THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

This document comprises a supplementary prospectus (the "**Supplementary Prospectus**") relating to Georgia Capital PLC ("**Georgia Capital**" or the "**Company**") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of FSMA. This Supplementary Prospectus has been approved by the FCA in accordance with section 87A of FSMA and has been filed with the FCA and made available to the public in accordance with PR 3.2.1R.

This Supplementary Prospectus is supplementary to, and must be read in conjunction with, the prospectus in relation to the admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange of up to 39,384,712 Georgia Capital PLC Shares (the "**Shares**"), dated 26 March 2018 (the "**Original Prospectus**").

Capitalised terms used and not defined in this Supplementary Prospectus shall have the meanings given to such terms in the Original Prospectus.

The Directors, whose names appear on page 40 of the Original Prospectus, and the Company accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

The Bank of Georgia Group PLC Directors and Bank of Georgia Group PLC accept responsibility for the information about Bank of Georgia Group PLC contained in this Supplementary Prospectus. To the best of the knowledge of the Bank of Georgia Group Directors and Bank of Georgia Group PLC (each of whom has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect the import of such information.

INVESTORS SHOULD READ THIS SUPPLEMENTARY PROSPECTUS (INCLUDING ALL THE INFORMATION INCORPORATED INTO IT BY REFERENCE) AND THE ORIGINAL PROSPECTUS AS A WHOLE CAREFULLY AND IN THEIR ENTIRETY. IN PARTICULAR, INVESTORS SHOULD TAKE ACCOUNT OF PART II (RISK FACTORS) OF THE ORIGINAL PROSPECTUS.

GEORGIA CAPITAL

Georgia Capital PLC

(incorporated in England and Wales with registered number 10852406)

Supplementary Prospectus
Admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange of up to 39,384,712 Georgia Capital PLC Shares (the "Shares")

Sponsor and Financial Adviser

Citigroup Global Markets Limited

Joint Financial Adviser

Numis Securities Limited

The distribution of this Supplementary Prospectus in certain jurisdictions other than the United Kingdom may be restricted by law. Accordingly, neither this document nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Original Prospectus and this Supplementary Prospectus do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities to any person in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful. This document has not been passported, and will not be passported, into any EEA jurisdiction outside the United Kingdom.

No Shares of the Company have been marketed to, nor are available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the Shares to the premium listing segment of the Official List or the Proposals set out in the Original Prospectus, as supplemented by this Supplemental Prospectus. The Proposals set out in the Original Prospectus, as supplemented by this Supplementary Prospectus, do not constitute an offer or invitation for any person to subscribe for or purchase any securities in Georgia Capital or any other company.

Citigroup Global Markets Limited ("**Citi**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as sponsor and joint financial adviser to BGEO Group PLC, which was renamed BGEO Group Limited following its re-registration as a private limited company on 21 May 2018, ("**BGEO Group**") and as sponsor and joint financial adviser to the listing of the Company and Bank of Georgia Group PLC and for no one else in connection with the Proposals and will not be responsible to anyone other than BGEO Group, Georgia Capital and Bank of Georgia Group PLC for providing the protections afforded to clients of Citi, nor for providing advice in relation to the Proposals or any other matter or arrangement referred to in the Original Prospectus or this Supplementary Prospectus. This statement does not seek to limit or exclude responsibilities or liabilities which may arise under the FSMA or the regulatory regime established thereunder.

Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as joint financial adviser to BGEO Group, Bank of Georgia Group PLC and the Company and for no one else in connection with the Proposals and will not be responsible to anyone other than BGEO Group, Bank of Georgia Group PLC and the Company and for providing the protections afforded to clients of Numis, nor for providing advice in relation to the Proposals or any other matter or arrangement referred to in the Original Prospectus or this Supplementary Prospectus. This statement does not seek to limit or exclude responsibilities or liabilities which may arise under the FSMA or the regulatory regime established thereunder.

Apart from the responsibilities and liabilities, if any, which may be imposed on Citi or, Numis by the FSMA or the regulatory regime established thereunder, none of Citi, or Numis or any person affiliated with any of them accepts any responsibility whatsoever nor makes any representation or warranty, express or implied, in respect of the contents of this document and/or any information incorporated by reference, including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with BGEO Group, the Company, Bank of Georgia Group PLC or the Proposals and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Each of Citi, or Numis accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility and liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which any of them might otherwise have in respect of the Original Prospectus and this Supplementary Prospectus.

Overseas Shareholders

The implications of the Proposals for, and the distribution of this document to, Overseas Shareholders may be affected by the laws of the relevant jurisdictions in which such Overseas Shareholders are located. Such Overseas Shareholders should inform themselves about, and observe, all applicable legal and regulatory requirements. No action has been taken to permit the distribution of this document in any jurisdiction where any action would be required for such purpose.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Proposals and the distribution of this Prospectus, including the obtaining of any governmental, exchange control, regulatory or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas Shareholders should consult their own legal, financial and tax advisers with respect to the legal, financial and tax consequences of the Proposals in their particular circumstances.

NOTICE TO INVESTORS IN THE UNITED STATES

The Shares of the Company have not been and will not be registered under the US Securities Act of 1933 (the "**Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the Securities Act or an exemption therefrom.

The Shares of the Company have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other US regulatory authority, nor have any of the foregoing authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO RESIDENTS IN SWITZERLAND

This document has been prepared without regard to the disclosure standards for prospectuses under art. 652a or art. 1156 of the Swiss Federal Code of Obligations ("**CO**") or the disclosure rules of any stock exchange or regulated trading facility in Switzerland, and does neither constitute a prospectus under such laws nor a similar communication within the meaning of art 752 CO.

Supplementary Prospectus dated 25 May 2018.

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IMPORTANT INFORMATION

No incorporation of website information

Without limitation, the contents of the websites of the Company and the Bank of Georgia Group PLC group (or any other websites, including the content of any website accessible from hyperlinks on the websites of the Company or the Bank of Georgia Group PLC group) do not form part of this Supplementary Prospectus.

Forward-Looking Statements

Certain statements in this Supplementary Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, future costs, performance or growth of its loan portfolio, 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, business strategy and the trends the Group anticipates in the Georgian economy and in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "target", "potential", "expect", "intend", "predict", "project", "could", "should", "may", "will", "plan", "aim", "seek" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "Risk Factors", as well as those included elsewhere in this Supplementary Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Accordingly, investors should not place undue reliance on forward-looking statements and, when looking at forward-looking statements, should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. The forward-looking statements in this Supplementary Prospectus speak only as of the date of this Supplementary Prospectus. Accordingly none of Bank of Georgia Group PLC or the Company undertakes any obligation to update or revise any of them (whether as a result of new information, future events or otherwise) other than as required by applicable laws, the Listing Rules, the Disclosure Guidance and Transparency Rules or the Prospectus Rules of the UK Listing Authority. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Company's behalf and any projections made by third parties included in this Supplementary Prospectus.

Unaudited Financial Information

This Supplementary Prospectus (and certain information incorporated by reference into it) contains unaudited financial information.

Definitions

Certain terms used and not otherwise defined in this Supplementary Prospectus, including capitalised terms, are defined in Part XXI: "*Definitions*" of the Original Prospectus.

