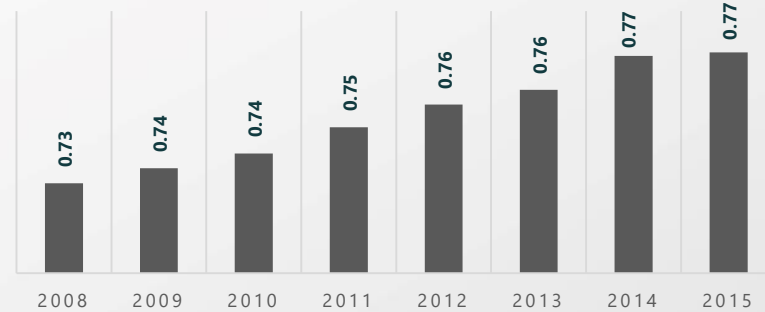
## Unemployment rate down 0.1ppts y/y to 13.9% in 2017

Sources: GeoStat



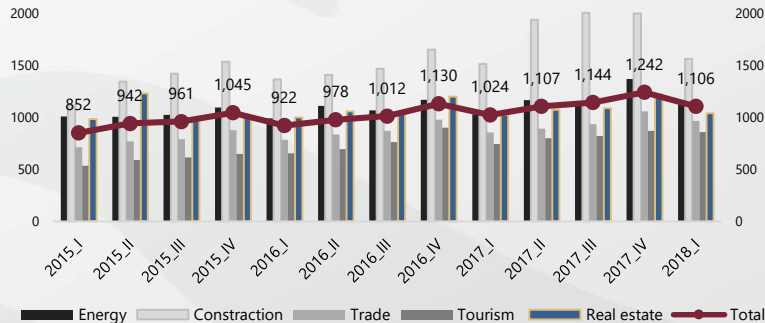
## UNDP Human Development Index

Sources: UNDP



## Average monthly nominal earnings in business sector

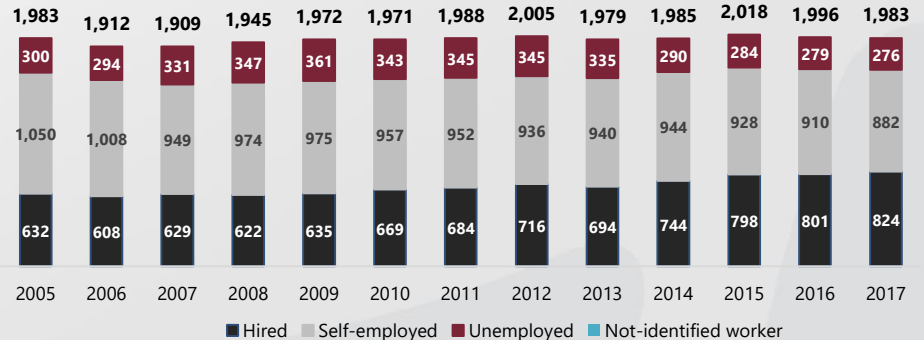
Sources: GeoStat



## Labor force decomposition 2017

Sources: GeoStat

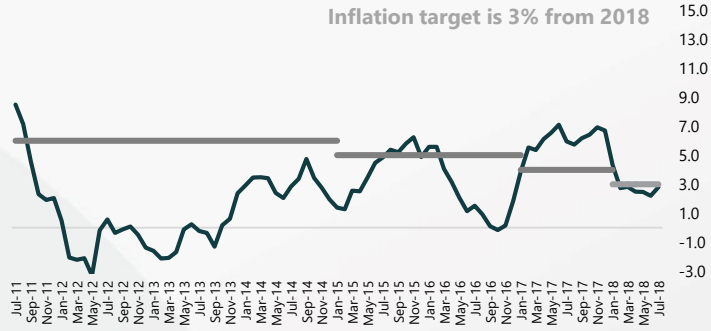
Hired workers accounted 48% in total employment in 2017



