



# Georgia-focused investment company

Investor Presentation: 2H18 & FY18 results

**10 x = 10 y**

# Forward looking statements



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## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# Water utility business financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Revenue from water supply to legal entities	50,078	47,055	6.4%	42,150	18.8%	92,228	85,983	7.3%
Revenue from water supply to individuals	19,984	16,869	18.5%	19,602	1.9%	39,586	32,921	20.2%
Revenue from electric power sales	4,330	6,661	-35.0%	4,722	-8.3%	9,052	9,755	-7.2%
Revenue from technical support	1,438	1,192	20.6%	1,303	10.4%	2,741	2,604	5.3%
Other income	3,465	2,642	31.2%	2,055	68.6%	5,520	3,737	47.7%
<b>Revenue</b>	<b>79,295</b>	<b>74,419</b>	<b>6.6%</b>	<b>69,832</b>	<b>13.6%</b>	<b>149,127</b>	<b>135,000</b>	<b>10.5%</b>
Salaries and benefits	(9,139)	(9,622)	-5.0%	(9,476)	-3.6%	(18,615)	(18,920)	-1.6%
Electricity and transmission costs	(9,334)	(9,418)	-0.9%	(9,361)	-0.3%	(18,695)	(18,303)	2.1%
Other operating expenses	(12,684)	(13,355)	-5.0%	(10,741)	18.1%	(23,425)	(23,529)	-0.4%
<b>Operating expenses</b>	<b>(31,157)</b>	<b>(32,395)</b>	<b>-3.8%</b>	<b>(29,578)</b>	<b>5.3%</b>	<b>(60,735)</b>	<b>(60,752)</b>	<b>NMF</b>
Provisions for doubtful trade receivables	(2,011)	(550)	NMF	(3,022)	-33.5%	(5,033)	(1,675)	NMF
<b>EBITDA</b>	<b>46,127</b>	<b>41,474</b>	<b>11.2%</b>	<b>37,232</b>	<b>23.9%</b>	<b>83,359</b>	<b>72,573</b>	<b>14.9%</b>
<i>EBITDA Margin</i>	58%	56%		53%		56%	54%	
Depreciation and amortization	(13,308)	(10,393)	28.0%	(12,085)	10.1%	(25,393)	(20,213)	25.6%
<b>EBIT</b>	<b>32,819</b>	<b>31,081</b>	<b>5.6%</b>	<b>25,147</b>	<b>30.5%</b>	<b>57,966</b>	<b>52,360</b>	<b>10.7%</b>
<i>EBIT Margin</i>	41%	42%		36%		39%	39%	
Net interest expense	(7,077)	(7,283)	-2.8%	(7,253)	-2.4%	(14,330)	(12,408)	15.5%
Net non-recurring expenses	(637)	(884)	-27.9%	(5,484)	-88.4%	(6,121)	(1,135)	NMF
Foreign exchange (loss) gain	(9,360)	(419)	NMF	4,390	NMF	(4,970)	(482)	NMF
<b>EBT</b>	<b>15,745</b>	<b>22,495</b>	<b>-30.0%</b>	<b>16,800</b>	<b>-6.3%</b>	<b>32,545</b>	<b>38,335</b>	<b>-15.1%</b>
<b>Profit</b>	<b>15,745</b>	<b>21,951</b>	<b>-28.3%</b>	<b>16,800</b>	<b>-6.3%</b>	<b>32,545</b>	<b>37,401</b>	<b>-13.0%</b>

## Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	Dec-18	Dec-17	Change
Inventories	3,913	3,787	3.3%
Trade and other receivables	19,657	23,738	-17.2%
Prepaid taxes other than income tax	1,465	2,243	-34.7%
Prepayments	1,647	1,764	-6.6%
Other current assets	436	8,168	-94.7%
Cash and cash equivalents	13,713	61,963	-77.9%
<b>Total current assets</b>	<b>40,831</b>	<b>101,663</b>	<b>-59.8%</b>
Property, plant and equipment	586,207	441,556	32.8%
Investment Property	9,865	11,286	-12.6%
Intangible assets	1,299	2,026	-35.9%
Other non-current assets	1,065	11,405	-90.7%
<b>Total non-current assets</b>	<b>598,436</b>	<b>466,273</b>	<b>28.3%</b>
<b>Total assets</b>	<b>639,267</b>	<b>567,936</b>	<b>12.6%</b>
Current borrowings	20,170	1,341	NMF
Trade and other payables	24,287	32,778	-25.9%
Other current liabilities	1,356	541	NMF
<b>Total current liabilities</b>	<b>45,813</b>	<b>34,660</b>	<b>32.2%</b>
Long term borrowings	300,076	246,015	22.0%
Deferred income	22,869	19,475	17.4%
<b>Total non-current liabilities</b>	<b>322,968</b>	<b>265,490</b>	<b>21.6%</b>
<b>Total liabilities</b>	<b>368,781</b>	<b>300,150</b>	<b>22.9%</b>
<b>Total equity</b>	<b>270,486</b>	<b>267,786</b>	<b>1.0%</b>
<b>Total liabilities and equity</b>	<b>639,267</b>	<b>567,936</b>	<b>12.6%</b>

# Water utility business financial highlights



## Cash flow statement

<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Cash received from customers	78,442	74,645	5.1%	66,031	18.8%	144,473	131,403	9.9%
Cash paid to suppliers	(20,810)	(22,132)	-6.0%	(18,096)	15.0%	(38,906)	(38,932)	-0.1%
Cash paid to employees	(8,381)	(8,367)	0.2%	(9,246)	-9.4%	(17,627)	(16,514)	6.7%
Interest received	245	936	-73.8%	235	4.3%	480	1,501	-68.0%
Taxes paid	1,502	(4,033)	NMF	(8,332)	NMF	(6,830)	(7,308)	-6.5%
<b>Cash flow from operating activities before maintenance capex</b>	<b>50,998</b>	<b>41,049</b>	<b>24.2%</b>	<b>30,592</b>	<b>66.7%</b>	<b>81,590</b>	<b>70,150</b>	<b>16.3%</b>
Maintenance capex	(10,096)	(9,002)	12.2%	(12,444)	-18.9%	(22,540)	(23,203)	-2.9%
<b>Operating cash flow</b>	<b>40,902</b>	<b>32,047</b>	<b>27.6%</b>	<b>18,148</b>	<b>NMF</b>	<b>59,050</b>	<b>46,947</b>	<b>25.8%</b>
Purchase of PPE and intangible assets	(71,383)	(77,810)	-8.3%	(77,070)	-7.4%	(148,453)	(113,605)	30.7%
Proceeds from PPE and investment property sale	570	-	NMF	1,458	-60.9%	2,028	-	NMF
CAPEX VAT	6,607	7,238	-8.7%	8,193	-19.4%	14,800	11,134	32.9%
Restricted cash in Bank	3,024	(3,914)	NMF	3,509	-13.8%	6,533	(2,553)	NMF
<b>Total cash used in investing activities</b>	<b>(61,182)</b>	<b>(74,486)</b>	<b>-17.9%</b>	<b>(63,910)</b>	<b>-4.3%</b>	<b>(125,092)</b>	<b>(105,024)</b>	<b>19.1%</b>
Proceeds from borrowings	44,105	219,570	-79.9%	27,522	60.3%	71,627	252,516	-71.6%
Repayment of borrowings	(442)	(109,344)	-99.6%	(297)	48.8%	(739)	(118,337)	-99.4%
Interest paid	(10,722)	(7,564)	41.8%	(9,718)	10.3%	(20,440)	(12,831)	59.3%
Dividend paid	(28,840)	(28,244)	2.1%	-	NMF	(28,840)	(28,244)	2.1%
Contributions under share-based payment plan	(1,529)	(4,941)	-69.1%	(779)	96.3%	(2,308)	(4,941)	-53.3%
<b>Total cash flow from financing activities</b>	<b>2,572</b>	<b>69,477</b>	<b>-96.3%</b>	<b>16,728</b>	<b>-84.6%</b>	<b>19,300</b>	<b>88,163</b>	<b>-78.1%</b>
Effect of exchange rates changes on cash	946	4,746	-80.1%	(2,454)	NMF	(1,508)	4,365	NMF
<b>Total cash (outflow)/inflow</b>	<b>(16,762)</b>	<b>31,784</b>	<b>NMF</b>	<b>(31,488)</b>	<b>-46.8%</b>	<b>(48,250)</b>	<b>34,451</b>	<b>NMF</b>
Cash, beginning balance	30,475	30,179	1.0%	61,963	-50.8%	61,963	27,512	NMF
<b>Cash, ending balance</b>	<b>13,713</b>	<b>61,963</b>	<b>-77.9%</b>	<b>30,475</b>	<b>-55.0%</b>	<b>13,713</b>	<b>61,963</b>	<b>-77.9%</b>

Water Utility

Housing  
Development

P&amp;C Insurance

Renewable  
EnergyHospitality &  
Commercial  
RE

Beverages

# Water utility business overview

## Utility

### At a glance



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



**Hydros linked to utility – 152MW**

Zhinvali  
130MW  
Operating

Tetrikhevi  
12MW  
Operating

Saguramo  
4.4MW  
Operating

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

Bodorna  
2.5MW  
Operating

**EBITDA 2018: 83.4mln**  
**Dividend distribution 2018: GEL 28.8mln**

- **Regulated WACC of 15.99% set for a 3-year regulatory period (2018-2020)**, up from previous 13.54%.
- **New WSS tariffs set by GNERC for a 3-year regulatory period on the back of new tariff setting methodology introduced in August, 2017.** Tariffs in Tbilisi have increased by 23.8% for residential customers and decreased by 0.4% for legal entities, serving as a first step towards gradually unifying WSS tariffs.
- **Long-term financing obtained from international financial institutions** (EIB, FMO, DEG), total committed amount of up to EUR 81.5mln through GWP in 3Q17 to finance capital expenditures increasing efficiency.
- GWP, a wholly owned subsidiary of GGU which operates the water utility business in Tbilisi, had its **credit rating of BB- reaffirmed with stable outlook by Fitch in February 2018.**

GEL millions, unless otherwise noted

Key highlights	2018	2017	change
Revenue	149.1	135.0	10.5%
EBITDA	83.4	72.6	14.9%
Development capex <sup>2</sup>	148.5	113.6	30.7%
Maintenance capex <sup>2</sup>	22.5	23.2	-2.9%
FCF	(66.0)	(58.1)	13.7%
Cash from operations	81.6	70.2	16.3%
Net debt	306.5	185.4	65.3%

### Electricity consumption



- As a result of efficient management of operating expenses coupled with strong increase in revenues, **utility business EBITDA increased** by 14.9% to GEL 83.4mln in 2018.
- **2017 and 2018 were capital-intensive years for the water utility business.** Capital expenditure level is anticipated to step down after 2018, reaching long-term run-rate Capex<sup>3</sup> of c. GEL 52-70mln by 2022, as most of the value-enhancing energy efficient projects will already be undertaken.
- **GGU focuses on decrease of consumption of own electricity to increase third party sales and diversify its revenues.** GGU anticipates further upsides from pursuing cost efficiencies by targeting improvements of the worn-out infrastructure, thus reducing consumption of own electricity and increasing third party electricity sales.