PART I

SUPPLEMENTARY INFORMATION

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Original Prospectus published by the Company on 26 March 2018. To the extent that there is any inconsistency between a statement in this Supplementary Prospectus and a statement contained in the Original Prospectus, the statement in this Supplementary Prospectus will prevail.

Certain information contained in the discussion and analysis set forth below and elsewhere in the Original Prospectus, as supplemented by this Supplementary Prospectus, includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See Part II "Risk Factors" and Part III "Important Information—Forward-Looking Statements" of the Original Prospectus and "Important Information—Forward-Looking Statements" of this Supplementary Prospectus.

Bank of Georgia Group Q1 Results

Following the publication of the Original Prospectus dated 26 March 2018, Bank of Georgia Group PLC has published its unaudited, consolidated first quarter results for the three months ended 31 March 2018 (the "**Bank of Georgia Group Q1 Results**") on 21 May 2018.

As the Bank of Georgia Group Q1 Results have been published prior to the completion of the Demerger, the Bank of Georgia Group Q1 Results incorporate results in respect of the Group's Investment Business including both the Portfolio Companies (GGU, m2, Aldagi and Teliani Valley) and the Exit Stage Portfolio Investments (the Banking Business and GHG).

As a result, the Company considers the publication of the Bank of Georgia Group Q1 Results to be a significant new factor relating to the information contained in the Original Prospectus and this Supplementary Prospectus has been prepared in accordance with section 87G of FSMA and Prospectus Rule 3.4.

The Bank of Georgia Group Q1 Results are incorporated by reference into this Supplementary Prospectus in accordance with Prospectus Rule 2.4.1. Annex 1 to this Supplementary Prospectus contains an extract of certain information contained within the Bank of Georgia Group Q1 Results that relates to the Group's Investment Business.

The Bank of Georgia Group PLC Directors have approved the Bank of Georgia Group Q1 Results. The financial information contained in the Bank of Georgia Group Q1 Results has not been audited.

Other than as otherwise disclosed in this Supplementary Prospectus, there is no further information that is required to be disclosed in this Supplementary Prospectus pursuant to section 87G of FSMA.

PART II

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 40 of the Original Prospectus, and the Company accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

The Bank of Georgia Group PLC Directors and Bank of Georgia Group PLC accept responsibility for the information about Bank of Georgia Group PLC contained in this Supplementary Prospectus. To the best of the knowledge of the Bank of Georgia Group Directors and Bank of Georgia Group PLC (each of whom has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect the import of such information.

2. No significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2017, being the date to which the Historical Financial Information of the Group (as defined in the Original Prospectus) was prepared other than as disclosed in the Original Prospectus.

3. Documents Available For Inspection

In addition to the documents set out in paragraph 29 of Part IXX "*Additional Information*" of the Original Prospectus, copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Supplementary Prospectus at the offices of Georgia Capital at 84 Brook Street, London, W1K 5EH, United Kingdom and 3-5 Kazbegi Street, Tbilisi, Georgia 0179:

- the Bank of Georgia Group Q1 Results; and
- this Supplementary Prospectus.

4. Definitions

Certain terms used and not otherwise defined in this Supplementary Prospectus, including capitalised terms, are defined in Part XXI: "*Definitions*" of the Original Prospectus.

ANNEX I

INFORMATION EXTRACTED FROM THE BANK OF GEORGIA GROUP Q1 RESULTS

This Annex 1 contains unaudited information concerning the Group's Investment Business that has been extracted without material adjustment from the Bank of Georgia Group Q1 Results.

Investment Business Highlights

Georgia Capital issued inaugural international corporate bonds in March 2018.

On 9 March 2018, JSC Georgia Capital issued US$ 300mln 6.125% notes due 2024 (the "**Issuance**"). The Issuance was the first international bond offering by a non-banking, non-state-backed company from Georgia. The proceeds from the issuance will be used to optimise the Group's capital structure ahead of the demerger and provide financing to the portfolio companies in order to take advantage of the attractive growth opportunities in Georgia.

Our utility and energy business, GGU, delivered a stable performance in 1Q18.

In 1Q18, GGU continued its investments in water pipeline infrastructure, leading to continued growth in the regulated asset base. As a result of the successful implementation of a number of efficiency projects, GGU was able to significantly reduce its own electricity consumption in 1Q18. GGU also continued construction works on the 50MW Mestiachala HPPs in north-western Georgia, while the 46MW Zoti HPPs are under development.

In 1Q18, our real estate business, m^2, sold 53 apartments with a total sales value of US$ 7.7mln reaching the highest ticket price per apartment in the history of m2.

This is compared to 143 apartments sold with total sales value of US$ 10.1mln in 1Q17.

In 1Q18 m^2 achieved the first milestone in its hotel development strategy and opened its first hotel in Tbilisi (the "Hotel") under the Ramada Encore brand.

The Hotel has a capacity of 152 rooms and will cater for the needs of the rapidly growing market for budget travellers in Georgia. During the first incomplete month of operation in March 2018, the Hotel's occupancy rate stood at 29%. m^2 has invested US$ 14 mln in Hotel development, including the land.

In 1Q18, m^2 acquired an 8,512 square metre land plot in Telavi, Kakheti region for a total cash consideration of US$ 1.5 mln (excluding VAT) to develop a hotel with approximately 130 rooms.

The hotel construction will be carried out by m^2's construction arm. Telavi is the largest city in eastern Georgia and one of the major tourist destinations. The acquisition is in line with m^2's hotel development strategy to reach a capacity of 1,000 hotel rooms and capitalise on growing tourist inflows in the country.

On 3 May 2018, m^2 acquired a partly constructed lifestyle hotel in Gudauri for a total cash consideration of US$7.2 million including VAT.

The Gudauri hotel is expected to add at least 134 rooms to m^2's portfolio and is conveniently located on the slopes in Gudauri, a leading ski resort in the Caucasus region, with ski-in and ski-out facilities. The skeleton of the building is already finished and the remaining construction works will be carried out by m^2's construction arm. m^2 expects the Gudauri hotel to open its doors to its first visitors in December 2018.

Our property and casualty insurance business continued its organic growth and at 31 March 2018 Aldagi had 57,791 insured customers (up 47.2% y-o-y).

The strong performance was mainly driven by developing regional markets through the launch of livestock insurance; organic growth of motor insurance business; and the introduction of card insurance sales in 1Q18. The quality of the motor insurance portfolio improved significantly, benefiting from the termination of relationships with loss making clients. The number of new insurance policies written reached 46,934 in 1Q18 (up 48.1% y-o-y).

Border Motor Third Party Liability Insurance

In December 2017, the Parliament of Georgia approved Border Motor Third Party Liability Insurance (MTPL insurance for vehicles visiting Georgia either on a temporary or transit basis) through extensive cooperation with the Insurance State Supervision Service of Georgia (ISSSG). MTPL became mandatory from 1 March 2018 and the gross written premium in the first month of operations amounted to GEL 4.6mln, while 64,021 vehicles with foreign plates were insured. Aldagi's market share in Compulsory border MTPL in March 2018 was 18%.

In February 2018, Georgia Capital acquired a 100% equity stake in a leading Georgian craft beer producer, Black Lion LLC (Black Lion) for the total consideration of $3.2 mln.

Black Lion is the largest producer of a premium class craft beer in Georgia that launched sales in the beginning of 2016 and sold approximately 300,000 litres of craft beer in 2017, primarily targeting restaurants and bars in Tbilisi.