# Inflation targeting since 2009

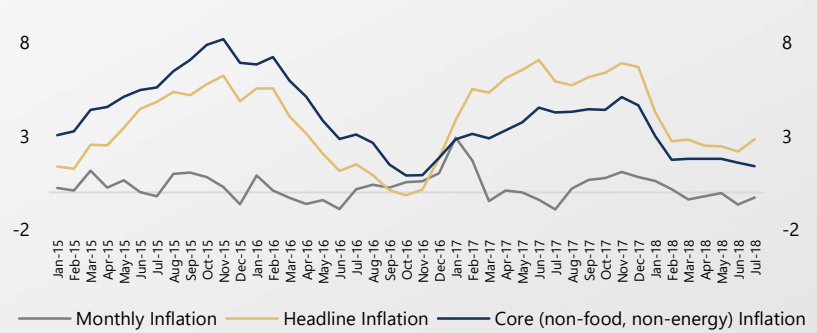
## Inflation y/y vs. inflation target

Source: NBG, GeoStat



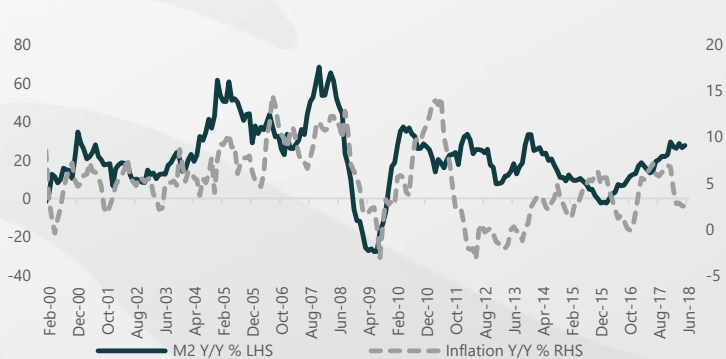
## Inflation y/y

Source: GeoStat



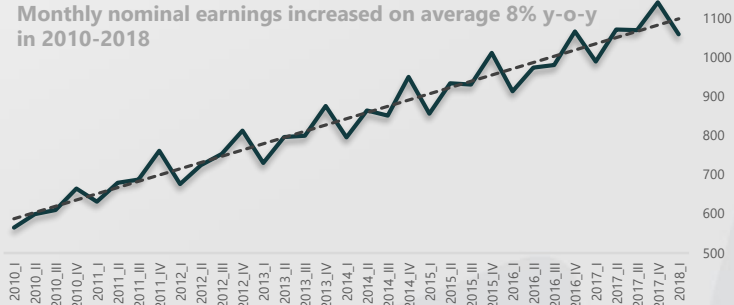
## M2 vs. inflation, y-o-y, %

Source: Geostat, NBG



## Average monthly nominal earnings

Source: Geostat

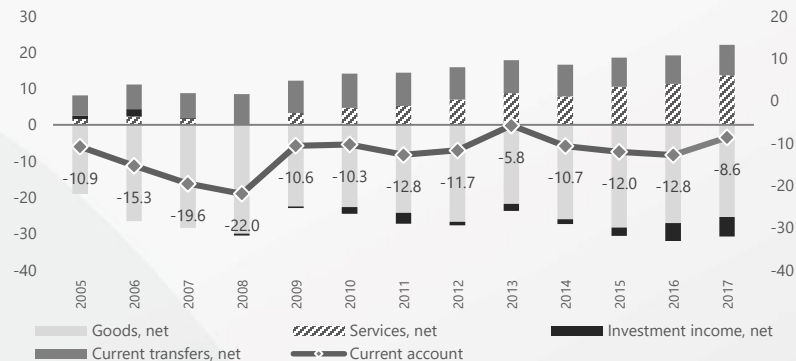




# Current account deficit supported by FDI

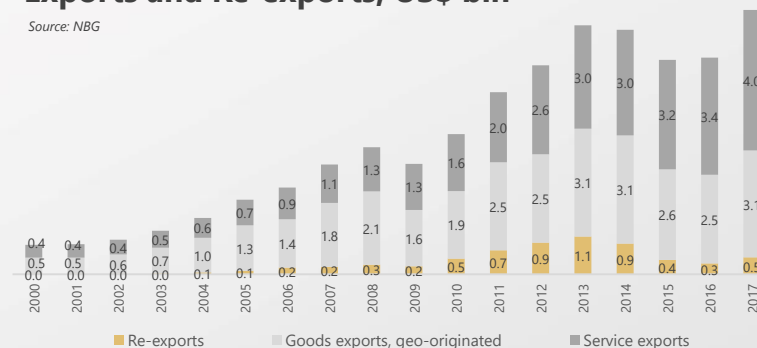
## Current account balance (% of nominal GDP)

Sources: NBG



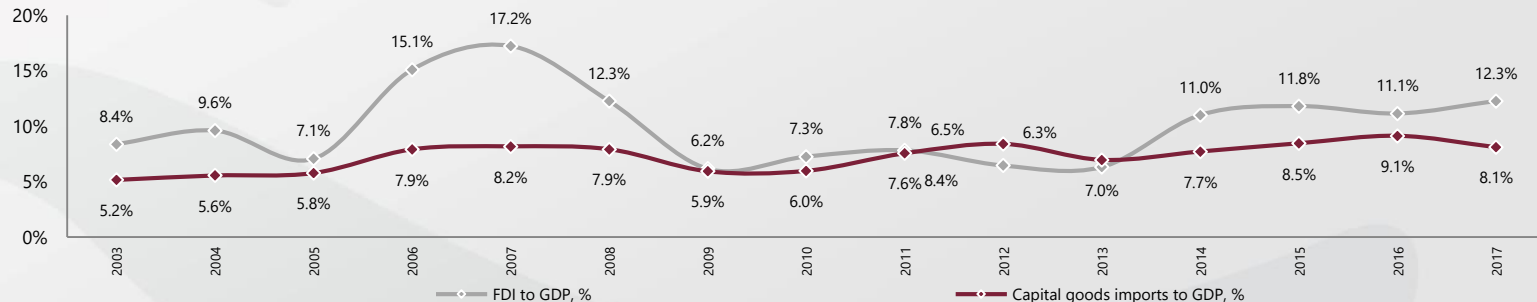
## Exports and Re-exports, US\$ bln

Source: NBG



## FDI and capital goods import

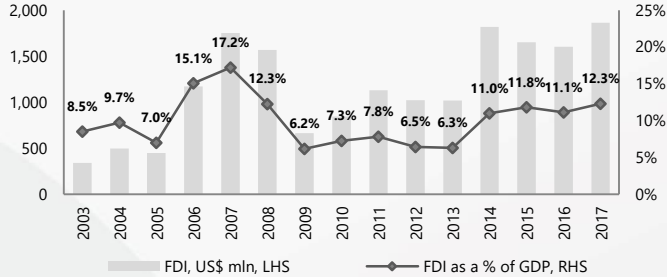
Source: GeoStat



# Diversified sources of capital

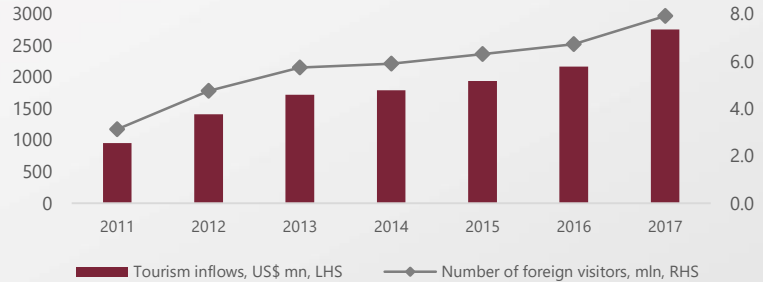
## Strong foreign investor interest

Sources: GeoStat



## Visitors and tourism revenues on the rise

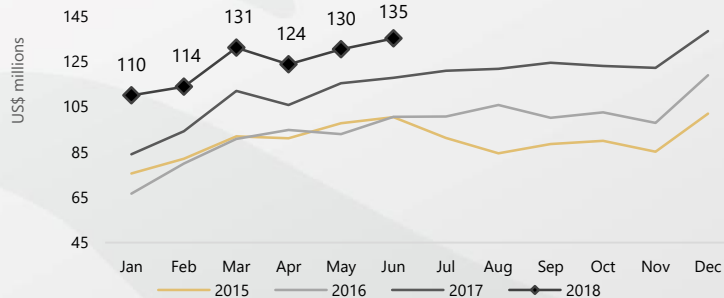
Sources: GNTA, NBG



## Remittances - steady source of external funding

Source: NBG

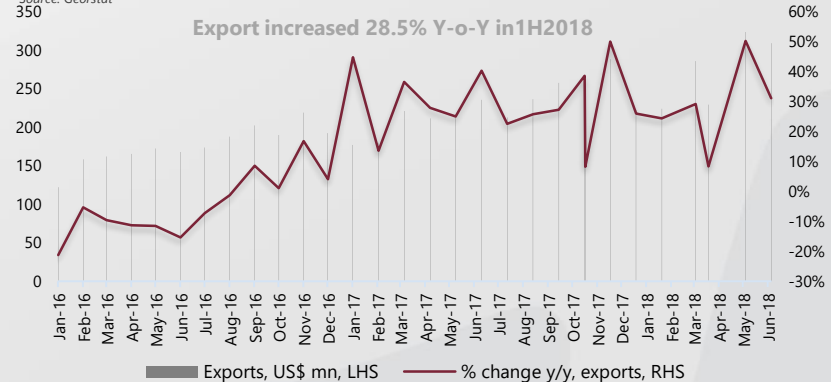
Remittances reached US\$ 744.4 mln in 1H2018, up 18.3% y/y



