

Georgia Capital PLC 1Q19 trading update

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS) (GEL'000)

GEL thousands, except per share information

Georgia Capital NAV overview	Mar-19	Dec-18	Change
NAV per share, GEL	50.51	47.13	7.2%
NAV per share, GBP	14.37	13.88	3.5%
Net Asset Value (NAV)	1,809,685	1,688,220	7.2%
Total Portfolio Value	2,024,306	1,883,374	7.5%
Liquid assets and loans issued	580,573	605,129	-4.1%
Net debt	(214,020)	(196,916)	8.7%

KEY POINTS

- NAV per share (GEL) up 7.2%
- Portfolio value in excess of GEL 2 billion
 - 12.1% total return from listed portfolio companies
 - 2.1% total return from private portfolio companies
- Strong financial and operational performance across our private portfolio companies
- GHG initiated a dividend policy in March, providing us with new stream of cash inflows
- Renewable Energy successfully commissioned the first phase, 30MW, of Mestiachala hydro power plant
- Fulfilled privatisation conditions and subsequently obtained full title on Water Utility assets
- Commencement of construction of hotel in Kutaisi
- Launched 26 Periodic Technical Inspection Centres
- Our beer business was approved to launch production of one of the Heineken brands
- The beer business acquired a prominent Georgian beverages brand, Kazbegi, with 5% market share
- Signed an agreement to acquire the second largest auto service industry player, Amboli, subject to regulatory approvals

NAV overview: NAV increased by 7.2% to GEL 1.8 billion in 1Q19 resulting from a GEL 137 million increase in the portfolio value, which was slightly offset by a GEL 17 million increase in net debt as we bought back GEL 11.5 million Georgia Capital shares. The listed portfolio companies generated a GEL 119 million return, primarily reflecting a recovery in Bank of Georgia's share price, which increased by 20% to GBP 16.53 during 1Q19. The private portfolio companies continued to demonstrate strong operating performance in 1Q19, where the late stage businesses delivered a GEL 21 million investment return driven by y-o-y double-digit growth in Water Utility's 1Q19 EBITDA. Similarly, the early stage portfolio companies continued their development to the next levels of their greenfield lifecycles. Even though the first phase of Mestiachala hydro power plant has been launched, we still carry the asset at book value. We expect to revalue the asset based on the appropriate peer group multiple in the coming quarters.

Capital allocations: In 1Q19 we allocated GEL 2.9 million capital to portfolio companies, of which, GEL 1.6 million was to Renewable Energy for the development of wind power plants, and GEL 1.3 million was to Education for land development. Additionally, GEL 0.6 million was allocated to the evaluation of new investment opportunities. As a result, total capital allocations were GEL 3.5 million in 1Q19.

Irakli Gilauri, Georgia Capital Chairman and CEO, commented: "We have started the year strongly and remain well positioned to take disciplined advantage of further investment opportunities. We continued to see high quality deal flow in 1Q19. NAV per share increased by 7.2% to GEL 50.51 as of 31 March 2019, while our portfolio value exceeded GEL 2 billion for the first time. The first few months of 2019 were eventful as a) We had two acquisitions: the beer business acquired a prominent beverages brand, Kazbegi, and the acquisition of the second largest auto service industry player, Amboli, subject to regulatory approvals; b) GHG announced a dividend policy following strong growth in their free cash flow generation; c) Renewable Energy launched their first hydro power plant in April 2019; d) all periodic vehicle inspection centres were successfully launched and are now operational; and e) unconditional title has been obtained on Water Utility assets, which represents 25% of our NAV. We expect this positive momentum to continue throughout 2019 and support sustainable growth in our NAV per share.

From a macro-economic perspective, the Georgian economy grew by 4.1% y-o-y in Jan-Feb 2019. Average inflation was close to target at 2.7%, and the trade deficit decreased by 14.2% y-o-y in 1Q19. At the same time, the NBG increased its foreign currency reserves to a record-high US\$ 3.5 billion and also reduced the monetary policy rate by 50 bps to 6.5%. Georgia's resilience to negative macroeconomic developments in the region was acknowledged by international rating agencies as Fitch upgraded their Georgian Sovereign Bond rating from BB- to BB with stable outlook in Feb-19, and S&P changed the country's outlook from BB- stable to BB- positive in Apr-19."