In April 2018, JSC Georgia Capital acquired a 60% indirect controlling interest in Kindzmarauli Marani, LLC ("Kindzmarauli") through a locally-established, special-purpose vehicle for a total consideration of US$7.25 mln (representing a cash payment for an equity stake and the buyout of an existing shareholder loan).

Kindzmarauli is a producer of exquisite Georgian wines and spirits, which owns 350 hectares of vineyards in Georgia's Kakheti region. Georgia Capital will consolidate the results of Kindzmarauli's operations from the acquisition date, and expects that the acquisition will complement and strengthen its existing beverage business with an increased presence in the growing domestic and international markets for Georgian wine. With this acquisition, Georgia Capital's beverage business made a major step towards its wine business development strategy to reach a vineyard base of 1,000 hectares over the next three years and has now reached 436 hectares of vineyards. This supports the beverage business' wine production, which has been further helped by significant growth opportunities in international markets provided by Georgia's various free trade agreements, including those with China and the European Union.

Our healthcare business, GHG, delivered a strong performance in 1Q18 as it continued to deliver on its strategic priorities across its healthcare services and pharmacy and distribution businesses, while the medical insurance business delivered positive EBITDA.

Healthcare services EBITDA margin was 25.2% in 1Q18, compared to 25.3% in 1Q17 reflecting the planned significant investment in new hospitals and polyclinics during 2017. The pharmacy and distribution business continued to generate a high EBITDA margin of 10.0% in 1Q18, compared to 7.8% in 1Q17.

GHG launched the 306-bed flagship Deka Hospital in Tbilisi in March, which added GEL 1.2mln to 1Q18 revenues.

Deka has a strong historic reputation and occupies a prime location in the north-east of Tbilisi. Following the completion of the renovation, the 306-bed Deka hospital serves as a flagship hospital, being the hospital of choice for high-quality elective medical care countrywide.

Following the partial opening of Tbilisi Referral Hospital in April 2017, GHG launched the remaining part of the hospital in December 2017, with an additional 112 renovated beds. The Hospital has already generated a 43% occupancy rate and contributed GEL 3.7mln to 1Q18 revenues.

Discussion of Investment Business Results

The Group's investment business (the "**Investment Business**" or "**Georgia Capital**")[1] is primarily comprised of six portfolio investments: Utility & Energy Business (GGU), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi), Beverage Business (Teliani), Healthcare Business (GHG) and Banking Business[2] (BoG).

1 Investment Business is classified as discontinued operations within Bank of Georgia Group's 1Q18 consolidated financial statements

2 Shortly after the proposed Demerger becomes effective, this stake is expected to be exchanged for a 19.9% stake in Bank of Georgia Group PLC. Following the exchange, for as long as Georgia Capital's stake in the Bank is greater than 9.9%, it will exercise its voting rights in the Bank in accordance with the votes cast by all other Bank shareholders on all shareholder votes.

Given the expectation, in line with Georgia Capital's strategy, that Georgia Capital anticipates owning less than a 50% stake in its healthcare business, GHG, at the end of 2018[3]and in line with IFRS, Georgia Capital continues to classify GHG as a "disposal group held for sale" in its 1Q18 balance sheet and GHG's and its results of operations are reported under the "discontinued operations" line as a single amount in the Georgia Capital's consolidated income statement. Assets and liabilities of GHG are also presented separately in the Georgia Capital's consolidated balance sheet as of 31 March 2018 under "assets of disposal group held for sale" and "liabilities of disposal group held for sale" lines.

INCOME STATEMENT

GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**
Gross utility and energy profit	20,850	17,527	19.0%
Gross insurance profit	6,852	6,890	-0.6%
Gross real estate profit	3,937	2,589	52.1%
Gross beverage profit	4,471	2,317	93.0%
Other income	1,672	1,528	9.4%
Gross profit	**37,782**	**30,851**	**22.5%**
Operating expenses	(21,510)	(13,891)	54.8%
Impairment charge	(2,005)	(104)	NMF
EBITDA	**14,267**	**16,856**	**-15.4%**
Depreciation and amortisation	(8,972)	(5,598)	60.3%
Net foreign currency gain (loss)	5,878	5,771	1.9%
Interest income	3,934	2,532	55.4%
Interest expense	(9,524)	(6,770)	40.7%
Profit before non-recurring items and income tax	**5,583**	**12,791**	**-56.4%**
Net non-recurring items	(156)	113	NMF
Profit before income tax expense	**5,427**	**12,904**	**-57.9%**
Income tax expense	(693)	(687)	0.9%
Profit (loss) from continuing operations	**4,734**	**12,217**	**-61.3%**
Profit from discontinued operations[4]	24,641	12,829	92.1%
Profit	**29,375**	**25,046**	**17.3%**
Earnings per share (basic)	**0.46**	**0.47**	**-2.5%**
Earnings per share (diluted)	**0.44**	**0.45**	**-2.3%**

3 The Group held 57% of GHG's equity stake as of 31 March 2018 (57% as of 31 December 2017, 64.3% as of 31 March 2017).

4 Profit from discontinued operations includes GEL 7.7mln reversal of GHG's depreciation expense in line with IFRS requirements, GHG's underlying profit was GEL 16mln

BALANCE SHEET

GEL thousands, unless otherwise stated	Mar-18	Mar-17	Change y-o-y
Cash and cash equivalents	528,697	359,629	47.0%
Amounts due from credit institutions	37,667	174,248	-78.4%
Debt securities owned	45,233	2,197	NMF
Equity investments at fair value	707,153	1,153	NMF
Accounts receivable	32,669	140,489	-76.7%
Insurance premiums receivable	28,392	53,256	-46.7%
Inventories	77,626	195,946	-60.4%
Investment property	153,638	131,378	16.9%
Property and equipment	700,905	1,053,786	-33.5%
Goodwill	24,275	124,371	-80.5%
Intangible assets	5,233	20,601	-74.6%
Income tax assets	1,179	4,291	-72.5%
Prepayments	105,803	74,168	42.7%
Other assets	189,768	79,972	137.3%
Assets of disposal group held for sale	1,202,765	—	NMF
Total assets	**3,841,003**	**2,415,485**	**59.0%**
Accounts payable	42,012	133,720	-68.6%
Insurance contracts liabilities	43,103	71,620	-39.8%
Borrowings	381,070	532,572	-28.4%
Debt securities issued	732,401	335,773	118.1%
Income tax liabilities	545	1,662	-67.2%
Deferred income	64,035	73,970	-13.4%
Other liabilities	71,342	204,085	-65.0%
Liabilities of disposal group held for sale	629,955	—	NMF
Total liabilities	**1,964,463**	**1,353,402**	**45.1%**
Total equity attributable to shareholders of the Group	**1,572,608**	**824,709**	**90.7%**
Non-controlling interests	303,932	237,374	28.0%
Total equity	**1,876,540**	**1,062,083**	**76.7%**
Total liabilities and equity	**3,841,003**	**2,415,485**	**59.0%**

Performance highlights

- As a result of stable performance across all segments, the Investment Business recorded gross profit from continuing operations of GEL 37.8mln in 1Q18 (up 22.5% y-o-y). The Investment Business gross profit, adjusted to include gross profit of the discontinued operations, was GEL 105.3mln in 1Q18 (up 19.8% y-o-y).