## Export continues to support economic growth

Source: Geostat

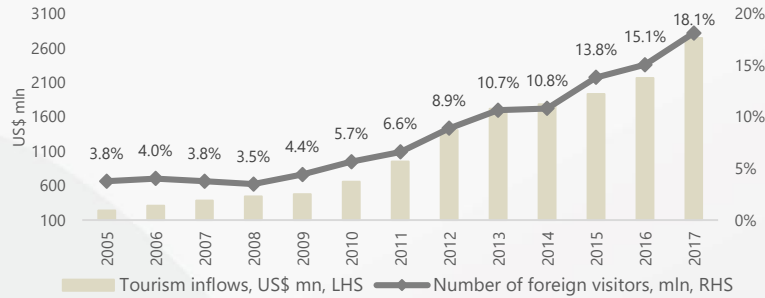
Export increased 28.5% Y-o-Y in 1H2018



# Tourism sector on the rise

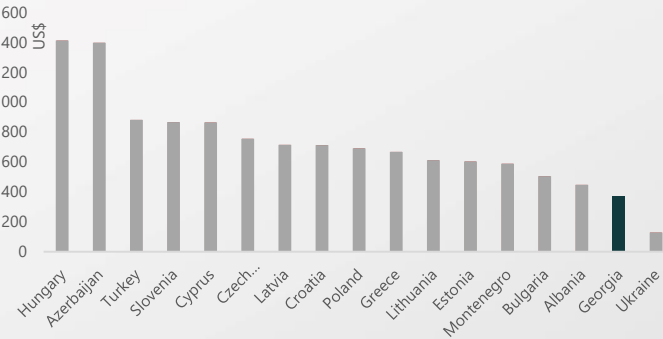
## Tourism revenues to GDP

Sources: NBG



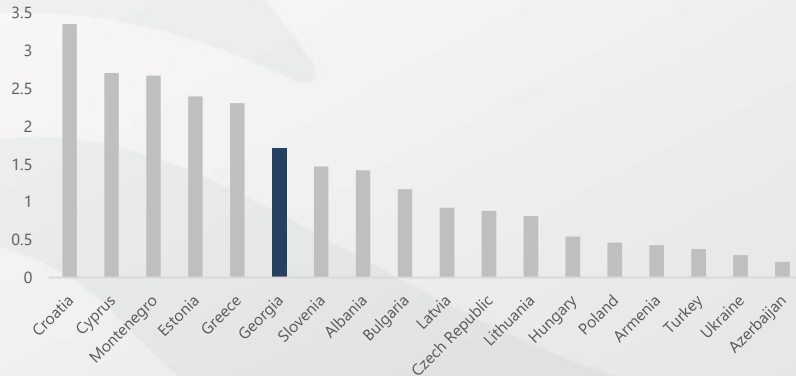
## Spending per arrival, 2016

Source: WDI



## Arrivals to country's population, 2016

Source: WDI



## Number of Tourists (overnight visitors)

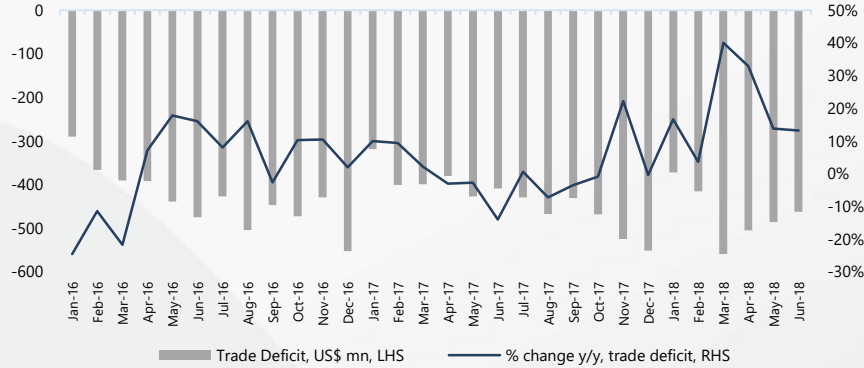
Source: GNTA



# Diversified foreign trade

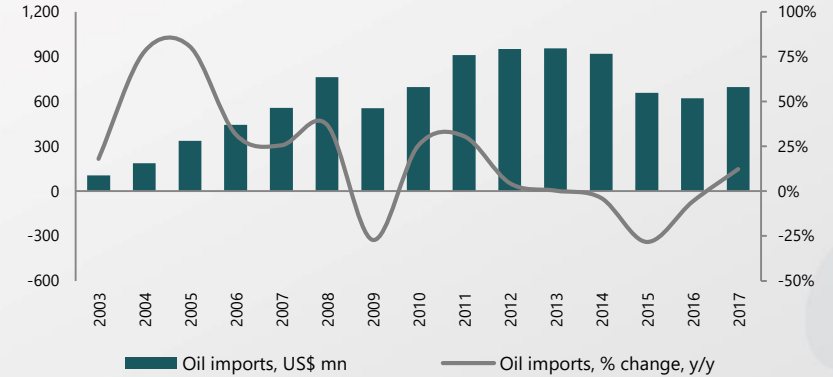
## Goods' Trade Deficit

Source: GeoStat



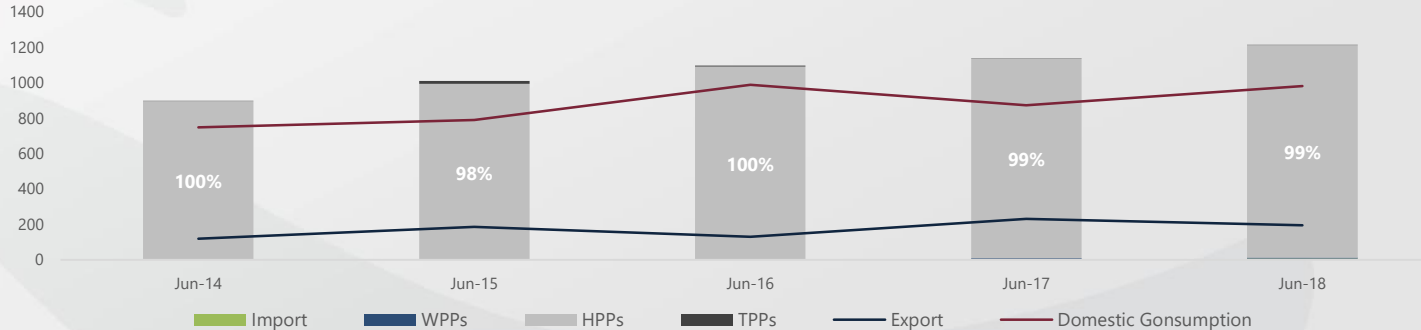
## Oil imports

Sources: GeoStat



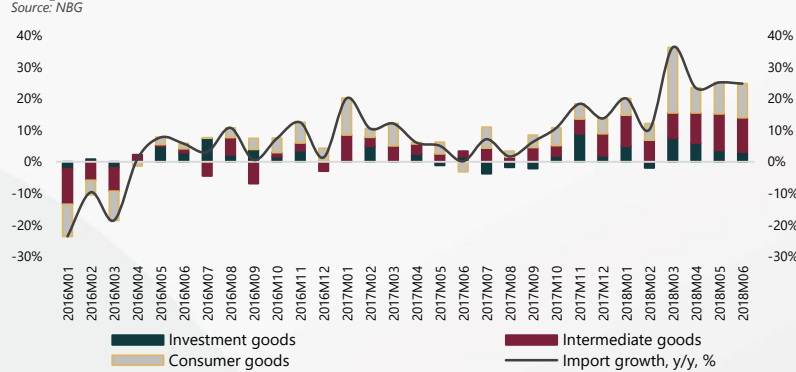
## Electricity generation and trade, GWH