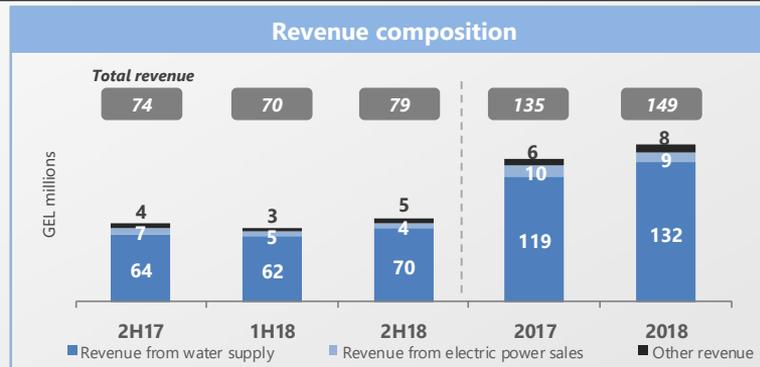
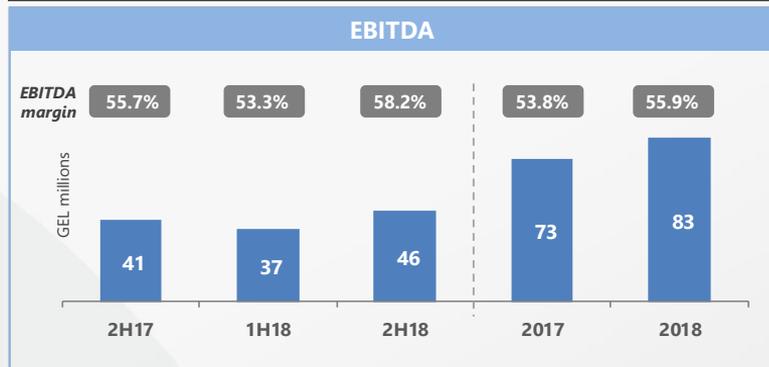
### Key facts

(1) Under operating lease.  
(2) Capex figures are stated including VAT.  
(3) Development and maintenance capex including VAT.

# Water utility business performance highlights



## Strong performance

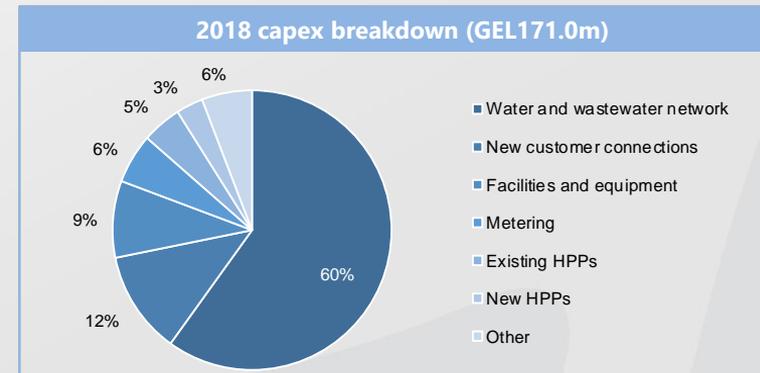


## Operating results

### Selected operating metrics

Thousands except for connections

	2H18	2H17	Change	1H18	change	2018	2017	change
<b>Water sales (m<sup>3</sup>)</b>	93,272	90,219	3.4%	86,547	7.8%	179,819	173,820	3.5%
<b>Electricity generation (kwh)</b>	139,820	193,565	-27.8%	184,028	-24.0%	323,847	341,528	-5.2%
<b>Electricity consumption (kwh)</b>	116,703	147,661	-21.0%	120,442	-3.1%	237,145	290,714	-18.4%
<b>Number of new connections</b>	2,832	1,452	95.0%	2,183	29.7%	5,015	2,347	NMF



# Georgian utility market overview

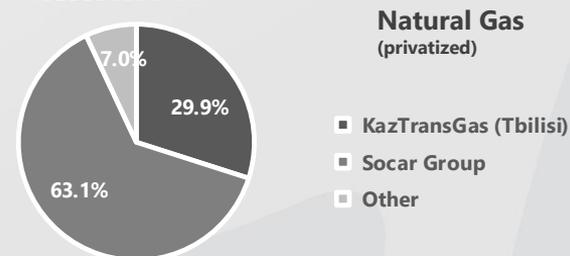
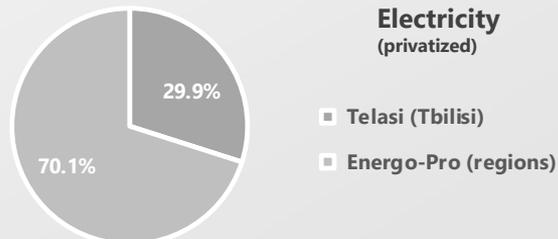
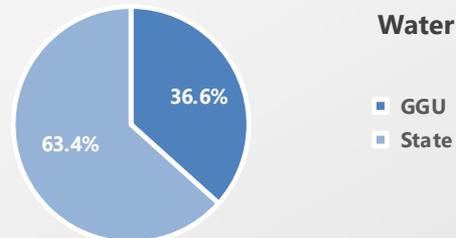
## Largely privatized utility sector with high barriers to entry

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

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

- Largely depreciated water and sanitation infrastructure with average water losses at c. 74% (c. 3 times higher than on average in most of the European countries<sup>1</sup>)
- Average collection rates from households in Georgia - c. 50%
- GGU's average collection rates - around 96%
- Water utilities other than GGU heavily subsidized by state
- c. 45% of the population serviced on the municipal level with bad service quality, frequent interruptions and poor coverage

## Coverage by population



(1) The European Federation of National Water Services, 2017.

# Water utility business strategy

## Business strategy

### Water utility

#### Medium term outlook

- The outlook in medium term is positive as management expects further continued growth in revenues
  - Organic growth in water supply with limited increase in operating expenses
  - Reduction in self-consumed electricity, increasing third party electricity sales, coupled with electricity market deregulation (expected from 1 May 2019), potentially driving electricity sales price up
- The business further plans to gradually decrease volume of capital expenditures after completing two years of accelerated capex program

#### Targeting

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

#### Capex<sup>1</sup> evolution 2017-2022E

GEL millions	2017A	2018A	2019F	2020F	2021F	2022F
Maintenance capex	23	23	23	23	23	22
Development capex	114	148	65-75	45-58	35-50	30-48
<b>Total capex, incl. VAT</b>	<b>137</b>	<b>171</b>	<b>88-98</b>	<b>68-81</b>	<b>58-73</b>	<b>52-70</b>

#### Projected dividends through 2022 (GEL m)



(1) Capex figures are presented including VAT.

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### Late stage

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- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# Housing development business financial highlights



## Income statement

GEL thousands, unless otherwise noted

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Gross profit from apartments sale	3,040	5,896	-48.4%	6,405	-52.5%	9,445	8,036	17.5%
Gross profit from construction management	4,254	-	NMF	1,080	NMF	5,334	-	NMF
Other income	47	218	-78.4%	109	-56.9%	156	277	-43.7%
<b>Gross Real Estate Profit</b>	<b>7,341</b>	<b>6,114</b>	<b>20.1%</b>	<b>7,594</b>	<b>-3.3%</b>	<b>14,935</b>	<b>8,313</b>	<b>79.7%</b>
Revaluation of commercial property <sup>1</sup>	3,213	(199)	NMF	2,311	39.0%	5,524	21,586	-74.4%
<b>Operating expenses</b>	<b>(6,840)</b>	<b>(4,708)</b>	<b>45.3%</b>	<b>(4,742)</b>	<b>44.2%</b>	<b>(11,582)</b>	<b>(7,929)</b>	<b>46.1%</b>
<b>EBITDA</b>	<b>3,714</b>	<b>1,207</b>	<b>NMF</b>	<b>5,163</b>	<b>-28.1%</b>	<b>8,877</b>	<b>21,970</b>	<b>-59.6%</b>
<b>Profit before non-recurring items</b>	<b>2,143</b>	<b>1,340</b>	<b>59.9%</b>	<b>4,480</b>	<b>-52.2%</b>	<b>6,623</b>	<b>22,161</b>	<b>-70.1%</b>
Net non-recurring items	(1,781)	(237)	NMF	(4,443)	-59.9%	(6,224)	(126)	NMF
<b>Profit</b>	<b>362</b>	<b>(406)</b>	<b>NMF</b>	<b>37</b>	<b>NMF</b>	<b>399</b>	<b>20,527</b>	<b>-98.1%</b>

## Balance Sheet

GEL thousands, unless otherwise noted

	Dec-18	Dec-17	change
Cash and cash equivalents	8,833	19,945	-55.7%
Amounts due from credit institutions	1,634	114	NMF
Investment securities	512	3,205	-84.0%
Accounts receivable and other loans	6,063	333	NMF
Prepayments	33,976	36,226	-6.2%
Inventories	105,307	59,199	77.9%
Investment property	52,603	93,373	-43.7%
Land bank	8,722	58,373	-85.1%
Commercial real estate	43,881	35,000	25.4%
Property and equipment	8,232	4,214	95.3%
Other assets	33,832	29,043	16.5%
<b>Total assets</b>	<b>250,992</b>	<b>245,652</b>	<b>2.2%</b>
Amounts due to credit institutions	46,069	44,243	4.1%
Debt securities issued	67,697	65,122	4.0%
Deferred income	23,009	46,660	-50.7%
Other liabilities	46,175	12,952	NMF
<b>Total liabilities</b>	<b>182,950</b>	<b>168,977</b>	<b>8.3%</b>
<b>Total equity</b>	<b>68,042</b>	<b>76,675</b>	<b>-11.3%</b>
<b>Total liabilities and equity</b>	<b>250,992</b>	<b>245,652</b>	<b>2.2%</b>

(1) Value created on commercial property.