- Operating expenses increased as a result of the organic growth of the businesses, where the most material y-o-y impact was driven by Teliani's launch of beer operations.

- EBITDA from continuing operations of GEL 14.3mln in 1Q18 was down 15.4% y-o-y, due mainly to the launch of beer production and the utility business' impairment charge as a result of the adoption of IFRS 9. Investment Business EBITDA, adjusted to include EBITDA of the discontinued operations, was GEL 46.1mln in 1Q18 (up 10.6% y-o-y).

- Aldagi recorded gross insurance profit of GEL 6.9mln in 1Q18 (largely flat y-o-y). The stable performance was mainly attributable to its organic growth primarily in the credit life insurance business line, as well as improved quality of the motor insurance portfolio, which benefited from the termination of relationships with loss making motor insurance clients.

- m^2 continued its strong project execution and sales momentum in 1Q18. 53 apartments were sold with a total sales value of US$ 7.7mln in 1Q18 compared to 143 apartments sold with a total sales value of US$ 10.1mln in 1Q17. In 1Q18, gross real estate profit was GEL 3.9mln (up 52.1% y-o-y).

- GGU delivered significant growth of 19.0% y-o-y in gross profit driven by its strong performance both in utility and energy sales. The y-o-y increase in water supply revenue from individuals was driven by the increased tariff effective from 1 January 2018, while water supply revenue from legal entities delivered stable growth, mainly due to the enhancement of GGU's metering programme. The y-o-y increase in revenues from electric power generation and sales was attributable to higher levels of water inflow in Zhinvali reservoir and the continuous reduction in GGU's own consumption of electricity, leading to increased sales volumes to third-parties.

- Gross beverage profit increased by 93.0% y-o-y. The growth was largely attributable to significant growth in Teliani's gross profit due to the launch of mainstream beer and lemonade production in the second half of 2017, as well as the strong performance of Teliani's wine business, where revenues reached GEL 4.6mln in 1Q18 (up 33.3% y-o-y). Additionally, Teliani's 2017 gross profit was positively impacted by the continued diversification of its distribution portfolio, whereby Teliani obtained the exclusive right to import and distribute Lavazza coffee in Georgia and added other non-alcoholic beverage distribution products in 2017.
- 1Q18 profit from discontinued operations, which reflects the results of GHG's operations, increased by 22.8% on a y-o-y basis. The strong performance was driven by a strong quarter in the Pharmacy and distribution and Healthcare Services businesses. As a result, GHG achieved a record EBITDA of GEL 31.4mln in 1Q18 (up 25.3% y-o-y).

Investment Business Segment Result Discussion[5]

The segment results discussion is presented for Utility & Energy Business (GGU), Real Estate Business (m^2), Property and Casualty Insurance Business (Aldagi), Beverage Business (Teliani)and Healthcare Business (GHG[6]).

Utility & Energy Business (Georgia Global Utilities – GGU)[7]

GGU'S standalone results

Our Utility & Energy business is operated through the Group's wholly-owned subsidiary Georgia Global Utilities (GGU), which represents a natural water utility monopoly in Tbilisi and the surrounding area, with an upside in electricity generation**.** GGU has two main business lines – water utility and electric power generation. In the water utility business, GGU has a natural monopoly in Tbilisi and the surrounding area, where it provides wastewater services to 1.4mln people (more than one-third of Georgia's population). GGU also operates hydro power plants with a total capacity of 149.3 MW and invests in the development of renewable energy projects in the under-supplied Georgian energy sector. The Group anticipates further growth opportunities for GGU in both of its business lines: pursuing cost efficiencies within the water utility business by targeting the reduction of technical losses, improving the worn-out infrastructure[8] and reducing energy consumption internally to preserve the supply available for sale to third parties while also planning the construction of hydro, wind and solar power generation plants. Up to 53 MW of hydro projects are currently already under construction, together with 46 MW of hydro projects under development, and 100MW wind projects are at the feasibility stage and once complete, GGU expects to commence construction works. As a result, GGU expects to establish a renewable energy platform with 500MW installed capacity in the medium term, targeting 1,000MW installed capacity in a longer term.

Utility & Energy Business highlights

Water tariff & regulation. In December 2017, GNERC (Georgian National Energy and Water Supply Regulatory Commission), the independent body that regulates GGU's water and wastewater tariffs, has approved new tariffs for GGU for a three year regulatory period, effective from 1 January 2018. This is the first time the tariff has been set based on the new water and wastewater services tariff methodology adopted by GNERC in August 2017, which is based on international best practice and represents a hybrid method of "cost plus" and "incentive based" methodologies. Revenue is determined based on a company's Regulatory Asset Base (RAB) and compensates for investment and maintenance of new and existing regulatory assets, stimulates efficiency in the network through

5 Investment Business is classified as discontinued operations in Bank of Georgia Group's 1Q18 consolidated financial statements

6 Healthcare Business (GHG) is classified as discontinued operations.

7 Prior to 2Q17, GGU's standalone results excluded the Group's renewable energy business results due to its absence from GGU's legal structure and insignificant size. Effective from 2Q17, we are reporting GGU results on a pro-forma basis together with renewable energy business and have retrospectively revised the comparable information accordingly. The Group owns 65% of renewable energy business.

8 GGU owns and operates a water supply network of around 3,150km and about 2,000km of wastewater pipelines. It also has 55 pumping stations, 101 service reservoirs with a total capacity of 305,000 m3 and a water treatment plant. Around 560 mln m3 of potable water is supplied from water production/treatment facilities annually. Due to poor condition of the water supply infrastructure, GGU heavily invests in improvement of its network and replacement of the depreciated asset base over time, leading to continuous growth in the regulated asset base. Moreover, through the reduction of the water supplied to its customers and respective water losses, GGU expects to reduce its own electricity consumption, which can be sold to third parties.

incentivising reduction in controllable operating expenses and delivers fair returns to investors in the utility business. The return on investment, referred to as WACC in the methodology, for the first regulatory period is set at 15.99% (up from 13.54% in 2017). As a result, new water and wastewater tariffs for individuals in Tbilisi, increased by 23.8% to GEL 3.89 (per month, per capita) for non-metered customers and to GEL 0.33 (per m^3) for metered customers. New tariffs for GGU's commercial customers, all of which are metered, decreased by 0.4% to GEL 4.40 (per m^3).

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.