Source: ESCO



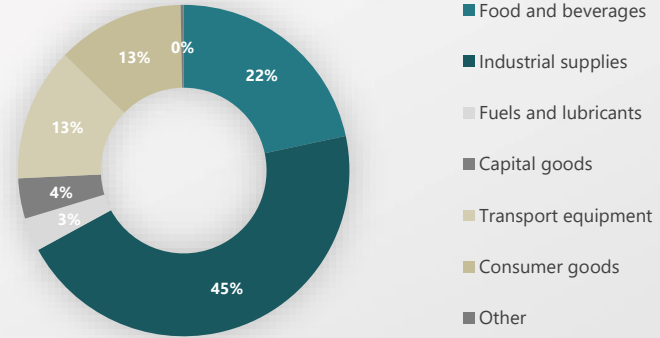
# Diversified foreign trade

## Imports of Goods



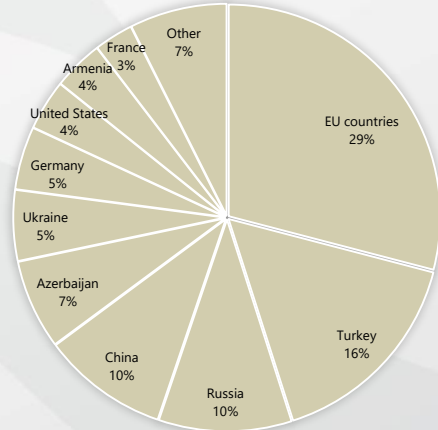
## Foreign Demand, 1H2018

Source: Geostat



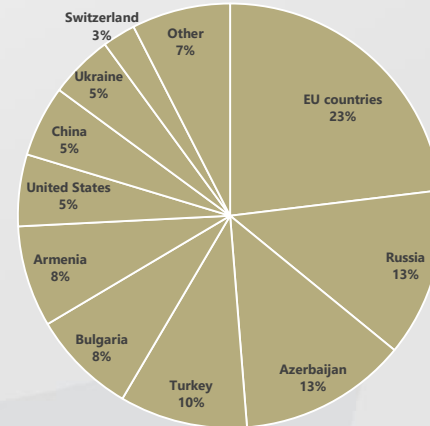
## Importing countries, 1H2018

Sources: GeoStat



## Exporting countries, 1H2018

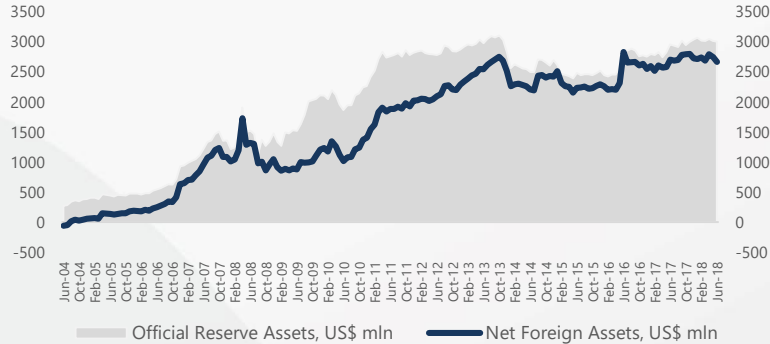
Sources: GeoStat



# Prudent monetary policy ensures macro-financial stability

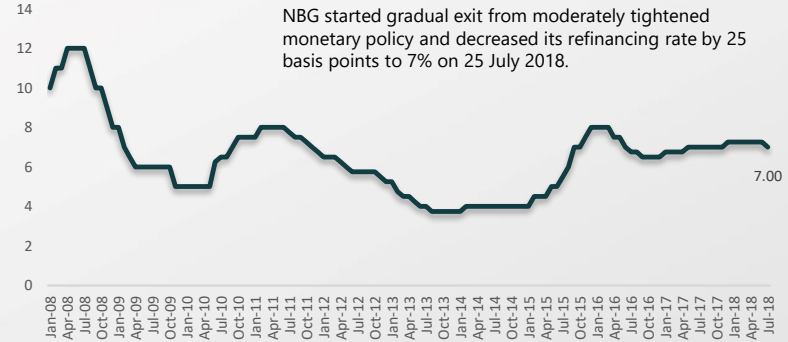
## International reserves

Sources: NBG



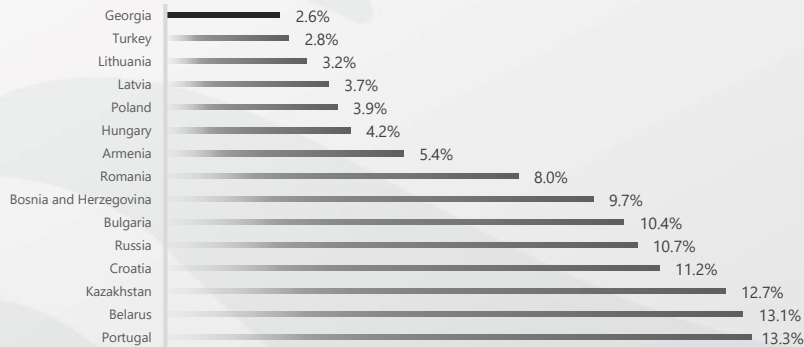
## Monetary policy rate

Sources: NBG



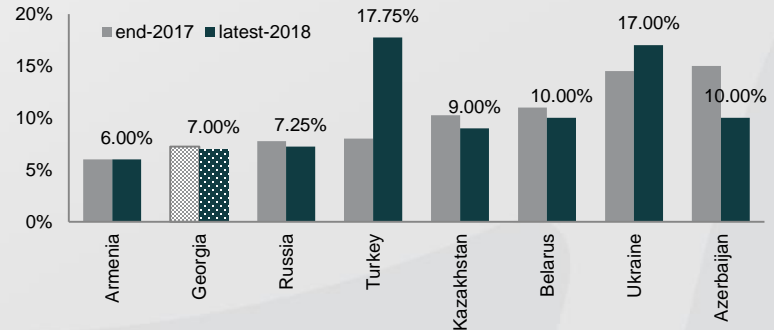