# Housing development business financial highlights



## Statement of Cash Flow

GEL thousands, unless otherwise noted

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Proceeds from sales of apartments	43,555	66,595	-34.6%	37,137	17.3%	80,692	112,215	-28.1%
Outflows for development	(31,273)	(43,213)	-27.6%	(45,293)	-31.0%	(76,566)	(79,820)	-4.1%
Net proceeds from construction services	2,412	-	NMF	(2,619)	NMF	(207)	-	NMF
Cash paid for operating expenses	(6,724)	(3,987)	68.6%	(7,349)	-8.5%	(14,073)	(8,884)	58.4%
Income tax paid	-	(1,000)	NMF	-	NMF	-	(4,854)	NMF
<b>Net cash flows from operating activities</b>	<b>7,970</b>	<b>18,395</b>	<b>-56.7%</b>	<b>(18,124)</b>	<b>NMF</b>	<b>(10,154)</b>	<b>18,657</b>	<b>NMF</b>
Capital expenditure on investment property and PPE	(6,530)	(4,166)	56.7%	(7,161)	-8.8%	(13,691)	(9,292)	47.3%
<b>Net cash flows used in investing activities</b>	<b>(6,530)</b>	<b>(4,166)</b>	<b>56.7%</b>	<b>(7,161)</b>	<b>-8.8%</b>	<b>(13,691)</b>	<b>(9,292)</b>	<b>47.3%</b>
Net Intersegment loans received/(issued)	8,835	(12,997)	NMF	28,925	-69.5%	37,760	(18,543)	NMF
Repayment of debt securities issued	-	-	NMF	-	NMF	-	(34,099)	NMF
Contributions under share-based payment plan	-	(7,652)	NMF	(1,280)	-100.0%	(1,280)	(7,652)	-83.3%
Proceeds from borrowings	-	-	NMF	41,615	-100.0%	41,615	19,421	NMF
Repayment of borrowings	-	(15,801)	NMF	(42,465)	-100.0%	(42,465)	(16,908)	NMF
Interest paid	(4,481)	(4,833)	-7.3%	(4,554)	-1.6%	(9,035)	(10,345)	-12.7%
Dividend paid	(10,000)	-	NMF	-	NMF	(10,000)	-	NMF
Capital reallocation	-	(9,773)	NMF	-	NMF	-	(9,773)	NMF
<b>Net cash flows from financing activities</b>	<b>(5,646)</b>	<b>(51,056)</b>	<b>-88.9%</b>	<b>22,241</b>	<b>NMF</b>	<b>16,595</b>	<b>(77,899)</b>	<b>NMF</b>
Exchange (losses)/gains on cash equivalents	829	6,163	-86.5%	(3,171)	NMF	(2,342)	(374)	NMF
<b>Total cash inflow/(outflow) <sup>1</sup></b>	<b>(3,377)</b>	<b>(30,664)</b>	<b>-89.0%</b>	<b>(6,215)</b>	<b>-45.7%</b>	<b>(9,592)</b>	<b>(68,908)</b>	<b>-86.1%</b>
<b>Cash, beginning balance</b>	<b>13,844</b>	<b>50,723</b>	<b>-72.7%</b>	<b>20,059</b>	<b>-31.0%</b>	<b>20,059</b>	<b>88,967</b>	<b>-77.5%</b>
<b>Cash, ending balance</b>	<b>10,467</b>	<b>20,059</b>	<b>-47.8%</b>	<b>13,844</b>	<b>-24.4%</b>	<b>10,467</b>	<b>20,059</b>	<b>-47.8%</b>

(1) Net cash flow includes amounts due from credit institutions.

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

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

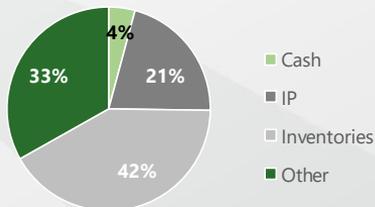
### 1 Affordable housing

Fully Develop land bank with total value of US\$ 23.0mln and c.3,397<sup>2</sup> apartments

**9 Completed projects**  
2,558 apartments, 99.7% sold with US\$ 215mln sales value

**2 Ongoing projects**  
313 apartments, 86.6% sold with US\$ 29mln sales value

Asset base at 31 December 2018 | Housing development business  
US\$ 94 million



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

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

#### Largest Franchise Deal Signed

**2,500** apartments to be delivered in 4-5 years; Expected m<sup>2</sup> fees:

- Construction Fee: **10%** of construction costs
- Sales & Marketing Fee: **2.5%** sales commissions
- Incentive Fee: **30%** of projects overall profit

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

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

### 3 Construction Management

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

#### 2 Signed third party deals

- Saburtalo City Mall
- Radisson Tsinandali

#### 9 Inhouse projects

- Melikishvili Ave mixed-use (Hotel and Residential)
- Hotel on Gergeti St.
- Hotel in Telavi
- Hotel in Gudauri
- Hotel on Javakishvili str.
- Kakheti Wine & Spa hotel
- Ramada Kutaisi hotel
- Mestia Hotel in Svaneti
- Seti Square Hotel in Mestia, Svaneti

(1) Transactions volume of residential flats in Tbilisi in 2017.

(2) Including 3,000 apartments of Digomi project and 397 apartments of Kavtaradze project.

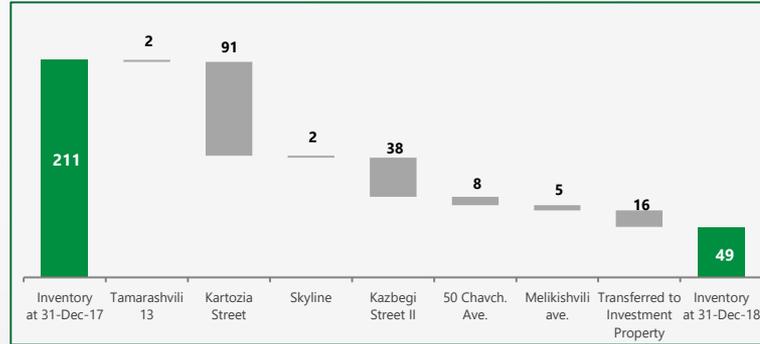
# Housing development business performance highlights

## Strong sales performance

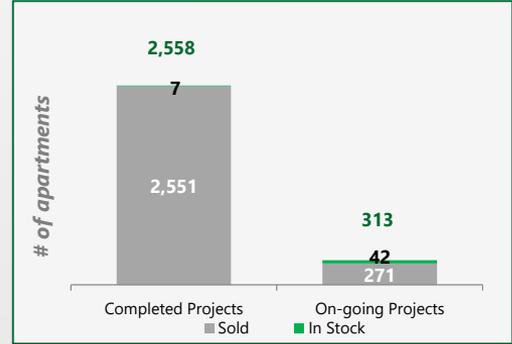
### Key highlights

GEL millions, unless otherwise noted	2018	2017	Change
Revenue	137.8	115.1	19.7%
Gross real estate profit	14.9	8.3	79.7%
EBITDA	8.9	22.0	-59.6%
Development Capex	13.7	9.3	47.3%
Maintenance Capex	-	-	NMF
FCF	(23.8)	9.4	NMF
Cash from operations	(10.2)	18.7	NMF
Net debt	107.2	65.1	64.7%