INCOME STATEMENT	**Utility[9]**			**Energy[14]**			**Total**		
GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**1Q18**	**1Q17**	**Change y-o-y**	**1Q18**	**1Q17**	**Change y-o-y**
Revenue from water supply to legal entities	19,088	18,336	4.1%	—	—	—	19,088	18,336	4.1%
Revenue from water supply to individuals	9,769	7,911	23.5%	—	—	—	9,769	7,911	23.5%
Revenue from electric power sales	—	—	—	3,055	2,148	42.2%	2,155	1,191	80.9%
Other income	1,325	1,160	14.2%	4	4	—	1,329	1,164	14.2%
Revenue	**30,182**	**27,407**	**10.1%**	3,059	2,152	42.1%	**32,341**	**28,602**	**13.1%**
Salaries and benefits	(4,790)	(3,950)	21.3%	(346)	(307)	12.7%	(5,136)	(4,257)	20.6%
Electricity and transmission costs	(5,722)	(5,913)	-3.2%	(25)	(16)	56.3%	(4,847)	(4,972)	-2.5%
Asset maintenance expenses	(1,250)	(1,066)	17.3%	(18)	(26)	-30.8%	(1,268)	(1,092)	16.1%
General and administrative expenses	(2,519)	(2,257)	11.6%	(649)	(419)	54.9%	(3,168)	(2,676)	18.4%
Other operating expenses	(1,630)	(1,359)	19.9%	(288)	(86)	NMF	(1,918)	(1,445)	32.7%
Operating expenses	**(15,911)**	**(14,545)**	**9.4%**	(1,326)	(854)	55.3%	**(16,337)**	**(14,442)**	**13.1%**
Provisions for doubtful trade receivables	(1,449)	274	NMF	—	—	—	(1,449)	274	NMF
EBITDA	**12,822**	**13,136**	**-2.4%**	1,733	1,298	33.5%	**14,555**	**14,434**	**0.8%**
EBITDA Margin	*42%*	*48%*	—	*57%*	*60%*	—	45%	50%	—
Depreciation and amortisation	(5,233)	(4,135)	26.6%	(884)	(686)	28.9%	(6,117)	(4,821)	26.9%
EBIT	**7,589**	**9,001**	**-15.7%**	849	612	38.7%	**8,438**	**9,613**	**-12.2%**
EBIT Margin	*25%*	*33%*	—	*28%*	*28%*	—	*26%*	*34%*	—
Net interest expense	(3,104)	(2,036)	52.5%	(192)	(230)	-16.5%	(3,296)	(2,266)	45.5%
Net non-recurring expenses	—	—	—	(124)	—	NMF-	(124)	—	NMF
Foreign exchange gain (loss)	1,786	(104)	NMF	(26)	(224)	-88.4%	1,760	(328)	NMF
Profit before income tax	**6,271**	**6,861**	**-8.6%**	507	158	NMF	**6,778**	**7,019**	**-3.4%**
Income tax expense	—	—	—	—	—	—	—	—	—
Profit	**6,271**	**6,861**	**-8.6%**	507	158	NMF	**6,778**	**7,019**	**-3.4%**
Attributable to:									
–Shareholders of the Group	6,271	6,861	-8.6%	693	316	119.3%	6,964	7,177	-3.0%
–Non-controlling interests	—	—	—	(186)	(158)	17.7%	(186)	(158)	17.7%

Performance highlights

- *GGU recorded utility revenue of GEL 30.2mln (up 10.1% y-o-y) and energy revenue of GEL 3.1mln (up 42.1% y-o-y) in 1Q18, resulting in total revenues of GEL 32.3mln (up 13.1% y-o-y)*
  - Revenue from water supply to legal entities and individuals reached GEL 28.9mln in 1Q18 (up 9.9% y-o-y). Water supply revenue represented 95.6% of total utility revenue in 1Q18 (95.8% in 1Q17). The y-o-y increase in revenue from water supply to legal entities reflects enhanced measurement results based on GGU's metering programme (which entails the replacement of amortised or obsolete meters with advanced ultrasonic and electromagnetic meters), while the y-o-y increase in revenue from water supply to individuals is mostly attributable to the increased residential tariff effective from 1 January 2018.
- Revenue from electricity power sales amounted to GEL 3.1mln in 1Q18 (up 42.2% y-o-y). The y-o-y increase in electricity power sales reflects higher water inflows to Zhinvali reservoir and significant savings in GGU's own consumption of electricity.
- *Consolidated operating expenses amounted to GEL 16.3mln in 1Q18 (up 13.1% y-o-y). The increase in operating expenses on a y-o-y basis is primarily driven by the expansion of the business:*
  - Salaries and employee benefits were up 20.6% y-o-y in 1Q18. The y-o-y increase was primarily driven by the expansion of the business which started in 2Q17.
  - The y-o-y decrease in electricity and transmission costs were attributable to significant savings in own electricity consumption.
  - General and administrative expenses were up 18.4% y-o-y in 1Q18 mainly driven by the property tax expense component, which increased due to higher asset base created through intensive capital expenditures.

9 Utility and energy business financials do not include inter-business eliminations, detailed financials including inter-business eliminations are presented on page 44

- **Consolidated provision for doubtful trade receivables was GEL 1.4mln in 1Q18 compared to reversal of GEL 0.3mln in 1Q17**
  - From 1Q17 and as part of an ongoing process of reviewing its receivable provisioning methodology, GGU revisited certain estimates to enhance the method of provision estimation. Under the enhanced method GGU was able to identify its customers who were able to pay all of their monthly bills on time, i.e. who tended to have no overdue bills. This change in accounting estimate had a positive impact on the provision of doubtful receivables in 1Q17, resulting in lower receivables provision expenses in 2017. The increase in provisions for doubtful trade receivables in 1Q18 was also driven by the adoption of IFRS 9 in combination with seasonally lower collection rates for legal entities (which is an industry collection rate pattern). IFRS 9 introduced a forward-looking expected credit loss (ECL) approach effective from 1 January 2018, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the previously existing incurred-loss impairment approach for financial instruments under IAS 39.
- **As a result of the developments described above, GGU reported utility EBITDA of GEL 12.8mln (down 2.4% y-o-y) and energy EBITDA of GEL 1.7mln in 1Q18 (up 33.5% y-o-y), translating in total EBITDA of 14.6mln (up 0.8% y-o-y).** GGU reported depreciation and amortisation expense of GEL 6.1mln (up 26.9% y-o-y) driven by the additional investments into the company's infrastructure carried out during 2017 and 1Q18 in order to upgrade the network, further reduce water losses and achieve cost efficiencies.
- *Profit for the reporting period of 1Q18 amounted to GEL 6.3mln (down 8.6% y-o-y) for the utility business and GEL 0.5mln (3.2x higher y-o-y) for the energy business.*
- *GGU has a strong water supply receivable collection rate of between 95 and 99%*. During 1Q18, the collection rate for legal entities and households was 99% and 95%, respectively. As a result, GGU had only GEL 2.9mln of overdue receivables outstanding at 31 March 2018. Although the Georgian water utility sector has historically had low receivable collection rates, as a result of GGU's arrangement with electricity suppliers since 2011 (which allows disconnection of non-paying water customers from the electricity network) GGU's collection rates remain very strong at approximately 96%. In return, electricity suppliers receive flat monetary compensation from GGU.
- In 4Q17, GGU drew down less expensive funding from international financial institutions for the Utility Business in order to finance capital expenditures and refinance more expensive funding from local financial institutions totalling GEL 101.8mln. Proceeds from borrowings in 1Q18 relate to draw downs for 50MW Mestiachala HPPs project construction.

Real estate business (m^2 Real Estate or m^2)

m^2's standalone results

Our Real Estate Business is operated through the Group's wholly-owned subsidiary m^2, which develops residential and commercial properties and hotels in Georgia. m^2's business operations are divided into two segments: housing development business and a hospitality business. m^2's housing development business is comprised of: (a) a residential development arm engaged in housing development projects in Tbilisi; (b) a construction arm, BK Construction LLC, which engages in construction contracts with third-parties and generates fee income; and (c) m^2's franchise platform for developing third-party land plots using its brand name in order to generate fee income. m^2's hospitality business is comprised of: (a) rent-earning commercial assets, classified as investment property, with a target yield of 10%; and (b) hotel developments across Georgia with a target of 1,000 rooms over the next three to five years.