## Nonperforming loans to total gross loans, latest 2018

Sources: IMF



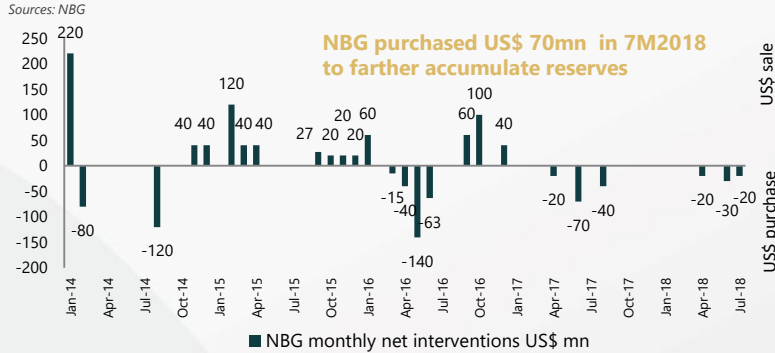
## Monetary policy rate remains low vs. peers

Sources: Central banks

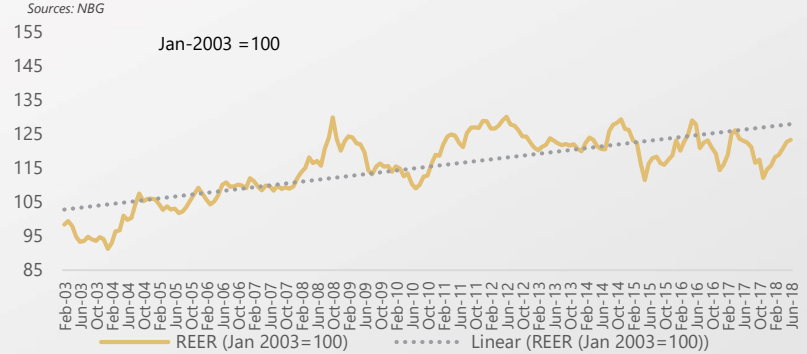


# Floating exchange rate - policy priority

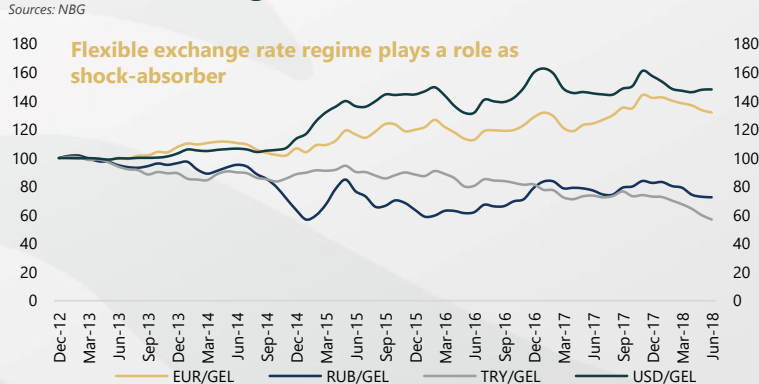
## Central Bank's interventions



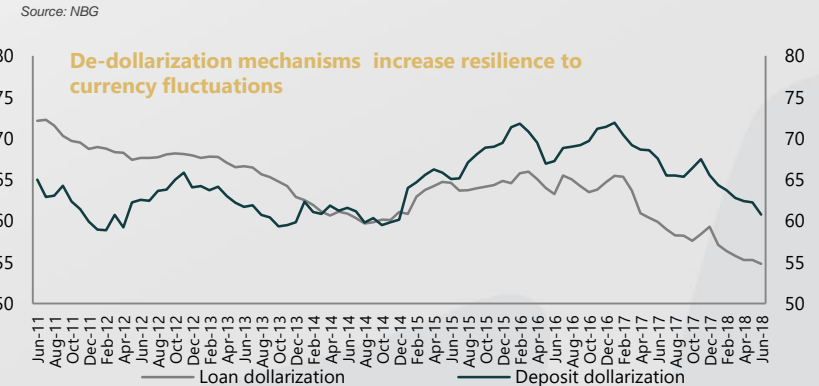
## Real effective exchange rate (REER)



## Bilateral exchange rate indices (Dec2012=100)



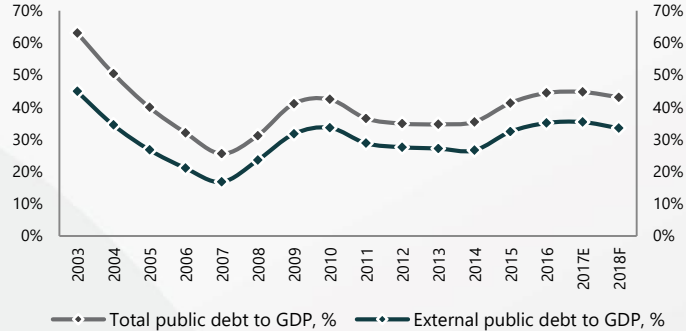
## Dollarization ratios



# Low public debt

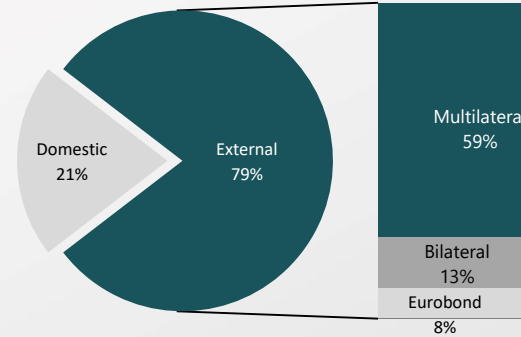
## Public debt as % of GDP is capped at 60%