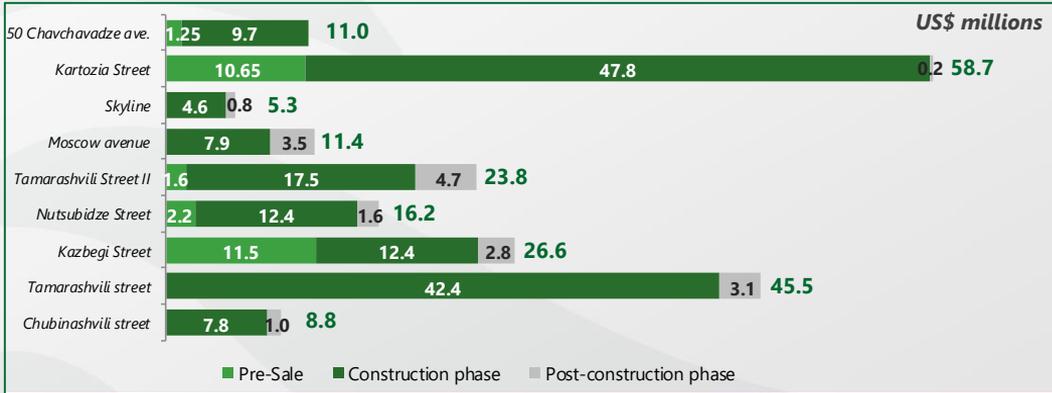
### 2018 apartments sales track record



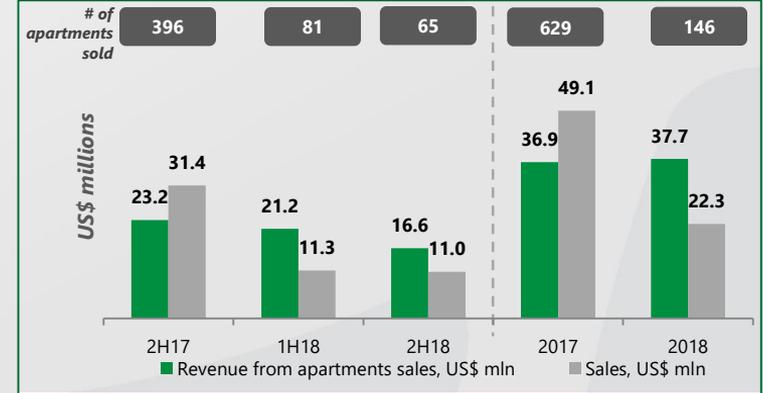
### 98.3% of apartments are sold-out



### Apartment sales track record in completed projects



### Revenue and sales from residential segment



# Affordable housing track record

## Operating/Financial data for completed and on-going projects at 31 December 2018<sup>1</sup>

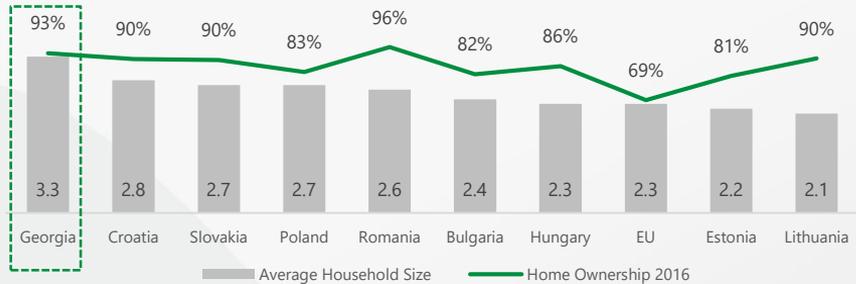
#	Project name	Total Sq.m. (Net Sellable Area)	Number of apartments	Sq.m. of apartments sold	Number of apartments sold	Number of apartments sold as % of total	Number of apartments available for sale	sq.m. apartments available for sale	Number of apartments transferred to IP	Sq.m. of apartments transferred to IP	Start date (construction)	Actual / Planned Completion date (construction)	Construction progress	Total Sales (US\$ mln)	Recognised as revenue (US\$ mln)	Deferred revenue (US\$ mln)	Deferred revenue expected to be recognised as revenue in 2019	Land value unlocked (US\$ mln)	Realised & Expected IRR
<b>Completed projects</b>		<b>191,460</b>	<b>2,558</b>	<b>190,354</b>	<b>2,551</b>	<b>99.7%</b>	<b>7</b>	<b>1,105</b>	<b>16</b>	<b>2,592</b>				<b>215</b>	<b>215</b>	<b>0</b>	<b>0</b>	<b>29</b>	
1	Chubinashvili street	9,366	123	9,366	123	100.0%	-	-	-	-	Sep-10	Aug-12	100%	9.9	9.9	-	-	0.9	47%
2	Tamarashvili street	40,717	525	40,717	525	100.0%	-	-	-	-	May-12	Jun-14	100%	48.9	48.9	-	-	5.4	46%
3	Kazbegi Street	21,937	295	21,937	295	100.0%	-	-	-	-	Dec-13	Feb-16	100%	27.2	27.2	-	-	3.6	165%
4	Nutsubidze Street	15,757	221	15,757	221	100.0%	-	-	-	-	Dec-13	Sep-15	100%	17.4	17.4	-	-	2.2	58%
5	Tamarashvili Street II	21,023	266	21,023	266	100.0%	-	-	4	476	Jul-14	Jun-16	100%	24.3	24.3	-	-	2.7	71%
6	Moscow avenue	15,053	238	15,053	238	100.0%	-	-	-	-	Sep-14	Jun-16	100%	12.3	12.3	-	-	1.6	31%
7	Skyline	2,614	12	2,614	12	100.0%	-	-	7	1,375	Dec-15	Dec-17	100%	5.4	5.4	-	-	3.1	329%
8	Kartozia Street	58,443	801	57,338	794	99.1%	7	1,105	-	-	Nov-15	Nov-18	100%	59.0	58.8	0.2	0.2	5.8	37%
9	50 Chavchavadze ave.	6,550	77	6,550	77	100.0%	-	-	5	741	Oct-16	Nov-18	100%	11.0	10.8	0.2	0.2	3.3	27%
<b>On-going projects</b>		<b>29,417</b>	<b>313</b>	<b>23,661</b>	<b>271</b>	<b>86.6%</b>	<b>42</b>	<b>5,755</b>	<b>6</b>	<b>591</b>				<b>29.3</b>	<b>24.0</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	
10	Kazbegi Street II	26,889	297	21,134	255	85.9%	42	5,755	6	591	Jun-16	Feb-19	85%	25.1	21.7	3.4	3.4	4.3	51%
11	10 Melikishvili ave.	2,527	16	2,527	16	100.0%	-	-	-	-	Sep-17	Sep-19	28%	4.2	2.3	1.9	1.9	0.8	101%
<b>Total</b>		<b>220,876</b>	<b>2,871</b>	<b>214,016</b>	<b>2,822</b>	<b>98.3%</b>	<b>49</b>	<b>6,861</b>	<b>22</b>	<b>3,183</b>				<b>244.7</b>	<b>239.1</b>	<b>5.6</b>	<b>5.6</b>	<b>33.7</b>	

(1) In addition to per square meter information, we also provide operating data based on number of apartments.

# Housing development business – market opportunity

## Average household size and home ownership | 2016

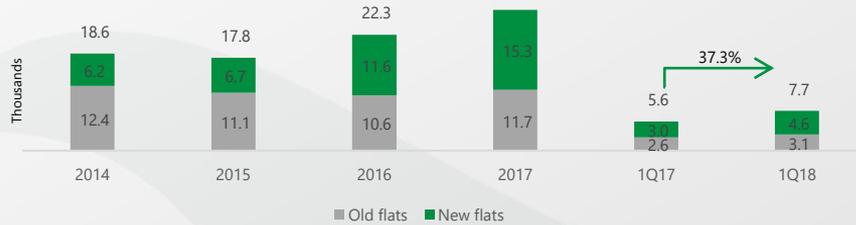
Source: Eurostat, Colliers International



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

## Number of sales transactions by unit types | Tbilisi

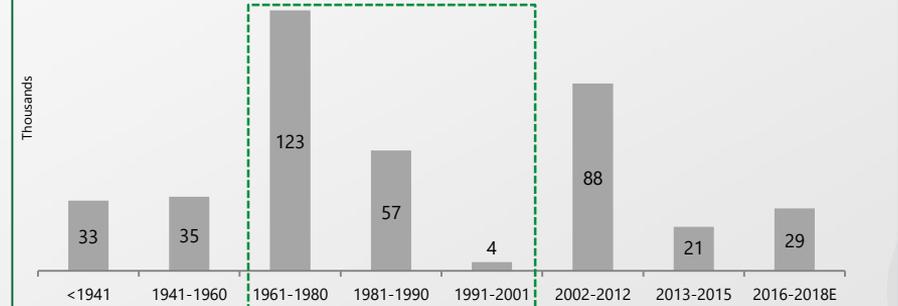
Source: Colliers International



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

## # of housing units developed by time periods

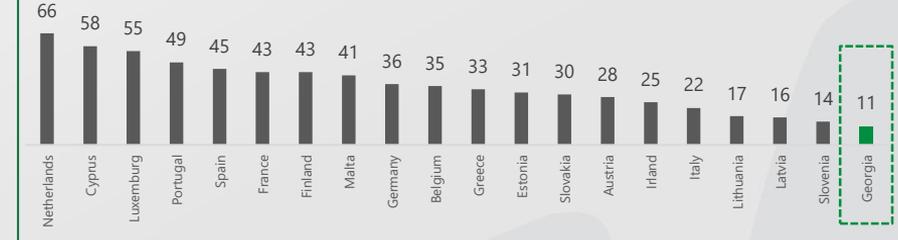
Source: Colliers International



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

## Mortgage loans as a % of GDP 2017

Source: IMF, Central banks



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

## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# P&C insurance business financial highlights