INCOME STATEMENT	**Housing Development Business[10]**			**Hospitality Business[15]**			**Total**		
GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**	**1Q18**	**1Q17**	**Change y-o-y**	**1Q18**	**1Q17**	**Change y-o-y**
Gross profit from apartment sales	2,922	1,290	126.5%	—	—	—	2,922	1,290	126.5%
Gross profit from operating leases	—	—	—	850	816	4.2%	850	816	4.2%
Gross profit from hospitality services	—	—	—	67	—	NMF	67	—	NMF
Revaluation of commercial property	—	479	NMF	—	—	—	—	479	NMF
Other income	178	11	NMF	9	—	NMF	90	11	NMF
Gross profit	**3,100**	**1,780**	**74.2%**	**926**	**816**	**13.5%**	**3,929**	**2,596**	**51.3%**
Operating expenses	**(2,255)**	**(1,732)**	**30.2%**	**(366)**	**(102)**	**NMF**	**(2,621)**	**(1,834)**	**42.9%**
EBITDA	**845**	**48**	**NMF**	**560**	**714**	**-21.6%**	**1,308**	**762**	**71.7%**
Depreciation and amortization	(134)	(63)	112.7%	(5)	(3)	66.7%	(139)	(66)	110.6%
Net foreign currency (loss) gain	(297)	(184)	61.4%	(10)	(10)	—	(307)	(194)	58.2%
Net interest income/expense	99	180	-45.0%	(38)	(39)	2.6%	61	141	-56.7%
Net non-recurring items	(31)	(73)	-57.5%	(1)	(3)	-66.7%	(32)	(76)	-57.9%
Profit before income tax	**482**	**(92)**	**NMF**	**506**	**659**	**-23.2%**	**891**	**567**	**57.1%**
Income tax (expense)	—	—	—	—	—	—	—	—	—
Profit	**482**	**(92)**	**NMF**	**506**	**659**	**-23.2%**	**891**	**567**	**57.1%**

Performance highlights

During 1Q18 the housing development business recorded GEL 0.5mln profit mainly by unlocking value through real estate development.

- Real estate development recorded gross profit from sales of apartments of GEL 2.9mln, which more than doubled y-o-y.
- The significant y-o-y increase was largely attributable to strong project execution and sales momentum in 1Q18**.** During 1Q18, m^2 sold a total of 53 apartments with a total sales value of US$ 7.7mln, compared to 143 apartments sold with a total sales value of US$ 10.1 mln during 1Q17. The average selling price per apartment was higher at US$ 134,670 during 1Q18 than in 1Q17 (US$ 67,800) since all of the projects are at the completion stage when prices tend to increase.
- m^2 has a solid track record of selling apartments. Of the 1,691 apartments completed to date since inception, only 11 or 0.7% remain in stock as available for sale, of which 4 have been leased out, contributing to the profit generated by hospitality business. The four on-going projects have a total capacity of 1,202 apartments, of which, 1,049 apartments or 87.3% are sold as of 31 March 2018. A total of 164 units remain available for sale, out of a total of 2,893 apartments either already developed or under development.
- m^2 has two upcoming projects in the residential pipeline enabling m^2 to continue its strong sales momentum in response to growing demand for affordable housing. m^2 plans to construct and develop affordable housing projects on Digomi land with 129,536 square meter and Kavtaradze land with 19,616 square meter, both located in Tbilisi and owned by m^2. Construction and development of Digomi and Kavtaradze projects will start subject to city hall permits finalisation and will last for 4 years and 2 years respectively. Both projects in total will add 3,697 apartments to m^2's housing development business portfolio.

10 Fee and yielding business financials do not include inter-business eliminations, detailed financials including inter-business eliminations are presented on page 45

- In 1Q18 m^2's construction arm started generating fees from its first major third-party construction agreement to construct the shell and core of a new shopping mall and business centre located in Tbilisi's Saburtalo district. In parallel, it is also serving on-going m^2 projects, including a residential and hotel development on Melikishvili avenue and the development of a recently acquired under construction hotel on Gergeti street.

m^2's yielding asset portfolio continued its robust performance in 1Q18, while it opened doors to first hotel guests on 10 March 2018. In aggregate, hospitality business generated a GEL 0.5mln net profit.

- Gross profit from operating leases increased by 4.2% y-o-y, supported by growing occupancy rates. m^2's rent-earning assets are successfully leased out at an 90% occupancy rate and average yield of 10.3% during 1Q18 – m^2 retains commercial space (ground floor) at its own residential developments (representing up to 30% of total yielding portfolio) and acquires opportunistically the commercial space (representing over 70% of total yielding portfolio). At the same time m^2 retains ownership of some of the apartments leased out to high quality strategic tenants, such as the US Embassy in Georgia, in its yielding asset portfolio.
- In February 2018 m^2 launched its first hotel – Ramada Encore Tbilisi under an exclusive development agreement with Wyndham, which generated around GEL 0.1 mln of gross profit with US$ 85 ADR and 29% occupancy rate in the first month of hotel operations. The hotel has a capacity of 152 rooms and will cater the needs of the rapidly growing market for budget travellers in Georgia. The company's investment in the hotel, including the land value, amounted to US$ 14 mln.
- *m^2 continued to build ground for its targeted 1,000 hotel room portfolio.* During 1Q18, m^2 acquired a land plot in Telavi, Kakheti for a total cash consideration of US$ 1.5mln (excluding VAT) and plans to build a hotel with 130 rooms. On 3 May 2018 m^2 made another acquisition of an under construction hotel in Gudauri with planned capacity of 134 rooms for a total cash consideration of US$7.2 million including VAT. Additionally, m^2 currently has two hotel projects under construction – an upscale hotel on Gergeti street in Tbilisi with an expected 100 rooms and Melikishvili hotel in Tbilisi with expected 125 rooms. The Ramada Encore in Kutaisi, which is in the design approval stage, is expected to add 121 rooms to the overall portfolio. As a result, together with the Ramada Encore Tbilisi, which has been operational since March 2018, m^2 currently has approximately 760 rooms of which 152 are operational and 608 are in the pipeline.

As a result of the developments described above, in 1Q18 m^2 reported consolidated gross profit of GEL 3.9mln (up 51.3% y-o-y) and consolidated net profit of GEL 0.9mln (up 57.1% y-o-y)

Operating highlights

- m^2 has started eleven projects since its establishment in 2010, of which, seven projects have already been completed, while the construction of four projects is ongoing. m^2 has completed all of its projects on or ahead of scheduled time and within budget. The four on-going projects have the following characteristics:
  - Kartozia Street project: the largest ever project carried out by m^2, with a total of 801 apartments in a central location in Tbilisi, of which, 738 units are sold.
  - Kazbegi Avenue II project – a mixed-use development with 303 residential apartments and a hotel with a capacity of 152 rooms. Of a total of 303 available apartments, 223 are sold.
  - 50 Chavchavadze Avenue project – the project is located in the central part of Tbilisi with a total of 82 apartments, of which, 74 are sold.
  - Melikishvili Avenue project – a mixed-use four-star development with a capacity of 125 hotel rooms and 16 residential apartments, of which, 14 are already sold.

