Georgia Capital PLC 3Q18 trading update

Continued discipline in capital allocation and strong operational performance in our private investment portfolio

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS)

GEL thousands, except per share information

Georgia Capital NAV overview	**Sep-18**	**Jun-18**	**Change**
Net Asset Value (NAV)[1]	1,607,732	1,687,170	-4.7%
Listed investments (at market value)	1,135,561	1,202,571	-5.6%
Private investments (at book value)	673,132	623,209	8.0%
Cash and liquid funds	283,726	352,002	-19.4%
Net debt	(198,077)	(128,771)	53.8%
NAV per share, GEL[1]	44.6	45.7	-2.4%

Irakli Gilauri, Georgia Capital Chairman and CEO, commented: "The 3Q18 results demonstrated another quarter of excellence in operational execution in our private investment portfolio, while the market value of listed investments was impacted by global equity market trends. Our NAV decreased by 4.7% to GEL 1.6 billion in 3Q18 resulting from a 5.6% decrease in the market value of our listed investments and an increase of GEL 69 million in net debt, which were partially offset by 8.0% growth in our private investment portfolio value. NAV per share decreased by only 2.4% to GEL 44.6 at 30 September 2018, as we continued to buy Georgia Capital shares at significant discounts to management NAV. As of 30 September 2018, our investment in Georgia Capital shares, measured at market value (LSE closing price), was GEL 39.3 million, an 8.8% premium to their buyback price of GEL 36.1 million. Under the management NAV private businesses are conservatively valued at their IFRS book values, however, starting from FY18 results announcement we intend to provide management estimated fair values for individual private businesses.

During 3Q18 we invested GEL 32 million in our early stage portfolio businesses primarily across Beverages and Hospitality & Commercial Real Estate to capitalise on the fast-growing Georgian economy. At the same time, we continue to build the ground for the Group's intended expansion into the education industry. From a macro-economic perspective, despite emerging market volatilities, the Georgian economy remained resilient with 4.0% y-o-y real GDP growth and close to target (2.9%) inflation in 3Q18. In line with US dollar strengthening and turbulence in trading markets, GEL depreciated against the US dollar by 6.7% q-o-q, however, strong governance and export market diversification increased resilience towards negative shocks, and the nominal effective exchange rate appreciated by on average 4.1% q-o-q in 3Q18."

CAPITAL ALLOCATION HIGHLIGHTS

Capital allocation (GEL, millions)		**1H18**	**3Q18**	**Total 9M18**
Listed	Bank of Georgia	-	(24)	**(24)**
	Georgia Healthcare Group	-	-	**-**
Late stage	Water Utility	-	-	**-**
	Housing Development	-	-	**-**
	P&C insurance	(10)	-	**(10)**
Early stage	Renewable Energy	3	1	**4**
	Hospitality & Commercial	-	20	**20**
	Beverages	29	11	**40**
Pipeline	Education	6	-	**6**
Total		**28**	**8**	**36**

We continue to follow the capital allocation projections announced in our 1H18 earnings release. During 3Q18, we received a GEL 24 million dividend payment from Bank of Georgia and we invested GEL 32 million across our early stage portfolio. This capital was used primarily for bolt-on acquisitions to increase scale and accelerate progress to value creation goals. As a result, net capital deployment was GEL 8 million during 3Q18. The following capital allocation decisions were made during 3Q18:

[1] Excluding impact from foreign exchange movements, Net Asset Value would be GEL 1,620,542 and Net Asset Value per share would be GEL 44.9

- GEL 11 million was allocated to Beverages (of which GEL 6 million was used to acquire the remaining 39.5% minority stake in our Kindzmarauli winery and GEL 5 million was used to finance the operating deficit of the beer business);
- GEL 20 million was allocated to the Hospitality business for the development of existing hotels and the acquisition of a land plot for hotel and office space development;
- GEL 1 million was allocated to the Renewable Energy business for the development of wind power plants;

NAV STATEMENT[3]