## Income statement

<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Gross premiums written	44,713	39,284	13.8%	45,885	-2.6%	90,598	88,474	2.4%
Earned premiums, gross	47,853	46,501	2.9%	42,551	12.5%	90,404	85,922	5.2%
<b>Earned premiums, net</b>	<b>36,039</b>	<b>33,284</b>	<b>8.3%</b>	<b>31,451</b>	<b>14.6%</b>	<b>67,490</b>	<b>62,770</b>	<b>7.5%</b>
Insurance claims expenses, gross	(14,534)	(21,540)	-32.5%	(13,982)	3.9%	(28,516)	(40,652)	-29.9%
<b>Insurance claims expenses, net</b>	<b>(13,245)</b>	<b>(13,555)</b>	<b>-2.3%</b>	<b>(12,503)</b>	<b>5.9%</b>	<b>(25,748)</b>	<b>(25,098)</b>	<b>2.6%</b>
<b>Acquisition costs, net</b>	<b>(5,712)</b>	<b>(5,506)</b>	<b>3.7%</b>	<b>(3,808)</b>	<b>50.0%</b>	<b>(9,520)</b>	<b>(9,100)</b>	<b>4.6%</b>
<b>Net underwriting profit</b>	<b>17,082</b>	<b>14,223</b>	<b>20.1%</b>	<b>15,140</b>	<b>12.8%</b>	<b>32,222</b>	<b>28,572</b>	<b>12.8%</b>
Investment income	1,814	1,601	13.3%	1,725	5.2%	3,539	2,965	19.4%
Net fee and commission income	159	313	-49.2%	290	-45.2%	449	525	-14.5%
<b>Net investment profit</b>	<b>1,973</b>	<b>1,914</b>	<b>3.1%</b>	<b>2,015</b>	<b>-2.1%</b>	<b>3,988</b>	<b>3,490</b>	<b>14.3%</b>
Salaries and employee benefits	(5,249)	(4,562)	15.1%	(4,618)	13.7%	(9,867)	(8,701)	13.4%
Selling and G&A expenses	(2,208)	(1,706)	29.4%	(1,836)	20.3%	(4,044)	(3,263)	23.9%
Depreciation & Amortisation	(548)	(380)	44.2%	(475)	15.4%	(1,023)	(855)	19.6%
Impairment charges	(879)	(239)	NMF	(658)	33.6%	(1,537)	(671)	NMF
Net other operating income	416	306	35.9%	432	-3.7%	848	495	71.3%
<b>Operating profit</b>	<b>10,587</b>	<b>9,556</b>	<b>10.8%</b>	<b>10,000</b>	<b>5.9%</b>	<b>20,587</b>	<b>19,067</b>	<b>8.0%</b>
Foreign exchange gain/(loss)	483	779	-38.0%	(346)	NMF	137	208	-34.1%
Non-recurring expenses	(23)	-	NMF	(629)	-96.3%	(652)	-	NMF
<b>Pre-tax profit</b>	<b>11,047</b>	<b>10,335</b>	<b>6.9%</b>	<b>9,025</b>	<b>22.4%</b>	<b>20,072</b>	<b>19,275</b>	<b>4.1%</b>
Income tax expense	(1,641)	(1,625)	1.0%	(1,349)	21.6%	(2,990)	(2,975)	0.5%
<b>Net profit</b>	<b>9,406</b>	<b>8,710</b>	<b>8.0%</b>	<b>7,676</b>	<b>22.5%</b>	<b>17,082</b>	<b>16,300</b>	<b>4.8%</b>

## Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	Dec-18	Dec-17	change
Cash and cash equivalents	11,103	4,187	NMF
Amounts due from credit institutions	23,456	25,968	-9.7%
Investment securities	4,408	4,180	5.5%
Insurance premiums receivable, net	31,442	28,491	10.4%
Ceded share of technical provisions	16,928	20,671	-18.1%
PPE and intangible assets, net	9,594	11,899	-19.4%
Goodwill	13,062	13,051	0.1%
Deferred acquisition costs	3,324	3,047	9.1%
Pension fund assets	18,931	18,536	2.1%
Other assets	13,462	5,127	NMF
<b>Total assets</b>	<b>145,710</b>	<b>135,157</b>	<b>7.8%</b>
Gross technical provisions	45,664	50,271	-9.2%
Other insurance liabilities	16,101	11,147	44.4%
Current income tax liabilities	588	30	NMF
Pension benefit obligations	18,932	18,536	2.1%
Other Liabilities	8,287	6,426	29.0%
<b>Total liabilities</b>	<b>89,572</b>	<b>86,410</b>	<b>3.7%</b>
<b>Total equity</b>	<b>56,138</b>	<b>48,747</b>	<b>15.2%</b>
<b>Total liabilities and equity</b>	<b>145,710</b>	<b>135,157</b>	<b>7.8%</b>

Water Utility

Housing Development

P&C Insurance

Renewable Energy

Hospitality & Commercial RE

Beverages

# P&C insurance business financial highlights



## Statement of Cash Flow

GEL thousands, unless otherwise noted

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Insurance premium received	43,014	41,114	4.6%	38,131	12.8%	81,145	77,287	5.0%
Reinsurance premium paid	(7,748)	(10,141)	-23.6%	(7,327)	5.7%	(15,075)	(15,796)	-4.6%
Insurance benefits and claims paid	(14,902)	(18,545)	-19.6%	(17,279)	-13.8%	(32,181)	(32,896)	-2.2%
Reinsurance claims received	967	2,653	-63.6%	7,351	-86.8%	8,318	8,233	1.0%
Acquisition costs paid	(4,135)	(4,131)	0.1%	(3,089)	33.9%	(7,224)	(7,192)	0.4%
Salaries and benefits paid	(4,166)	(4,454)	-6.5%	(7,328)	-43.1%	(11,494)	(11,478)	0.1%
Interest received	1,645	795	NMF	1,373	19.8%	3,018	2,035	48.3%
Net other operating expenses paid	(1,213)	(1,932)	-37.2%	(1,617)	-25.0%	(2,830)	(3,625)	-21.9%
Net cash flows from operating activities before income tax	13,462	5,359	NMF	10,215	31.8%	23,677	16,568	42.9%
Income tax paid	(2,028)	(1,956)	3.7%	(706)	NMF	(2,734)	(3,884)	-29.6%
<b>Net cash flows from operating activities</b>	<b>11,434</b>	<b>3,403</b>	<b>NMF</b>	<b>9,509</b>	<b>20.2%</b>	<b>20,943</b>	<b>12,684</b>	<b>65.1%</b>
Purchase of property and equipment	(418)	(2,115)	-80.2%	(605)	-30.9%	(1,023)	(2,421)	-57.7%
Purchase of intangible assets	(581)	(231)	NMF	(863)	-32.7%	(1,444)	(425)	NMF
Loan Issued	(22,143)	-	NMF	-	NMF	(22,143)	(100)	NMF
Proceeds from repayment of loan issued	18,147	-	NMF	-	NMF	18,147	-	NMF
Proceeds from / (Placement of) bank deposits	1,792	(1,589)	NMF	872	NMF	2,664	(211)	NMF
Purchase of available-for-sale assets/ Deposits	126	846	-85.1%	(237)	NMF	(111)	(2,443)	-95.5%
<b>Net cash flows from used in investing activities</b>	<b>(3,077)</b>	<b>(3,089)</b>	<b>-0.4%</b>	<b>(833)</b>	<b>NMF</b>	<b>(3,910)</b>	<b>(5,600)</b>	<b>-30.2%</b>
Dividend Paid	-	-	NMF	(10,000)	NMF	(10,000)	(7,000)	42.9%
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>NMF</b>	<b>(10,000)</b>	<b>-100.0%</b>	<b>(10,000)</b>	<b>(7,000)</b>	<b>42.9%</b>
Effect of exchange rates changes on cash and cash equivalents	6	(29)	NMF	(121)	NMF	(115)	(248)	-53.6%
<b>Total cash inflow/(outflow)</b>	<b>8,363</b>	<b>285</b>	<b>NMF</b>	<b>(1,445)</b>	<b>NMF</b>	<b>6,918</b>	<b>(164)</b>	<b>NMF</b>
<b>Cash and cash equivalents, beginning</b>	<b>2,740</b>	<b>3,900</b>	<b>-29.7%</b>	<b>4,185</b>	<b>-34.5%</b>	<b>4,185</b>	<b>4,349</b>	<b>-3.8%</b>
<b>Cash and cash equivalents, ending</b>	<b>11,103</b>	<b>4,185</b>	<b>NMF</b>	<b>2,740</b>	<b>NMF</b>	<b>11,103</b>	<b>4,185</b>	<b>NMF</b>

Water Utility

Housing Development

P&C Insurance

Renewable Energy

Hospitality & Commercial RE

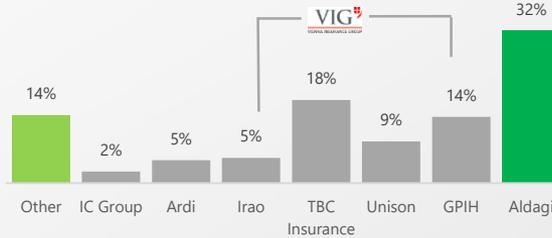
Beverages

# P&C insurance market overview

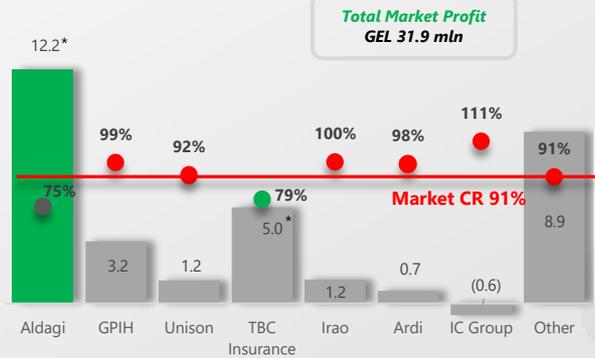
## Market & Aldagi Revenue (GEL millions)



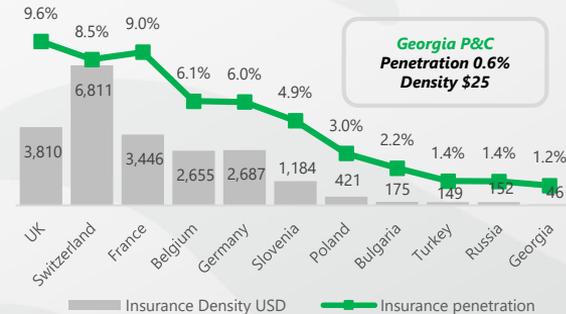
## Market Share 9m18 (earned premium, gross)



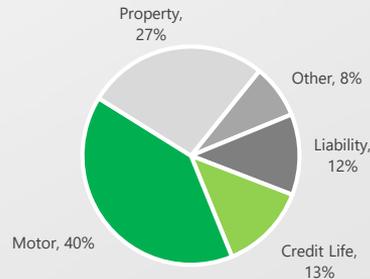
## Market PL & Combined Ratio 9m18



## Insurance Penetration & Density



## Market Composition by product lines



### Highlights

- 17 insurance companies operating in Georgia
- Aldagi is undisputed leader in P&C market
- Aldagi had 136% solvency ratio\*\* as of 31.12.2018
- Outperforming market growth by 6% (2010-2017)
- Aldagi's share in total market profit 38%