OPERATING DATA
for completed and on-going projects, as of 31 March 2018

#	Project name	Number of apartments	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	Start date (construction)	Actual / Planned Completion date (construction)	Construction progress %
Completed projects		**1,691**	**1,680**	**99.3%**	**11**			
1	Chubinashvili Street	123	123	100.0%	—	Sep-10	Aug-12	100%
2	Tamarashvili Street	525	525	100.0%	—	May-12	Jun-14	100%
3	Kazbegi Street	295	295	100.0%	—	Dec-13	Feb-16	100%
4	Nutsubidze Street	221	221	100.0%	—	Dec-13	Sep-15	100%
5	Tamarashvili Street II	270	266	98.5%	4	Jul-14	Jun-16	100%
6	Moscow Avenue	238	238	100.0%	—	Sep-14	Jun-16	100%
7	Skyline	19	12	63.2%	7	Dec-15	Dec-17	100%
On-going projects		**1,202**	**1,049**	**87.3%**	**153**			
8	Kartozia Street	801	738	92.1%	63	Nov-15	Oct-18	84%
9	Kazbegi Street II	303	223	73.6%	80	Jun-16	Nov-18	52%
10	50 Chavchavadze Ave.	82	74	90.2%	8	Oct-16	Oct-18	84%
11	Melikishvili ave.	16	14	87.5%	2	Sep-17	May-19	11%
	Total	**2,893**	**2,729**	**94.3%**	**164**			

FINANCIAL DATA
for completed and on-going projects, as of 31 March 2018

#	Project name	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
Completed projects		**145.5**	**145.4**	**—**	**—**	**19.5**	
1	Chubinashvili street	9.9	9.9	—	—	0.9	47%
2	Tamarashvili street	48.9	48.9	—	—	5.4	46%
3	Kazbegi Street	27.2	27.2	—	—	3.6	165%
4	Nutsubidze Street	17.4	17.4	—	—	2.2	58%
5	Tamarashvili Street II	24.3	24.3	—	—	2.7	71%
6	Moscow avenue	12.3	12.3	—	—	1.6	31%
7	Skyline	5.4	5.4	—	—	3.1	329%
On-going projects		**84.6**	**62.3**	**22.3**	**21.9**	**14.2**	
8	Kartozia Street	51.9	41.0	10.9	10.9	5.8	60%
9	Kazbegi Street II	19.5	12.5	7.0	7.0	4.3	51%
10	50 Chavchavadze ave.	9.7	7.3	2.4	2.4	3.3	75%
11	Melikishvili ave.	3.5	1.5	2.0	1.6	0.8	101%
	Total	**230.1**	**207.7**	**22.3**	**22.0**	**33.7**	

Property and Casualty Insurance Business (Aldagi or P&C)

Aldagi's standalone results

Our Property and Casualty (P&C) insurance business is operated through the Georgia Capital's wholly-owned subsidiary Aldagi, which is a leading player in the local P&C insurance market with a market share of 37.8% based on gross premiums earned in 2017. The company offers a wide range of insurance products in Georgia to corporate and retail clients, covering more than 57,000 customers through five business lines: motor, property, credit life, liability and other insurance services. Aldagi's insurance products[11] are offered through its offices in Tbilisi and large cities across Georgia, a

11 Aldagi's P&C products principally include the following: a) motor insurance covering vehicle damage and third-party liability with 23,240 active clients and a 40% market share, b) property insurance including commercial property coverage, contractor's performance and damage risks coverage with 22,805 active clients and a 37% market share, c) credit life insurance covering loan-linked life insurance services with a group of three active clients and a 30% market share, d) liability insurance covering financial risks, employer's liability, professional indemnity, general third party liability, etc. with 1,246 active clients and a 43% market share. Aldagi's other products include agro insurance, cargo insurance, livestock insurance, bankers blanket bond insurance, and directors' and officers' liability insurance services with 13,395 active clients and a 37% market share.

network of insurance agents, partner local banks and non-financial institutions (such as major car dealerships), insurance brokers and online portals.

Property and Casualty Insurance Business highlights

In line with Aldagi's strategy to grow revenue from the underpenetrated SME segment, starting from 2018, Aldagi has developed tailored insurance products for the following types of SME: small/home offices, restaurants & cafes, beauty shops, dental clinics, tourism, car rentals and stores & warehouses. These tailored insurance products are currently offered through Aldagi's direct distribution channel of sales managers and captive agents, who have managed to sell 210 insurance policies worth GEL 0.1mln of gross premiums starting from mid February 2018. By the end of 2018, SME products will also be offered through digital portals created especially for these sectors of SMEs.

- Based on the latest available market data as of 31 December 2017, Aldagi continues to be the most profitable insurance company in the local market with 84.0% share of the insurance industry profit and with best combined ratio on the market.
- Aldagi continues to lead the market with a powerful distribution network of 286 points of sale and 517 sales agents as of 31 March 2018.
- At 31 March 2018, Aldagi had 57,791 insured customers (up 47.2% y-o-y). The y-o-y increase in number of insured customers was mainly driven by tapping regional markets through launching livestock insurance, organic growth of motor insurance business line and introduction of card insurance sales in 1Q2018. The number of new insurance policies written reached 46,934 in 1Q18 (up 48.1% y-o-y).

Starting from 1 January 2018 Aldagi offers new insurance product – card insurance to the Public Service Hall customers. The product provides insurance for any type of legal identity document (including ID cards, passports etc.) and was introduced in continuation of exclusive memorandum with Public Service Hall in 3Q17, which allowed its customers to electronically acquire affordable insurance products for any type of property registered in the public registry. As at 31 March 2018, 11,237 insurance policies have been sold, significantly increasing Aldagi's client base.

INCOME STATEMENT

GEL thousands, unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**
Gross premiums written	18,114	18,907	-4.2%
Earned premiums, gross	19,950	18,520	7.7%
Earned premiums, net	**14,925**	**14,436**	**3.4%**
Insurance claims expenses, gross	(7,520)	(10,700)	-29.7%
Insurance claims expenses, net	**(6,092)**	**(5,637)**	**8.1%**
Acquisition costs, net	(1,413)	(1,677)	-15.7%
Net underwriting profit	**7,420**	**7,122**	**4.2%**
Investment income	831	767	8.3%
Net fee and commission income	145	99	46.5%
Net investment profit	**976**	**866**	**12.7%**
Salaries and employee benefits	(2,129)	(1,978)	7.6%
Selling, general and administrative expenses	(928)	(893)	3.9%
Depreciation & Amortisation	(232)	(234)	-0.9%
Impairment charges	(208)	(242)	-14.0%
Net other operating income	199	172	15.7%
Operating profit	**5,098**	**4,813**	**5.9%**
Foreign exchange (loss)/gain	(503)	(425)	18.4%
Pre-tax profit	**4,595**	**4,388**	**4.7%**
Income tax expense	(693)	(638)	8.6%
Net profit	**3,902**	**3,750**	**4.1%**