Sources: MOF



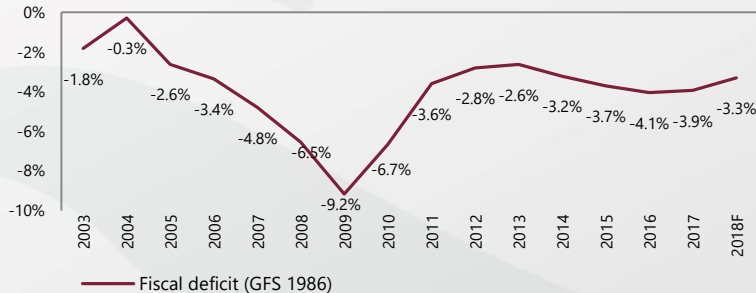
## Breakdown of public debt

Source: MOF, as of 31 December 2017



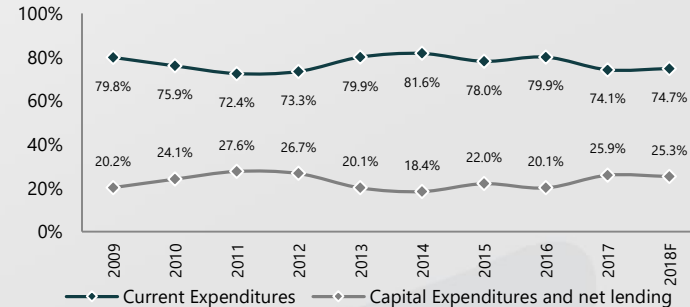
## Fiscal deficit

Source: MOF  
Note: Deficit calculated based on IMF's GFSM-1986 methodology



## Current vs Capital Expenditure

Source: MOF





# Growth-oriented government reforms (2018-2020)

## 1 Structural Reforms

- **Small government concept**
  - Optimization of government units and decrease bureaucracy expenses to get small, efficient and flexible government
  - Compensation of employees as a% of GDP will decrease and remain close to 3.9% of GDP
- **Tax Reform**
  - Favorable tax rates for SME development
  - Special tax regimes for regional offices of multinational companies
  - Enhancing easiness of tax compliance
- **Capital Market Reform**
  - Boosting stock exchange activities
  - Developing of local bond market
- **Pension Reform**
  - Introduction of private pension system
- **PPP Reform**
  - Introduction of transparent and efficient PPP framework
- **Public Investment Management Framework**
  - Improved efficiency of state projects
- **Law of Georgia on Entrepreneurs**
  - New law will be drafted reflecting requirements of Association Agreement between EU and Georgia
- **Responsible Lending**
  - Regulatory actions to support responsible lending
  - Decrease household over indebtedness
- **Association Agreement Agenda**

## 2 Promoting Transit & Tourism Hub

- **Roads**
  - Plan to finish all spinal projects by 2020 – East-West Highway, other supporting infrastructure
- **Rail**
  - Baku – Tbilisi Kars new railroad line
  - Railway modernization and integration in international transport systems
- **Maritime**
  - Anaklia deep water Black Sea port
    - Strategic location
    - Capable of accommodating Panamax type cargo vessels
    - High capacity – up to 100mln tons turnover annually
  - **Up to USD 2.5 bln** for the project completion;

## 3 Education

- **General Education Reform**
  - Maximising quality of teaching in secondary schools
- **Fundamental Reform of Higher Education**
  - Based on the comprehensive research of the labour market needs
- **Improvement of Vocational Education**
  - Increase involvement of the private sector in the professional education

# Content



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# Investment company basis management accounts



## Balance Sheet Highlights

Corporate	June	December	
<i>GEL thousands unless otherwise noted</i>	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>Change %</b>
Cash and liquid funds	352,002	264,546	33.1%
Loans issued	252,488	-	NMF
Preferred stock	43,064	32,182	33.8%
Investment portfolio value	1,765,044	1,478,806	19.4%
of which: Listed Investments	1,202,571	933,481	28.8%
<i>Georgia Healthcare Group PLC (LSE closing price)</i>	608,502	933,481	-34.8%
<i>Bank of Georgia Group PLC (LSE closing price)</i>	594,069	-	NMF
of which: Private Investments	562,473	545,325	3.1%
<i>Water Utility (at book)</i>	282,319	267,923	5.4%
<i>Renewable energy (at book)</i>	19,623	17,290	13.5%
<i>Housing Development (at book)</i>	68,530	75,609	-9.4%
<i>Commercial and Hospitality</i>	78,700	78,142	0.7%
<i>Beverages (at book)</i>	60,514	57,509	5.2%
<i>P&amp;C Insurance (at book)</i>	46,528	48,852	-4.8%
<i>Other</i>	6,259	-	NMF
Goodwill	13,831	8,469	63.3%
Other Assets	6,208	579	NMF
<b>Total assets</b>	<b>2,432,637</b>	<b>1,784,582</b>	<b>36.3%</b>
Debt securities issued	733,261	-	NMF
Borrowings	-	272,279	NMF
Other Liabilities	12,206	1,227	NMF
<b>Total liabilities</b>	<b>745,466</b>	<b>273,506</b>	<b>NMF</b>
<b>NAV</b>	<b>1,687,170</b>	<b>1,511,076</b>	<b>11.7%</b>