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

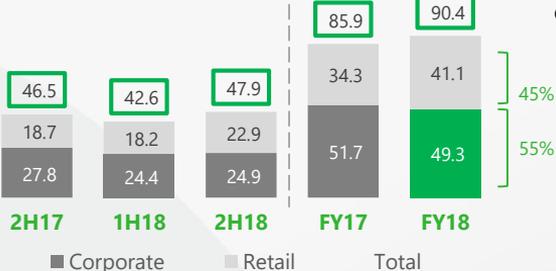
# P&C insurance business performance highlights



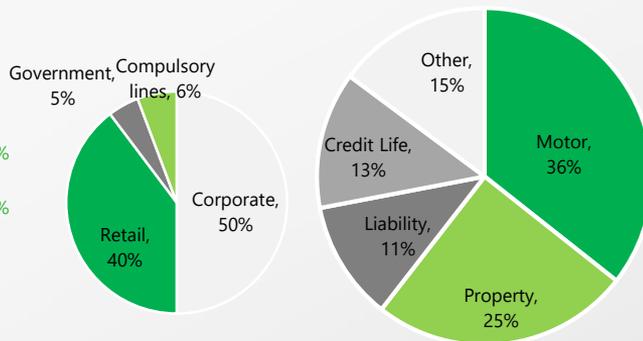
## Earned Premium, gross (GEL millions)

+5.2% y-o-y

GEL 90.4 mln



## Earned Premium, gross | Composition



## Profit (GEL millions)

+4.8% y-o-y

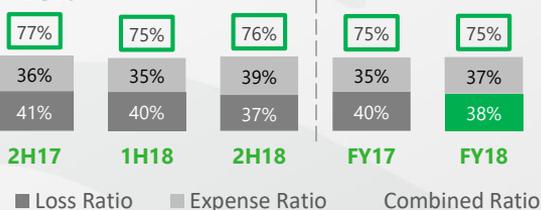
GEL 17.1mln



## Combined Ratio

flat y-o-y

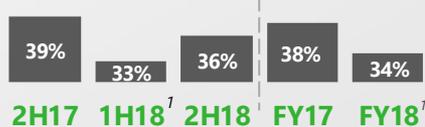
75%



## ROAE

-4ppt y-o-y

34%



## Key highlights (GEL mln)

	2018	2017	change
FCF	17.0	7.1	NMF
Cash from operations	20.9	12.7	+65.1%

FY18		
Retail segment growth (premiums earned)	20%	
Retail Segment Concentration in portfolio	45% (+5 ppt y-o-y)	
Retail profit growth	68%	
Market Share	32% (-1 ppt y-o-y)	
Renewal Ratio	Corporate	84%
	Retail	59%

Stable dividend payout within 40% -60% range

(1) Adjusted for non-recurring items.

# P&C insurance business overview



Well-diversified business model							
Key Segments		Motor <sup>(2)</sup>	Property <sup>(3)</sup>	Credit life <sup>(4)</sup>	Liability <sup>(5)</sup>	Other <sup>(6)</sup>	
Market size (9m18) <sup>(1)</sup>		GEL 85mln	GEL 56mln	GEL 26mln	GEL 25mln	GEL 18mln	
Aldagi market share <sup>(1)</sup>		30%	37%	29%	40%	24%	
# of Clients		Corporate – 1,174 Retail – 19,507	Corporate – 1,042 Retail – 63,134	Retail - 3 channels	Corporate – 1,081 Retail – 1,074	Corporate - 458 Retail – 13,460	
Financials FY18	Earned premiums, gross	GEL 90.4 mln	2014-2018 CAGR 16% 60% Corporate, 40% Retail	2014-2018 CAGR 3% 21% Corporate, 79% Retail	2014-2018 CAGR 30% 100% Retail	2014-2018 CAGR 20% 24% Corporate, 76% Retail	2014-2018 CAGR 34% 30% Corporate, 70% Retail
	Earned premiums, net	GEL 67.5 mln	2014-2018 CAGR 16% 61% Corporate, 39% Retail	2014-2018 CAGR 16% 45% Corporate, 55% Retail	2014-2018 CAGR 34% 100% Retail	2014-2018 CAGR 24% 37% Corporate, 63% Retail	2014-2018 CAGR 26% 29% Corporate, 71% Retail
	Underwriting profit, net	GEL 32.2 mln	2014-2018 CAGR 10% 57% Corporate, 43% Retail	2014-2018 CAGR 9% 40% Corporate, 60% Retail	2014-2018 CAGR 27% 100% Retail	2014-2018 CAGR 26% 41% Corporate, 59% Retail	2014-2018 CAGR 27% 23% Corporate, 77% Retail
	Net profit	GEL 17.1 mln	2014-2018 CAGR 4% 51% Corporate, 49% Retail	2014-2018 CAGR 14% 42% Corporate, 58% Retail	2014-2018 CAGR 30% 100% Retail	2014-2018 CAGR 27% 57% Corporate, 43% Retail	2014-2018 CAGR 41% 15% Corporate, 85% Retail
Loss ratio: 38%		Corporate – 58% Retail – 57%	Corporate – 13% Retail – 12%	Retail – 39%	Corporate – 2% Retail – 10%	Corporate – 24% Retail – 22%	
Combined ratio: 75%		Corporate – 92% Retail – 94%	Corporate – 58% Retail – 63%	Retail – 56%	Corporate – 69% Retail – 33%	Corporate – 63% Retail – 80%	

(1) Sources: Insurance State Supervision Service of Georgia. Market shares by earned premium gross

(2) Motor own damage, motor third party liability insurance

(3) Contractor's all risks insurance (CAR), Commercial property, Household property, Machinery breakdowns insurance

(4) Loan-linked life insurance

(5) Financial risk, employer's liability, professional indemnity, General third party liability insurance (GTPL), Freight Forwarders' liability (FFL), Household GTPL, Product liability insurance

(6) Cargo, Contractor's Plant And Machinery insurance (CPM), Livestock, Bankers blanket bond insurance (BBB), Directors and officers liability Insurance (D&O), Agro insurance

■ Corporate  
■ Retail

Water Utility

Housing Development

P&C Insurance

Renewable Energy

Hospitality & Commercial RE

Beverages

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

## Key facts

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

## Up to GEL 50mln investment required

### Consultant and technical support provider

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



## 51 Inspection Lines

**Tbilisi**  
(30 lines)

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

**Regions**  
(21 lines)

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

## Up to 300,000 vehicle inspections per year



## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# Renewable energy financial highlights



## Income statement

GEL thousands, unless otherwise noted

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
<b>Total Revenue</b>	-	-	NMF	-	NMF	-	-	NMF
Salaries and benefits	(170)	354	NMF	(134)	26.9%	(304)	(206)	47.6%
Other operating expenses	(197)	(1,083)	-81.8%	(269)	-26.8%	(466)	(1,527)	-69.5%
<b>Total Operating Expenses</b>	<b>(367)</b>	<b>(729)</b>	<b>-49.7%</b>	<b>(403)</b>	<b>-8.9%</b>	<b>(770)</b>	<b>(1,733)</b>	<b>-55.6%</b>
<b>EBITDA</b>	<b>(367)</b>	<b>(729)</b>	<b>-49.7%</b>	<b>(403)</b>	<b>-8.9%</b>	<b>(770)</b>	<b>(1,733)</b>	<b>-55.6%</b>
<b>EBIT</b>	<b>(558)</b>	<b>(862)</b>	<b>-35.3%</b>	<b>(564)</b>	<b>-1.1%</b>	<b>(1,122)</b>	<b>(1,938)</b>	<b>-42.1%</b>
Net interest expense	84	265	-68.3%	46	82.6%	130	54	NMF
Net non-recurring items	239	(196)	NMF	338	-29.3%	577	(196)	NMF
Foreign exchange loss/(gain)	(165)	309	NMF	(236)	-30.1%	(401)	(97)	NMF
<b>Profit before income tax</b>	<b>(400)</b>	<b>(484)</b>	<b>-17.4%</b>	<b>(416)</b>	<b>-3.8%</b>	<b>(816)</b>	<b>(2,177)</b>	<b>-62.5%</b>
<b>Net Profit</b>	<b>(400)</b>	<b>(484)</b>	<b>-17.4%</b>	<b>(416)</b>	<b>-3.8%</b>	<b>(816)</b>	<b>(2,177)</b>	<b>-62.5%</b>
<b>Attributable to:</b>								
– shareholders of the Group	(260)	(766)	-66.1%	(270)	-3.7%	(530)	(2,093)	-74.7%
– non-controlling interests	(140)	282	NMF	(146)	-4.1%	(286)	(84)	NMF

## Balance Sheet

GEL thousands, unless otherwise noted

	Dec-18	Dec-17	Change
<b>Total current assets</b>	<b>11,895</b>	<b>15,555</b>	<b>-23.5%</b>
Property, plant and equipment	114,645	47,953	NMF
Other non-current assets	42,764	33,043	29.4%
<b>Total non-current assets</b>	<b>157,409</b>	<b>80,996</b>	<b>94.3%</b>
<b>Total assets</b>	<b>169,304</b>	<b>96,551</b>	<b>75.4%</b>
<b>Total current liabilities</b>	<b>6,658</b>	<b>6,284</b>	<b>6.0%</b>
Long term borrowings	66,458	62,357	6.6%
Other non-current liabilities	2,029	1,279	58.6%
<b>Total non-current liabilities</b>	<b>68,487</b>	<b>63,636</b>	<b>7.6%</b>
<b>Total liabilities</b>	<b>75,145</b>	<b>69,920</b>	<b>7.5%</b>
<b>Total equity attributable to shareholders of the Group</b>	<b>61,203</b>	<b>16,505</b>	<b>NMF</b>
Non-controlling interest	32,956	10,126	NMF
<b>Total equity</b>	<b>94,159</b>	<b>26,631</b>	<b>NMF</b>
<b>Total liabilities and equity</b>	<b>169,304</b>	<b>96,551</b>	<b>75.4%</b>