Net Asset Value breakdown	Ownership %	Management Adjusted Value		Change	Change %
GEL thousands, unless otherwise noted		30-Sep-18	30-Jun-18		
Listed Equity Investments		**1,135,561**	**1,202,571**	**(67,010)**	**-5.6%**
GHG (75,118,503 shares at market)	57.0%	564,035	608,502	(44,467)	-7.3%
BoG (9,784,716 shares at market)	19.9%	571,526	594,069	(22,543)	-3.8%
Private Investments		**673,132**	**623,209**	**49,923**	**8.0%**
Late stage portfolio		**413,144**	**399,718**	**13,426**	**3.4%**
Water Utility (at book)	100.0%	288,237	282,319	5,918	2.1%
Housing Development (at book)	100.0%	71,350	68,530	2,820	4.1%
P&C Insurance (at book)	100.0%	53,557	48,869	4,688	9.6%
Early stage portfolio		**253,403**	**217,232**	**36,171**	**16.7%**
Renewable Energy (at book)	65.0%	58,897	53,572	5,325	9.9%
Hospitality & Commercial (at book)	100.0%	106,856	78,700	28,156	35.8%
Beverages (at book)	80.0%	87,650	84,960	2,690	3.2%
Pipeline		**6,585**	**6,259**	**326**	**5.2%**
Education (at book)	100.0%	6,738	6,177	561	9.1%
Other (at book)	100.0%	(154)	82	(236)	NMF
Total Portfolio Value		**1,808,693**	**1,825,780**	**(17,087)**	**-0.9%**
Net Debt		**(198,077)**	**(128,771)**	**(69,306)**	**53.8%**
of which, cash and liquid funds		283,726	352,002	(68,276)	-19.4%
of which, loans issued		289,121	252,488	36,633	14.5%
of which, gross debt		(770,924)	(733,261)	(37,663)	5.1%
Net other assets / (liabilities)		(2,884)	(9,839)	6,955	-70.7%
Net Asset Value		**1,607,732**[2]	**1,687,170**	**(79,438)**	**-4.7%**
Shares outstanding		36,070,014	36,912,664	(842,650)	-2.3%
Net Asset Value per share (GEL)		**44.6**[2]	**45.7**	**-1.1**	**-2.4%**
Net Asset Value per share (GBP)		**13.1**[2]	**14.1**	**-1.0**	**-7.1%**

NAV decreased by 4.7% to GEL 1.6 billion at 30 September 2018 as a result of:

I. **Listed investments –** The GEL 67 million decline in the market value of listed investments reflects the declines in the values of both BoG and GHG in line with global equity market trends. On 23 August 2018, we announced that we no longer expect to own less than a 50% stake in GHG at the end of 2018, as we believe that the current share price significantly undervalues the performance and value creation prospects of GHG.

II. **Private investments –** The increase in the private investment portfolio value was driven by GEL 32 million capital allocation and GEL 12.5 million attributable net income, excluding the impact from foreign exchange movements. All of the late stage private portfolio companies demonstrated strong operating performance together delivering double-digit growth in revenues y-o-y during 3Q18, while the development of the early stage businesses was in line with expectations.

III. **Net debt –** The GEL 69 million increase in net debt resulted from:

   a. Increase of GEL 28 million from share buybacks, of which management trust[4] purchases totalled GEL 16 million and the share buyback programme totalled GEL 12 million.

   b. Holding company's net comprehensive loss of GEL 20.6 million, of which the net foreign currency loss of GEL 12.8 million was driven by the accounting impact of the 6.7% devaluation of the GEL against the US dollar. Holding company's foreign currency position was approximately US$ 82 million (GEL 215 million) at 30 September 2018.

   c. Increase of GEL 32 million from capital allocations to early stage portfolio companies.

   d. Decrease of GEL 24 million as a result of dividends received from Bank of Georgia.

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[2] Excluding impact from foreign exchange movements, Net Asset Value would be **GEL 1,620,542;** Net Asset Value per share would be **GEL 44.9** or **GBP 13.2**

[3] Listed investments are carried at the period-end market values based on closing share prices on reputable stock exchanges and Private investments are carried at their book values

[4] An equity compensation trust ("Trust"), established in 2Q18 for the purposes of satisfying deferred share remuneration awarded to executive directors and members of executive management

Private investment portfolio results

Late stage portfolio

Water utility

Continued efficiency gains offset by significant decline in electricity generation

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Revenue	**39,616**	**38,521**	**2.8%**	**109,450**	**99,103**	**10.4%**
EBITDA	**22,941**	**22,249**	**3.1%**	**60,172**	**53,350**	**12.8%**
Development capex	44,482	21,708	NMF	121,552	57,636	NMF
Maintenance capex	6,513	5,935	9.7%	18,957	20,136	-5.9%
Net debt	271,982	113,938	NMF	271,982	113,938	NMF

The Water Utility business revenue increased 2.8% y-o-y to GEL 39.6 million, of which utility revenues were GEL 37.6 million (up 8.3% y-o-y) and energy revenues were GEL 2.0 million (down GEL 1.8 million (47.0%) y-o-y) in 3Q18. Utility revenues increased in both water supply to individuals (mostly attributable to the increased residential tariff effective from 1 January 2018) and water supply revenue from legal entities (on the back of strong business activity across various industries). New connections, which almost tripled from 661 in 3Q17 to 1,698 in 3Q18, also contributed to the increase in water supply revenues, while extraordinarily lower precipitation related water inflows to Zhinvali HPP led to the y-o-y reduction in revenues from electricity power sales. The reduction was partly offset by significant savings in the water utility's self-consumption of electricity, which decreased by 21.6% from 79,100 thousand kwh in 3Q17 to 62,033 thousand kwh in 3Q18. As a result, the Water Utility business recorded a 3.1% y-o-y growth in 3Q18 EBITDA.