Performance highlights

- *Aldagi recorded net underwriting profit of GEL 7.4mln in 1Q18 (up 4.2% y-o-y) as a result of the following:*
  - Net earned premiums. Net premiums earned reached GEL 14.9mln in 1Q18 (up 3.4% y-o-y). The y-o-y increase in 1Q18 was supported by organic growth of credit life, livestock insurance and cargo insurance businesses lines. As part of the risk management exercise, Aldagi revisited its reinsurance policies and terminated a reinsurance treaty for credit life insurance products (as of 1 January 2018) given the combination of low loss ratio of the business and increased ability of Aldagi to fully retain risks in this business line. As a result, net premiums earned from credit life insurance grew by 26.9% y-o-y.
  - Net insurance claims**.** Net insurance claims amounted to GEL 6.1mln in 1Q18 (up 8.1% y-o-y). The y-o-y increase in net insurance claims expenses in 1Q18 was primarily driven by overall increase in loss severity and frequency in motor insurance due to a business shift towards the retail segment, which is characterised by a higher loss ratio than the corporate segment. Insurance claims expenses were also impacted by two commercial property insurance claims following separate fire incidents in Tbilisi in February and March.
  - Net acquisition costs were GEL 1.4mln in 1Q18 (down 15.7% y-o-y). The decrease in net acquisition costs was driven by the recognition of GEL 0.4mln profit commission on reinsurance treaties in credit life, agro insurance and liability insurance business lines. Overall, commission ratio was down by 2ppts y-o-y.
  - *Aldagi's key ratios remained healthy during 1Q18 as evidenced by the following closely monitored metrics:*

Key Ratios	**1Q18**	**1Q17**
Combined ratio	72.4%	72.7%
Expense ratio	31.6%	33.6%
Loss ratio	40.8%	39.1%

- Net investment profit increased to GEL 1.0mln in 1Q18 (up 12.7% y-o-y). Investment yield remained stably high at 10.1% in 1Q18 compared with 9.6% in 1Q17, while interest earning investment portfolio increased to GEL 49.1mln (up 1.2% y-o-y), of which, GEL 18mln represents Aldagi's pension fund's investment portfolio.
- Salaries and employee benefits reached GEL 2.1mln in 1Q18 (up 7.6% y-o-y) primarily as a result of establishment of new strategic development department in 2Q17 and the increase in headcount as a result of the organic growth of the business.
- *Aldagi's operating profit reached GEL 5.1mln in 1Q18, up 5.9% y-o-y. Aldagi's net profit was GEL 3.9mln in 1Q18 (up 4.1% y-o-y).*

Beverage business (Teliani Group or Teliani)

Teliani's standalone results

Teliani is a leading beverage producer and distributor in Georgia, combining three different business lines: a wine business, a beer business and a distribution business. Teliani's wine business produces and sells wine and vodka products under Teliani brand to local market and exports to 14 countries. Teliani's wine business targets to grow its vineyard portfolio to 1,000 hectares from 76 hectares at 31 March 2018 over the next three to five years. The beer business produces and mainstream beer and lemonade on the local market, while also owning 10 year exclusive license to produce Heineken, Krushovice and Amstel in Georgia and sell the same in Georgia, Armenia and Azerbaijan. The distribution business primarily distributes Teliani's wine and beer products as well as third-party products within Georgia. Georgia Capital owns 76% of Teliani's equity stake.

INCOME STATEMENT

GEL thousands; unless otherwise noted	**1Q18**	**1Q17**	**Change y-o-y**
Wine Business	4,593	3,446	33.3%
Beer Business	4,921	—	NMF
Distribution Business	2,902	2,940	-1.3%
Revenue	**12,416**	**6,386**	**94.4%**
Wine Business	(2,228)	(1,831)	21.7%
Beer Business	(3,567)	—	NMF
Distribution Business	(2,250)	(2,244)	0.3%
COGS	**(8,045)**	**(4,075)**	**97.4%**
Gross Profit	**4,371**	**2,311**	**89.1%**
Gross Profit Margin	*35.2%*	*36.2%*	
Salaries and other employee benefits	(2,838)	(1,094)	159.4%
Sales and marketing expenses	(1,048)	(238)	NMF
General and administrative expenses	(1,721)	(720)	139.0%
Distribution expenses	(884)	(327)	170.3%
Other operating expenses	(455)	(88)	NMF
EBITDA	**(2,575)**	**(156)**	**NMF**
Of which, wine EBITDA	*600*	*392*	*53.2%*
Of which, beer EBITDA	*(3,004)*	*(561)*	*NMF*
Of which, distribution EBITDA	*(171)*	*15*	*NMF*
Net foreign currency gain (loss)	2,174	2,096	3.7%
Depreciation and amortization	(2,547)	(360)	NMF
Net interest income/expense	(1,158)	(216)	NMF
Net non-recurring items	—	46	NMF
(Loss) profit before income tax	**(4,106)**	**1,410**	**NMF**
(Loss) Profit	**(4,106)**	**1,410**	**NMF**

Performance highlights

- *Teliani's revenues are up 94.4% y-o-y to GEL12.4 mln in 1Q18*. The y-o-y revenue increase was mainly driven by revenue generated by the beer and lemonade businesses that were launched in 3Q17 and organic growth of the wine business, which continued to increase its exports. Teliani achieved a well-diversified revenue mix in 1Q18, spread across all three different business lines: wine business (37.0%); distribution business (23.4%) and beer & lemonade business (39.6 %).
- In February 2018, Georgia Capital acquired a 100% equity stake in a leading Georgian craft beer producer, Black Lion LLC (Black Lion) for the total consideration of $3.2 mln. Black Lion is the largest producer of a premium class craft beer in Georgia that launched sales in the beginning of 2016 and sold approximately 300,000 litres of craft beer in 2017, primarily targeting restaurants and bars in Tbilisi. Premium class craft beer complements the existing basket of beverage products offered by Teliani and further diversifies the current revenue mix, contributing GEL 0.2mln revenue since acquisition.
- *Teliani's EBITDA of GEL 600 thousands from wine business almost doubled on a y-o-y basis.* The y-o-y increase was mainly driven by expanding wine export sales, constituting 77% of total wine revenue. Teliani significantly benefited from active marketing campaigns in Ukraine, translating into increased export sales by GEL 0.5mln up 56.3% y-o-y. Further Teliani entered the Chinese

market in the second half of 2017, contributing GEL 0.2mln into Teliani's export sales revenue in 1Q18. Recent free trade agreements with China and EU are expected to provide further opportunities for growing wine exports.

- *Teliani recorded negative GEL 3mln EBITDA in 1Q18 from beer business as compared to negative GEL 0.6mln in 1Q17.* The negative EBITDAs resulted from high marketing expenditures to compete with existing strong beer brands and obtain a significant market share of Georgian beer market.
- Throughout 2017 Teliani actively invested in beer facilities, launching its beer & lemonade business in 3Q17. This was reflected in the y-o-y growth of depreciation and amortisation expense. The y-o-y increase in net interest expense was in line with the increased balance of borrowed funds from international financial institutions (EBRD and DEG) to finance planned capital expenditure. As borrowed funds are largely denominated in EUR, Teliani recorded gain from foreign currency driven by the appreciation of GEL against EUR in 1Q18.
- As of 31 March 2018, Teliani is a market leader with 35% market share in premium hotels, restaurants and cafes and a modern trade segment based on bottled wine sales
- Teliani is the third largest market player based on mainstream beer sales in the highly concentrated Georgian beer market with 13% market share by litres in 1Q18.
- Teliani holds a 21% market share of the total imported beer by litres at the end of 1Q18.