Water Utility

Housing Development

P&C Insurance

Renewable Energy

Hospitality & Commercial RE

Beverages

# Renewable energy financial highlights

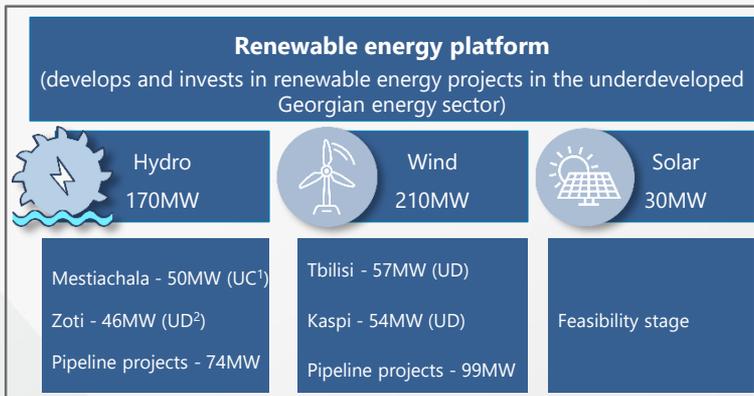


Cash flow statement								
<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Cash paid to suppliers	(459)	170	NMF	(171)	NMF	(630)	(1,335)	-52.8%
Cash paid to employees	35	536	-93.5%	(244)	NMF	(209)	(223)	-6.3%
Interest received	97	87	11.5%	46	NMF	143	92	55.4%
<b>Cash flow from operating activities</b>	<b>(327)</b>	<b>793</b>	<b>NMF</b>	<b>(369)</b>	<b>-11.4%</b>	<b>(696)</b>	<b>(1,466)</b>	<b>-52.5%</b>
Purchase of PPE and intangible assets	(47,693)	(65,912)	-27.6%	(20,565)	NMF	(68,258)	(76,565)	-10.8%
VAT return	5,000	6,856	-27.1%	963	NMF	5,963	6,635	-10.1%
Restricted cash in Bank	-	12,403	NMF	-	NMF	-	154	NMF
<b>Total cash flow used in investing activities</b>	<b>(42,693)</b>	<b>(46,653)</b>	<b>-8.5%</b>	<b>(19,602)</b>	<b>NMF</b>	<b>(62,295)</b>	<b>(69,776)</b>	<b>-10.7%</b>
Proceeds from borrowings	37,218	21,964	69.5%	18,276	NMF	55,494	57,268	-3.1%
Capital increase	2,293	6,967	-67.1%	5,441	-57.9%	7,734	16,801	-54.0%
<b>Total cash flow used in financing activities</b>	<b>39,511</b>	<b>28,931</b>	<b>36.6%</b>	<b>23,717</b>	<b>66.6%</b>	<b>63,228</b>	<b>74,069</b>	<b>-14.6%</b>
Exchange (losses)/gains on cash equivalents	546	1,198	-54.4%	(693)	NMF	(147)	604	NMF
<b>Total cash inflow/(outflow)</b>	<b>(2,963)</b>	<b>(15,731)</b>	<b>-81.2%</b>	<b>3,053</b>	<b>NMF</b>	<b>90</b>	<b>3,431</b>	<b>-97.4%</b>
Cash, beginning balance	11,351	24,029	-52.8%	8,298	36.8%	8,298	4,867	70.5%
<b>Cash, ending balance</b>	<b>8,388</b>	<b>8,298</b>	<b>1.1%</b>	<b>11,351</b>	<b>-26.1%</b>	<b>8,388</b>	<b>8,298</b>	<b>1.1%</b>

# Renewable energy business overview

## Energy

### At a glance



**Total non-current assets (Dec-18):** GEL 157m

### Key facts

- Investing in additional capacity for electricity generation **with the goal to establish a renewable energy platform**
- Cheap to develop** – Up to US\$1.5m/ln for 1MW hydro and up to US\$1.4m/ln for wind development in Georgia
- Strategic partnership with RP Global (Austria) – Independent Power Producer **with 30 years experience of developing, building, owning and operating renewable power plants globally**

*GEL millions, unless otherwise noted*

<b>Key Highlights</b>	<b>2018</b>	<b>2017</b>	<b>change</b>
Revenue	n/a	n/a	n/a
EBITDA	(0.8)	(1.7)	-55.6%
Capex	68.3	76.6	-10.8%
FCF	n/a	n/a	n/a
Cash from operations	(0.7)	(1.5)	-52.5%
Net debt	62.3	56.6 <sup>4</sup>	10.2%

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

- GRPC is currently investing in construction and development of an extensive **pipeline of renewable energy projects**
- 50 MW Mestiachala HPPs** – cascade of run-of-the-river plants in northwestern part of Georgia – are at the construction stage with expected COD in 1H19
- 46 MW Zoti HPPs and 111 MW wind projects (Kaspi and Tbilisi)** are at the development stage with expected COD in 2020/2021, while other pipeline projects are at various development stages

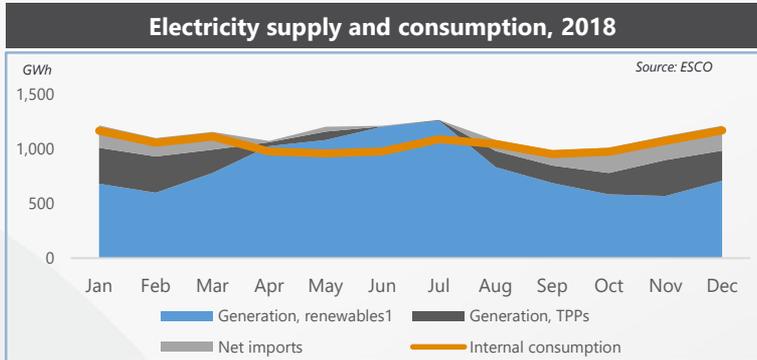
(1) Under construction.

(2) Under development.

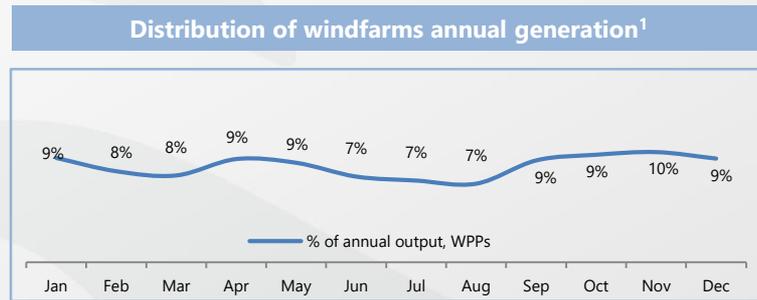
(3) 500 MW target includes existing energy assets of utility business (GGU).

(4) Net debt figure in 2017 includes shareholder loan of GEL 52.5m, which was converted into equity in 2018.

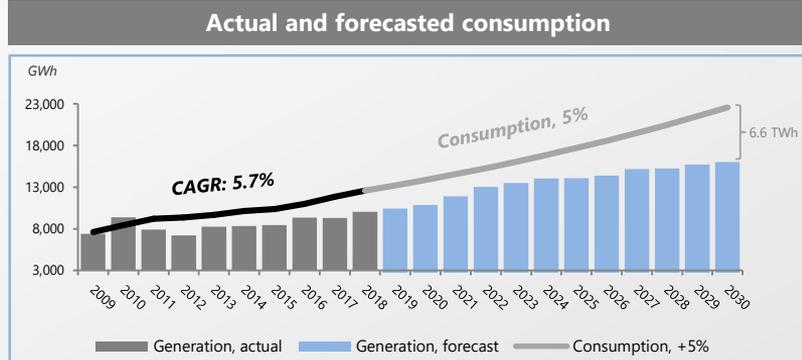
# Georgian electricity market overview



- Electricity deficit during Aug-Apr
- Currently, 8-month PPA policy in place
- 16.8% of total consumption produced by gas-fired TPPs, 12.0% - imported (2018 data)



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



- Growth of internal consumption 7.7% in 2017 (9.7% and 14.4% growth in Jul & Aug) and 6.1% in 2018 (10.8% and 1.0% in Jul & Aug)
- Consumption growth forecasted at minimum 5.0% CAGR in coming 15 years
- Anticipated deficit of at least 6.6 TWh by 2030



- Import's share in domestic consumption has tripled in 2017-2018 compared to 2016, as the y-o-y growth in consumption is almost entirely supplied for by imports

(1) Based on preliminary measurement of GGU windfarm locations.

# Renewable energy project pipeline

## Project pipeline

Project	MW <sup>s</sup>	Construction commencement	Target Commissioning <sup>2</sup>	Target ROIC	Generation capacity (GWh) <sup>1</sup>
Mestiachala HPPs	50	1H17	1H19	13.2%	171
Zoti HPPs	46	2H19	1H21	12.9%	164
Bakhvi 2 HPP	36	1H20	1H22	13.5%	127
Racha HPPs	38	1H21	1H23	14.7%	165
Wind Tbilisi	57	2H19	2H20	13.3%	179
Wind Kaspi	54	2H19	2H20	14.1%	215
Wind (other)	99	1H21	1H22	12.5%	306
Solar	30	1H20	1H21	10.1%	64
<b>Total</b>	<b>410</b>				<b>1,391</b>

- Renewable Energy continues to build ground for its 500MW operating capacity medium-term target. It searches for opportunities to develop new hydro projects and seeks acquisition possibilities among existing projects, which are either commissioned or under feasibility stage
- On the hydro project development side, several projects are at different stages of development
  - Currently, preparation works are underway to commence construction works on Zoti HPPs in 2H19
  - In 2H18 the company has applied for an MoU for yet another new project - 38 MW Racha HPPs with planned construction commencement in 1H21
  - Additionally, preliminary SPA has been signed for Bakhvi 2 HPP in August 2018 and the management is working on prolongation of MoU formed with the Government
- On the wind project development side, Tbilisi and Kaspi wind farms are at an advanced stage with the planned construction commencement in second half of 2019 and commissioning in second half of 2020
  - The management is currently having the negotiations with the Government regarding MoU and PPA terms and conditions. Finalizing of the documentation is expected in 1H19

(1) Generation capacity refers to target net annual generation.