Development capex during 3Q18 contributed to the expected increase in net debt. The Gardabani wastewater treatment plant construction works were completed and the plant has been fully operational since the end of July 2018. Our 2.5 MW Bodorna HPP was commissioned in October 2018.

Housing development

Strong performance in construction contributing 59% of gross real estate profit in 3Q18

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Gross real estate profit	**3,709**	**1,863**	**99.1%**	**13,613**	**25,847**	**-47.3%**
of which, property revaluation	-	(298)	NMF	2,311	21,488	-89.2%
EBITDA	**(99)**	**(447)**	**-78.1%**	**5,065**	**20,315**	**-75.1%**

Strong apartment sales in our Housing Development business were the primary driver of gross real estate profit, excluding revaluation gains, increasing 71.6% y-o-y in 3Q18. The housing business remains on track to complete two out of its four ongoing residential projects by the end of 2018. During the third quarter of 2018, m^2 sold 41 apartments with a total sales value of US$ 6.5 million (231 apartments with US$ 16.9 million sales value in 3Q17). As expected, we recorded higher per ticket sales prices due to the sales volumes closer to the full completion stage. The overall sales momentum was hurt by low inventory levels. These are expected to increase by approximately 3,300 apartments when the housing business starts pre-sales for its largest ever in-house affordable housing project in the Digomi district of Tbilisi (subject to Tbilisi City Hall's final approval). The increased gross real estate profit was supported by a strong performance in the higher-margin construction segment, which recorded gross profit of GEL 2.2 million in 3Q18, 80% of which was generated from third-party projects.

P&C insurance

Border third-party liability insurance drives Aldagi's revenue growth

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Earned premiums, net	**18,508**	**16,707**	**10.8%**	**49,961**	**46,191**	**8.2%**
Net income[5]	**4,492**	**4,541**	**-1.1%**	**12,797**	**12,131**	**5.5%**

The 10.8% y-o-y growth in Property & Casualty Insurance business earned net premiums was driven by GEL 2.1 million in 3Q18 from compulsory border third-party liability insurance introduced in March of 2018. In addition, net premiums earned from credit life insurance products grew by 28.0% y-o-y in 3Q18 due to organic growth and less risk-sharing with reinsurance counterparts. As a result, net premiums earned totalled GEL 18.5 million in 3Q18 (up 10.8% y-o-y), while ROAE was 36.4% in 3Q18. Operating expenses were up 13.7% y-o-y in 3Q18, mainly driven by a one-off impairment charge of GEL 0.2 million and an increase in salary expenses as a result of the establishment of a new strategic development department in 2H17. The combined ratio was slightly up at 76.3% in 3Q18, resulting in Aldagi's net income of GEL 4.5 million in 3Q18 (down 1.1% y-o-y).

[5] Adjusted for non-recurring items, mostly acceleration of share-based expense recognition as a result of the Group's demerger from BGEO Group during May-18

During 3Q18 Aldagi initiated a marketing strategy to increase insurance awareness across Georgia. The Property & Casualty Insurance business also continues to invest in establishing a leading brand by developing digital, user-friendly, fast and convenient applications for all age-groups.

Early stage portfolio

Renewable energy

Commissioning of Mestiachala HPP on track for 1H19

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Revenue	**-**	**-**	**-**	**-**	**-**	**-**
EBITDA	**(213)**	**(491)**	**-56.7%**	**(616)**	**(1,495)**	**-58.8%**
Capex	20,934	35,067	-40.3%	41,498	45,588	-9.0%
Net debt	97,679	40,526	NMF	97,679	40,526	NMF

The Renewable Energy business continued its construction works on the 50MW Mestiachala HPP and development works on the 46MW Zoti HPP. In addition, the renewable energy business has a pre-construction pipeline of 74MWs of hydro, 200MWs of wind and 30MWs of solar, out of a targeted 500MWs over the medium-term. The business is progressing in line with the pipeline and capital expenditures forecast announced in the 1H18 earnings release. The Mestiachala HPP construction works are on track to be completed by the end of 2018 within its original budget and timescale. Out of the total GEL 20.9 million capital expenditures spent on development of renewable projects, c. 90% was used for the Mestiachala HPP construction works. The y-o-y increase in net debt is in line with spending on Mestiachala HPPs construction works.