Portfolio valuation	Management Adjusted Value	Average of Analyst Valuations
	<b>30-Jun-18</b>	<b>30-Jun-18</b>
Listed Equity Investments		
<i>Georgia Healthcare Group PLC</i>	608,502	930,760
<i>Bank of Georgia Group PLC</i>	594,069	711,197
Private Investments		
<i>Water Utility (at book)</i>	282,319	552,414
<i>Renewable energy (at book)</i>	53,572	
<i>Housing Development (at NAV)</i>	68,530	170,760
<i>Commercial and Hospitality</i>	78,700	
<i>Beverage (at book)</i>	84,960	87,114
<i>P&amp;C Insurance (at book)</i>	48,869	178,690
<i>Other</i>	6,259	
<b>Total Portfolio value</b>	<b>1,825,780</b>	<b>2,630,935</b>
<b>Net debt*</b>	<b>(128,771)</b>	<b>(128,771)</b>
<b>Net other assets/(liabilities)*</b>	<b>(9,839)</b>	<b>(9,839)</b>
<b>Net asset value*</b>	<b>1,687,170</b>	<b>2,492,325</b>
Shares outstanding*	36,912,664	36,912,664
<b>Net asset value per share (GEL)*</b>	<b>45.71</b>	<b>67.52</b>
<b>Net asset value per share (GBP)*</b>	<b>14.06</b>	<b>20.77</b>

# Group Consolidated IFRS Accounts



## Consolidated IFRS Income Statement

*GEL thousands, unless otherwise noted*

	1H18	1H17	Change
Revenue	192,922	163,592	17.9%
Cost of sales	(103,124)	(73,305)	40.7%
<b>Gross profit</b>	<b>89,798</b>	<b>90,287</b>	<b>-0.5%</b>
<b>Operating expenses</b>	<b>(50,025)</b>	<b>(33,848)</b>	<b>47.8%</b>
<b>EBITDA</b>	<b>39,773</b>	<b>56,439</b>	<b>-29.5%</b>
Depreciation and amortization	(18,357)	(11,905)	54.2%
Net foreign currency gain (loss)	2,276	(408)	NMF
Interest income	10,134	2,593	NMF
Interest expense	(25,169)	(15,651)	60.8%
<b>Net operating income before non-recurring items</b>	<b>8,657</b>	<b>31,068</b>	<b>-72.1%</b>
Net non-recurring items	(35,167)	(99)	NMF
<b>Loss (Profit) Before Tax</b>	<b>(26,510)</b>	<b>30,969</b>	<b>NMF</b>
Income tax expense	(1,349)	(1,835)	-26.5%
<b>Loss (Profit) for the period from continuing operations</b>	<b>(27,859)</b>	<b>29,134</b>	<b>NMF</b>
Profit from discontinued operations	46,777	24,691	89.4%
<b>Profit for the period</b>	<b>18,918</b>	<b>53,825</b>	<b>-64.9%</b>
<b>Profit from continuing operations Attributable to:</b>			
Equity holders of Georgia Capital PLC	(25,583)	30,389	NMF
Non-controlling Interests	(2,276)	(1,255)	81.4%
<b>Profit from discontinuing operations Attributable to:</b>			
Equity holders of Georgia Capital PLC	20,934	10,100	NMF
Non-controlling Interests	25,843	14,591	77.1%

# Group Consolidated IFRS Accounts



## Consolidated IFRS Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	<b>Jun-18</b>	<b>Dec-17</b>	<b>change</b>
Cash and cash equivalents	187,446	346,241	-45.9%
Amounts due from credit institutions	83,217	38,141	NMF
Debt securities owned	94,424	31,907	NMF
Equity investments at fair value	595,222	1,153	NMF
Accounts receivable	36,011	35,337	1.9%
Insurance premiums receivable	29,857	30,855	-3.2%
Inventories	79,461	80,110	-0.8%
Investment properties	181,015	159,989	13.1%
Prepayments	105,394	87,760	20.1%
Income tax assets	1,060	1,374	-22.9%
Property and equipment	823,545	657,635	25.2%
Goodwill	27,297	21,935	24.4%
Intangible assets	5,238	5,457	-4.0%
Other assets	201,470	69,870	NMF
Assets of disposal group held for sale	1,178,786	1,148,584	2.6%
<b>Total assets</b>	<b>3,629,443</b>	<b>2,716,348</b>	<b>33.6%</b>
Accounts payable	57,524	42,987	33.8%
Income tax liabilities	841	860	-2.2%
Deferred income	52,776	73,066	-27.8%
Debt securities issued	744,017	77,835	NMF
Insurance contracts liabilities	49,210	46,403	6.0%
Borrowings	363,219	650,734	-44.2%
Other liabilities	100,535	63,206	59.1%
Liabilities of disposal group held for sale	602,774	619,029	-2.6%
<b>Total liabilities</b>	<b>1,970,896</b>	<b>1,574,120</b>	<b>25.2%</b>
<b>Total equity attributable to shareholders of Georgia Capital PLC</b>	<b>1,351,392</b>	<b>844,663</b>	<b>60.0%</b>
Non-controlling interests	307,155	297,565	3.2%
<b>Total equity</b>	<b>1,658,547</b>	<b>1,142,228</b>	<b>45.2%</b>
<b>Total liabilities and equity</b>	<b>3,629,443</b>	<b>2,716,348</b>	<b>33.6%</b>

# Group Consolidated IFRS Accounts



## Consolidated IFRS Statement of Cash Flow

<i>GEL thousands, unless otherwise noted</i>	<b>1H18</b>	<b>1H17</b>	<b>Change</b>
<b>Net cash flows from operating activities from continuing operations</b>	<b>(8,480)</b>	<b>20,630</b>	<b>NMF</b>
Net cash flows from operating activities from discontinued operations	25,226	(1,554)	NMF
<b>Net Cash flow from operating activities</b>	<b>16,746</b>	<b>19,076</b>	<b>-8.3%</b>
<b>Net cash flows used in investing activities from continuing operations</b>	<b>(452,059)</b>	<b>(113,684)</b>	<b>NMF</b>
Net cash flows used in investing activities from discontinued operations	(55,992)	(73,267)	-30.8%
<b>Net cash flows used in investing activities</b>	<b>(508,051)</b>	<b>(186,951)</b>	<b>NMF</b>
<b>Net cash from financing activities from continuing operations</b>	<b>310,307</b>	<b>194,438</b>	<b>59.6%</b>
Net cash from financing activities from discontinued operations	(770)	69,749	NMF
<b>Net cash from financing activities</b>	<b>309,537</b>	<b>264,187</b>	<b>14.5%</b>
Effect of exchange rates changes on cash and cash equivalents	(8,563)	(22,121)	-61.3%
Effect of exchange rates changes on cash and cash equivalents of disposal group held for sale	(776)	794	-71.9%
Effect of change in allowance for cash and cash equivalents	(1)	-	NMF
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(191,107)</b>	<b>74,985</b>	<b>NMF</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>346,241</b>	<b>158,868</b>	<b>NMF</b>
<b>Cash and cash equivalents of disposal group held for sale, beginning of the period</b>	<b>48,840</b>	<b>-</b>	<b>NMF</b>
<b>Cash and cash equivalents of disposal group held for sale, end of the period</b>	<b>16,528</b>	<b>-</b>	<b>NMF</b>
<b>Cash and cash equivalents, end of the period</b>	<b>187,446</b>	<b>233,853</b>	<b>-19.8%</b>