Private portfolio companies

Late stage portfolio

Water utility

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Revenue	33,233	32,341	2.8%
EBITDA	17,076	15,031	13.6%
Development capex	11,425	37,491	-69.5%
Maintenance capex	5,516	6,958	-20.7%
Net debt	306,201	210,239	45.6%

1Q19 revenues from water supply to corporates and individuals remained largely flat y-o-y at GEL 28.9 million, while energy revenues were up 9.9% y-o-y to GEL 2.4 million. Increased energy revenues reflect significant savings in Water Utility's self-consumption of electricity, which decreased by 16.6% y-o-y to 50,935 thousand kwh in 1Q19, and a doubling from a low base of the average selling price per kwh. The business also continued its efficiency improvement, leading to 6.7% y-o-y reduction in operating expenses in 1Q19, also as a result of decrease in electricity self-consumption. The result was 13.6% y-o-y growth of Water Utility's 1Q19 EBITDA. Net debt was broadly unchanged in the first quarter of 2019, while the increase from 31 March 2018 relates to development capex over the last twelve months.

Housing development

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Gross real estate profit	1,553	3,004	-48.3%
<i>of which, apartment sales</i>	472	2,922	-83.8%
<i>of which, construction management</i>	1,032	29	NMF
EBITDA	(1,558)	749	NMF

The Housing Development gross profit from apartment sales fluctuates with the cycle of projects and strength of demand in the market for quality affordable housing. In 1Q19 market conditions remained healthy and the business continued its strong project execution. Total sales progress reached 87.5% in on-going projects and 20.7% in pre-sales of upcoming Digomi project. However, revenue recognition lagged as the construction commencement of the Digomi project is expected for 2Q19. Average selling price per square meter on the Digomi project was US\$ 1,028 in 1Q19, which was slightly ahead of budget. Gross real estate profit was strongly supported by the construction management segment, where most of its fees were generated from third-party projects.

P&C insurance

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Earned premiums, net	17,412	14,925	16.7%
Net income	4,266	3,902	9.3%

The property & casualty insurance business revenues increased as a result of growth in earned premiums from compulsory border third-party liability insurance (up GEL 0.9 million y-o-y) and organic growth in the credit life insurance portfolio (up 17.2% y-o-y). While the loss ratio remained stable in 1Q19, the expense ratio increased by 6.8 ppts due to increased acquisition costs on the property insurance portfolio. Aldagi's net income was up 9.3% y-o-y, resulting in 29.7% ROAE in 1Q19 (31.3% in 1Q18).

Early stage portfolio

Renewable energy

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Revenue	-	-	-
EBITDA	(188)	(476)	60.5%
Capex	11,344	10,137	11.9%
Net debt	68,609	63,162	8.6%

The renewable energy business successfully commissioned the first phase (30MW) of Mestiachala hydro power plant on time and within budget on 8 April 2019. The business also remains on track to launch the second phase (20MW HPP) in June 2019. The expected net annual generation of the 50MW Mestiachala plant is estimated at 171 GWh. GEL 11.3 million capital was invested in the development of renewable projects in 1Q19.

Hospitality & commercial real estate

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Revenue	2,780	1,353	105.3%
<i>of which, hospitality</i>	934	344	171.5%
<i>of which, commercial real estate</i>	1,838	1,001	83.6%
Net Operating Income (NOI)	1,002	559	79.2%

The portfolio of commercial real estate available for lease more than doubled to US\$ 32.3 million in 1Q19 (US\$ 16.0 million in 1Q18), while the occupancy level and gross income yield stood at 86.4% (89.8% in 1Q18) and 8.4% (10.3% in 1Q18), respectively. The business generated a gross income yield of 10.3% on \$26 million leased commercial assets in 1Q19 (10.8% on \$15 million in 1Q18).

Within the hospitality business, Ramada Encore hotel, which was launched in March 2018, recorded an average daily rate (ADR) of US\$ 61.3 in 1Q19. The hotel bed utilization was low in 1Q19, as expected, given that the first quarter is seasonally slow in tourism. In total, GEL 9.7 million was spent on hotel developments in 1Q19. The business currently has four hotels under construction: a hotel in Gudauri, the leading ski resort of the Caucasus region, with expected 121 rooms (target opening date of 4Q19); a hotel on Melikishvili Avenue in Tbilisi with expected 125 rooms (target opening date of 1Q20); a luxury hotel on Gergeti street in Tbilisi with expected 100 rooms (target opening date of 3Q20) and Ramada Kutaisi hotel in Kutaisi with expected 121 rooms, on which construction works began in 1Q19 (target opening date of 4Q20).