Hospitality & commercial real estate

Pick up in occupancy levels accelerating recurring revenue growth

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Revenue	**3,742**	**2,428**	**54.1%**	**7,584**	**4,208**	**80.2%**
of which, hospitality	2,211	-	NMF	3,787	-	NMF
of which, commercial real estate	1,393	833	67.2%	3,608	2,613	38.1%
of which, revaluation	-	1,595	NMF	-	1,595	NMF
EBITDA	**1,976**	**2,099**	**-5.9%**	**3,827**	**3,432**	**11.5%**
of which, hospitality	913	(104)	NMF	978	(128)	NMF
of which, commercial real estate	1,063	2,203	-51.7%	2,849	3,560	-20.0%

Revenue in the Hospitality & commercial real estate business increased by 54.1% in 3Q18 y-o-y as a result of the significant expansion of the commercial real estate portfolio and the launch of the first Ramada Encore hotel in April 2018. The commercial real estate portfolio properties recorded an aggregated 92.3% occupancy level (85.1% in 3Q17) and 9.8% income yield in 3Q18 (8.7% in 3Q17). The decrease in 3Q18 EBITDA of the commercial real estate portfolio is attributable to the absence of GEL 1.6 million revaluation gains recorded in 3Q17. In 3Q18 the operating Ramada Encore hotel generated a gross profit of GEL 1.0 million, with occupancy levels of 65.6%, an average daily rate (ADR) of US$72.3 and a 48% net operating profit margin. The Hospitality business continues to develop hotels on schedule and within announced budgets.

Beverages

Double-digit growth in revenues driven by increased wine exports

GEL thousands, unless otherwise noted	3Q18	3Q17	Change	9M18	9M17	Change
Revenue	**22,732**	**20,616**	**10.3%**	**53,197**	**38,194**	**39.3%**
of which, wine business	7,891	6,040	30.6%	18,648	14,684	27.0%
of which, beer business	10,705	10,690	0.1%	23,956	13,191	81.6%
EBITDA	**(633)**	**2,159**	**NMF**	**(6,721)**	**1,254**	**NMF**
of which, wine business	1,346	1,874	-28.2%	2,971	3,674	-19.1%
of which, beer business	(2,178)	106	NMF	(9,680)	(2,703)	NMF

The wine business recorded a 30% y-o-y growth in revenue during 3Q18 as the organic increase in wine bottle sales was 17.7% to 1.1 million bottles, reflecting strong growth in sales to export markets. Wine EBITDA was down 28.2% on a y-o-y basis in 3Q18, as gross margin decreased to 41.7% in 3Q18 (from 53.6% in 3Q17) due to the removal of the government's subsidy on grapes, which adversely affected purchase prices for grapes. Through the acquisition of LLC Kindzmarauli Marani in 1H18, which increased its vineyard base to 436 hectares, our wine business is now a top three winery in Georgia in terms of the vineyard base. Therefore, management expects to minimize reliance on purchased grapes in the coming years and as a result, manage gross profit margin levels.

Beer EBITDA was negative GEL 2.2 million in 3Q18, compared to positive GEL 0.1 million in 3Q17. The performance was hurt by delays in the launch of two Heineken brands (Amstel and Heineken). Beverages has already strengthened its beer business following the appointment of a new CEO and COO and expects to launch additional Heineken brands in 1H19, while Krusovice production started in August 2018. In addition, the Georgian beer market sales volume also experienced a 12.6% y-o-y decline in 3Q18 (by approximately 50,000 hectolitres) due to unusually low temperatures recorded during the summer months, while the beer business's sales volume decreased by 10.7% only during the same period.

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About Georgia Capital PLC

Georgia Capital PLC ("**Georgia Capital**" or **"the Group"** – LSE: **CGEO LN**) is a UK listed holding company of a diversified group of companies focused on investing in businesses in Georgia with holdings in industries that are expected to benefit from the continued strong growth and diversification of the Georgian economy. **The Group** seeks to create value by driving the development of high growth potential businesses in Georgia, aiming to consolidate fragmented or underdeveloped markets. We either acquire our businesses during their early development stage or establish them on a greenfield basis.

The financial information is unaudited and is presented based on Georgia Capital's management accounts in order to provide transparency in our results in the most relevant and useful way for our investors. Details of the differences between Georgia Capital's consolidated financial statements prepared on an IFRS basis and its management accounts are provided in the half-year 2018 results announcement. The quarterly trading update presents the financial position of the company at the quarter end, together with highlights of material transactions or other events that occurred during the quarter. Georgia Capital believes that publication of a quarterly trading update is a valuable communication to investors.

Forward looking statements

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important risks, uncertainties and factors could cause actual results to differ materially from those expressed or implied in forward-looking statements, including those highlighted in 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 document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.