# Reconciliation of investment company basis management accounts to IFRS



## Income statement reconciliation for six months ended 30 June 2018

GEL thousands, unless otherwise noted

	<b>GHG</b>	<b>BOG</b>	<b>Commercial and Hospitality</b>	<b>Housing development</b>	<b>Renewable energy</b>	<b>Water Utility</b>	<b>P&amp;C insurance</b>	<b>Beverages</b>	<b>Corporate Center</b>	<b>Inter-Business Eliminations/ Consolidations</b>	<b>Group Total</b>
Income before income taxes, provisions and adjustments	11,589	43,172	763	4,375	(490)	22,284	8,305	(7,462)	21,721	-	104,257
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	(31,340)	-	(31,340)
Provision									(2,115)		(2,115)
<b>Net Income (Management accounts)</b>	<b>11,589</b>	<b>43,172</b>	<b>763</b>	<b>4,375</b>	<b>(490)</b>	<b>22,284</b>	<b>8,305</b>	<b>(7,462)</b>	<b>(11,734)</b>	<b>-</b>	<b>70,803</b>
Non-recurring expense	(969)	(13,790)	(1,187)	(4,443)	220	(5,484)	(628)	(122)	(23,568)	-	(49,971)
Net foreign currency loss	-	-	-	-	-	-	-	-	(5,104)	-	(5,104)
Reversal of BoG attributable earning	-	(29,382)	-	-	-	-	-	-	-	-	(29,382)
Reversal of depreciation and amortization of GHG	-	-	-	-	-	-	-	-	-	8,503	8,503
Profit attributable to non-controlling interests	17,769	-	(4)	-	(146)	-	-	(2,126)	-	8,074	23,567
Other	-	-	-	-	-	-	-	-	-	503	503
<b>Profit for the period (IFRS Consolidated)</b>	<b>28,389</b>	<b>-</b>	<b>(428)</b>	<b>(68)</b>	<b>(416)</b>	<b>16,800</b>	<b>7,677</b>	<b>(9,710)</b>	<b>(40,406)</b>	<b>17,080</b>	<b>18,918</b>

# Reconciliation of investment company basis management accounts to IFRS



GEL thousands, unless otherwise noted

<i>Income statement reconciliation for six months ended 30 June 2017</i>											
	<b>GHG</b>	<b>BOG</b>	<b>Commercial and Hospitality</b>	<b>Housing development</b>	<b>Renewable energy</b>	<b>Water Utility</b>	<b>P&amp;C insurance</b>	<b>Beverages</b>	<b>Corporate Center</b>	<b>Inter-Business Eliminations/Consolidations</b>	<b>Group Total</b>
Income before income taxes, provisions and adjustments	11,822	-	1,304	20,802	(2,057)	15,702	7,590	(2,017)	6,642	-	59,788
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	(17,500)	-	(17,500)
<b>Net Income (Management accounts)</b>	<b>11,822</b>	<b>-</b>	<b>1,304</b>	<b>20,802</b>	<b>(2,057)</b>	<b>15,702</b>	<b>7,590</b>	<b>(2,017)</b>	<b>(10,858)</b>	<b>-</b>	<b>42,288</b>
Non-recurring expense	(2,111)	-	6	112	-	(251)	-	20	-	-	(2,224)
Net foreign currency (loss) gain	-	-	-	-	-	-	-	-	423	-	423
Realized gain from sale portfolio company shares	-	-	-	-	-	-	-	-	90,275	(90,275)	-
Profit attributable to non-controlling interests	14,592	-	-	-	(715)	-	-	(536)	-	(3)	13,338
<b>Profit for the period (IFRS Consolidated)</b>	<b>24,303</b>	<b>-</b>	<b>1,310</b>	<b>20,914</b>	<b>(2,772)</b>	<b>15,450</b>	<b>7,590</b>	<b>(2,532)</b>	<b>79,840</b>	<b>(90,278)</b>	<b>53,825</b>



# Glossary

- **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
- **Georgia Capital** and “the Group” refer to Georgia Capital PLC and its portfolio companies as a whole
- **NMF** – Not meaningful
- **NAV** – net asset value
- **LTM** – last twelve month
- **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; 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 Company considers EBITDA to be an important indicator of its representative recurring operations
- **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
- **Loss ratio** equals net insurance claims expense divided by net earned premiums
- **Expense ratio** equals sum of acquisition costs and operating expenses divided by net earned premiums
- **Combined ratio** equals sum of the loss ratio and the expense ratio
- **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders of P&C insurance business divided by monthly average equity attributable to shareholders of P&C business for the same period
- **IRR** for listed investments is calculated based on a) historical contributions to the listed investment less b) dividends received and c) market value of the investment at 30 June 2018
- **ROI** for private investments is an annualised return on net investment (gross investments less capital returns) calculated at each investment level. Inputs into the ROI calculation are as follows: (i) the numerator is the annualised attributable income of the private portfolio company less allocated GCAP interest expense, and (ii) the denominator, is the net investment less allocated gross debt of GCAP
- **ROAC** is an annualised return on allocated capital as of 30 June 2018 and calculated at each private investment level. Inputs into the ROAC calculation are as follows: (i) the numerator is the annualised attributable income of the private portfolio company, less allocated GCAP interest expense, and (ii) the denominator is the management adjusted value, as included in the NAV statement, less allocated gross debt of GCAP
- **Net investment** - gross investments less capital returns
- **Management adjusted value** - Private portfolio companies are carried at their book values, which represents the sum of a) their respective IFRS stand-alone total shareholders’ equities attributable to Georgia Capital, unless the Group has an arm’s length sale transaction with portfolio company’s equity securities to an unrelated third-party; b) attributable IFRS goodwill and c) the carrying value of shareholder advances that represent preferred stock or mezzanine loan type investments in portfolio companies
- **Holding period** – weighted average holding period (years)

# Georgia Capital PLC company information



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Registered under number 10852406 in England and Wales

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London Stock Exchange PLC's Main Market for listed securities

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## Share price information

Shareholders can access both the latest and historical prices via the website

[www.georgiacapital.ge](http://www.georgiacapital.ge)