Beverages

<i>GEL thousands, unless otherwise noted</i>	1Q19	1Q18	Change
Revenue	17,518	12,416	41.1%
<i>of which, wine business</i>	7,904	4,579	72.6%
<i>of which, beer business</i>	5,794	4,921	17.7%
EBITDA	(2,447)	(2,575)	5.0%
<i>of which, wine business</i>	1,468	732	100.5%
<i>of which, beer business</i>	(3,052)	(2,986)	-2.2%

The wine business delivered a strong performance in 1Q19, which was supported by growth in exports. Organic growth in wine bottle sales was 29% y-o-y to 1.0 million bottles in 1Q19, while the gross profit margin was up 290 bps y-o-y to 49.8% as the business benefited from last year's vineyard acquisitions. The wine business now ranks in the top five wineries in Georgia given its 451 hectare vineyard base.

The beer business revenues increased on the back of an improved product mix and increase in local market selling prices. The business also started to export its mainstream beer and lemonade to Russia and China in order to tap the export markets. Beer EBITDA remained largely flat at negative GEL 3 million in 1Q19 ahead of the expected launch of the Amstel and Heineken brands. At the end of March 2019, the beer business increased the mix of its portfolio by acquiring a prominent Georgian beverages brand, Kazbegi, holding approximately 5% market share. The revenue growth from new brands is expected during the Summer, when consumption typically grows, and the business expects to achieve positive operating leverage in 3Q19. Net debt increased by GEL 8.1 million.

Conference call

An investor/analyst conference call details, to be held on 26 April 2019 at 14:00 UK / 15:00 CET / 9:00 U.S Eastern Time, is available on the Group's website: <https://georgiacapital.ge/ir/news>. Dial-in numbers are as follows: +44 (0) 2071 928000 (international); 18669661396 (US); 08003767922 (UK) and Conference ID is 1597970.

APPENDIX: NAV STATEMENT

GEL thousands unless otherwise noted	Stake	Valuation Method	Multiples		Fair Values		Change %	Total Return ¹	Total Return %
			Mar-19	Dec-18	Mar-19	Dec-18			
Listed Portfolio Companies					1,096,510	977,827	12.1%	118,683	12.1%
Georgia Healthcare Group PLC ²	57%	LSE			528,038	520,332	1.5%	7,706	1.5%
Bank of Georgia Group PLC ²	20%	LSE			568,472	457,495	24.3%	110,977	24.3%
Private Portfolio Companies					927,796	905,547	2.5%	18,814	2.1%
Late Stage					630,696	628,326	0.4%	21,104	3.4%
Water Utility	100%	EV/EBITDA ³	8.8	8.8	449,446	431,017	4.3%	18,428	4.3%
Housing Development ⁴	100%	NAV			48,050	66,785	-28.1%	-	0.0%
P&C Insurance	100%	P/E ³	7.4	7.4	133,200	130,524	2.1%	2,676	2.1%
Early stage					287,760	271,288	6.1%	(3,818)	-1.4%
Renewable energy	65%	Book Value			62,885	61,182	2.8%	148	0.2%
Hospitality & Commercial ⁴	100%	NAV			167,814	149,079	12.6%	-	0.0%
Beverage	80%				57,061	61,027	-6.5%	(3,966)	-6.5%
Wine Business		EV/EBITDA ³	9.3	9.1	57,061	56,771	0.5%	290	0.5%
Beer Business		EV/Sales ³	2.2	2.2	-	4,256	NMF	(4,256)	-NMF
Pipeline					9,340	5,933	57.4%	1,527	25.7%
Education	100%				8,543	7,071	20.8%	201	2.8%
Other	100%				797	(1,138)	NMF	1,326	NMF
Total Portfolio Value					2,024,306	1,883,374	7.5%	137,497	7.3%
Net Debt					(214,020)	(196,915)	8.7%		
of which, Cash and liquid funds					325,916	299,650	8.8%		
of which, Loans issued					254,656	305,480	-16.6%		
of which, Gross Debt					(794,592)	(802,045)	-0.9%		
Net other assets/ (liabilities)					(601)	1,762	NMF		
Net Asset Value					1,809,685	1,688,221	7.2%		
Shares outstanding					35,827,639	35,816,947	0.0%		
Net Asset Value per share (GEL)					50.51	47.13	7.2%		
Net Asset Value per share (GBP)					14.37	13.88	3.5%		

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 and developing 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. 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.

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 Annual Report and Accounts 2018. 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.

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¹ Total return of each business is measured as an aggregate of a) change in beginning and ending fair values ex. capital allocations, b) gains from sales and c) dividend income during period.

² Number of shares owned in BoG and GHG were 9,784,716 and 75,118,503 shares, respectively.

³ Applied to last twelve months (LTM) earnings.

⁴ GEL 18 million capital was reallocated from Hospitality & Commercial Real Estate to Housing Development in 1Q19 upon construction completion of retail spaces in residential projects.