(2) Target commissioning dates are indicative and subject to regulatory procedures.

# Renewable energy business strategy

## Business strategy

### Renewable energy

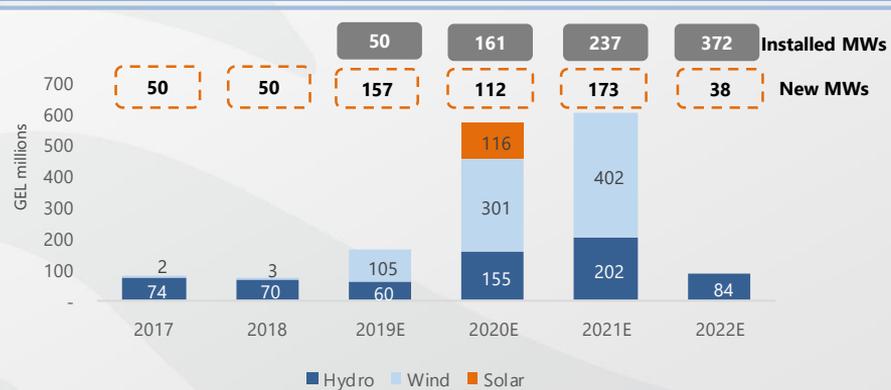
#### Medium term outlook

- Renewable Energy is on track to commission Mestiachala HPP in 1H19 and start construction works in 2H19 on 46 MW Zoti HPPs and 111 MW wind projects
- The business will continue to develop renewable energy projects to reach its target of 500MWs installed capacity in the medium term
- As much as we foresee growing electricity deficit and favorable regulatory conditions considering steps taken towards full market deregulation, the company plans to continue looking into new projects, as well as continue development of the existing projects in the current pipeline.

#### Targeting

**Value creation upside**  
**IPO together with water utility business**

#### Capex<sup>1</sup> evolution 2017-2022E



#### Projected dividends through 2022



(1) Capex figures are presented including VAT.

## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- ***Hospitality & Commercial Real Estate***
- *Beverages*

## 2. Appendices

# Hospitality & Commercial real estate business financial highlights

	Income statement						Balance Sheet					
<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change	<i>GEL thousands, unless otherwise noted</i>	Dec-18	Dec-17	change
Gross profit from operating leases	2,688	1,543	74.2%	1,900	41.5%	4,588	3,042	50.8%	Cash and cash equivalents	28,615	14,805	93.3%
Gross profit from hospitality services	1,488	-	NMF	457	NMF	1,945	-	NMF	Prepayments	15,713	3,436	NMF
Other income	178	-	NMF	50	NMF	228	-	NMF	Investment property	225,343	56,770	NMF
<b>Gross Real Estate Profit</b>	<b>4,354</b>	<b>1,543</b>	<b>NMF</b>	<b>2,407</b>	<b>80.9%</b>	<b>6,761</b>	<b>3,042</b>	<b>NMF</b>	Land bank	37,459	14,529	NMF
Revaluation on commercial property <sup>1</sup>	27,621	977	NMF	-	NMF	27,621	977	NMF	Commercial real estate	187,884	42,241	NMF
<b>Operating expenses</b>	<b>(2,285)</b>	<b>(484)</b>	<b>NMF</b>	<b>(556)</b>	<b>NMF</b>	<b>(2,841)</b>	<b>(650)</b>	<b>NMF</b>	Property and equipment	172	45,427	-99.6%
<b>Net operating income (NOI)</b>	<b>29,690</b>	<b>2,036</b>	<b>NMF</b>	<b>1,851</b>	<b>NMF</b>	<b>31,541</b>	<b>3,369</b>	<b>NMF</b>	Other assets	24,990	9,584	NMF
<b>Profit before non-recurring items</b>	<b>26,958</b>	<b>1,938</b>	<b>NMF</b>	<b>777</b>	<b>NMF</b>	<b>27,735</b>	<b>3,183</b>	<b>NMF</b>	<b>Total assets</b>	<b>294,833</b>	<b>130,022</b>	<b>NMF</b>
Net non-recurring items	(152)	(8)	NMF	(1,187)	-87.2%	(1,339)	(2)	NMF	Borrowings	104,557	14,749	NMF
<b>Profit before income tax</b>	<b>26,806</b>	<b>1,930</b>	<b>NMF</b>	<b>(410)</b>	<b>NMF</b>	<b>26,396</b>	<b>3,181</b>	<b>NMF</b>	Debt securities issued	19,609	-	NMF
<b>Profit</b>	<b>26,806</b>	<b>1,884</b>	<b>NMF</b>	<b>(410)</b>	<b>NMF</b>	<b>26,396</b>	<b>3,135</b>	<b>NMF</b>	Other liabilities	10,828	27,318	-60.4%
									<b>Total liabilities</b>	<b>134,994</b>	<b>42,067</b>	<b>NMF</b>
									<b>Total equity attributable to shareholders of the Group</b>	<b>149,078</b>	<b>77,537</b>	<b>92.3%</b>
									Non-controlling interest	10,761	10,418	3.3%
									<b>Total equity</b>	<b>159,839</b>	<b>87,955</b>	<b>81.7%</b>
									<b>Total liabilities and equity</b>	<b>294,833</b>	<b>130,022</b>	<b>NMF</b>

(1) Value created on commercial property.

# Hospitality & Commercial real estate business financial highlights



## Statement of Cash Flow

<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Net proceeds from rent generating assets	3,290	1,555	NMF	2,124	54.9%	5,414	3,042	78.0%
Net proceeds from hospitality services	1,756	-	NMF	539	NMF	2,295	-	NMF
Other operating expenses paid	(983)	(205)	NMF	(1,056)	-6.9%	(2,039)	(353)	NMF
<b>Net cash flows from operating activities</b>	<b>4,063</b>	<b>1,350</b>	<b>NMF</b>	<b>1,607</b>	<b>NMF</b>	<b>5,670</b>	<b>2,689</b>	<b>NMF</b>
Acquisition of investment property	(16,715)	-	NMF	(36,760)	-54.5%	(53,475)	(1,401)	NMF
Capital expenditure on investment property	(13,328)	(13,678)	-2.6%	(14,197)	-6.1%	(27,525)	(20,520)	34.1%
VAT return	8,574	-	NMF	-	NMF	8,574	-	NMF
Loans issued	(6,303)	-	NMF	(715)	NMF	(7,018)	-	NMF
Acquisition of subsidiaries	-	(10,562)	NMF	-	NMF	-	(10,562)	NMF
<b>Net cash flows used in investing activities</b>	<b>(27,772)</b>	<b>(24,240)</b>	<b>14.6%</b>	<b>(51,672)</b>	<b>-46.3%</b>	<b>(79,444)</b>	<b>(32,483)</b>	<b>NMF</b>
Proceeds from preferred stock issued	32,914	-	NMF	-	NMF	32,914	-	NMF
Proceeds from debt securities issued	19,609	-	NMF	-	NMF	19,609	-	NMF
Contributions under share-based payment plan	(1)	(304)	-99.7%	(81)	-98.8%	(82)	(304)	-73.0%
Proceeds from borrowings	4,766	12,696	-62.5%	91,031	-94.8%	95,797	12,696	NMF
Repayment of borrowings	(2,209)	114	NMF	(17,191)	-87.2%	(19,400)	-	NMF
Net intragroup loans (repaid) / received	(10,295)	12,997	NMF	(27,465)	-62.5%	(37,760)	18,543	NMF
Capital Reallocation	-	9,773	NMF	-	NMF	-	9,773	NMF
Interest paid	(1,718)	(242)	NMF	(1,625)	5.7%	(3,343)	(336)	NMF
<b>Net cash flows from financing activities</b>	<b>43,066</b>	<b>35,034</b>	<b>22.9%</b>	<b>44,669</b>	<b>-3.6%</b>	<b>87,735</b>	<b>40,372</b>	<b>NMF</b>
Effect of exchange rate changes on cash and cash equivalents	49	182	-73.1%	(200)	NMF	(151)	(15)	NMF
<b>Total cash inflow/(outflow)<sup>1</sup></b>	<b>19,406</b>	<b>12,326</b>	<b>57.4%</b>	<b>(5,596)</b>	<b>NMF</b>	<b>13,810</b>	<b>10,563</b>	<b>30.7%</b>
<b>Cash, beginning balance</b>	<b>9,210</b>	<b>2,480</b>	<b>NMF</b>	<b>14,806</b>	<b>-37.8%</b>	<b>14,806</b>	<b>4,243</b>	<b>NMF</b>
<b>Cash, ending balance</b>	<b>28,616</b>	<b>14,806</b>	<b>93.3%</b>	<b>9,210</b>	<b>NMF</b>	<b>28,616</b>	<b>14,806</b>	<b>93.3%</b>

(1) Net cash flow includes amounts due from credit institutions.

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

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

### 1 Rent-earning assets

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

**9.9%**  
Yield

**90%**  
Occupancy

#### Portfolio composition

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

- m<sup>2</sup> retains commercial space (ground floor) at its own residential developments, constituting **up to 40%**<sup>2</sup> of total yielding portfolio
- m<sup>2</sup> acquired opportunistically the commercial space, constituting **over 60%** of total yielding portfolio

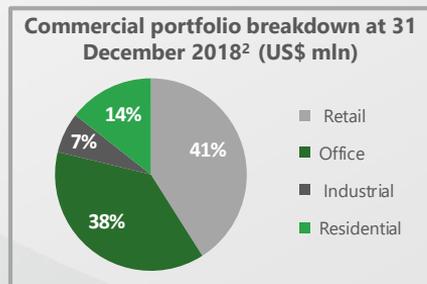
### 2 Hotels

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

**152 Operational Rooms**  
3-star Ramada Encore Kazbegi in Tbilisi, opened in Feb'18

**346 Rooms under construction**  
4-star Ramada Melikishvili in Tbilisi: 125 rooms; Luxury hotel on Gergeti St. in Tbilisi: 100 rooms; Hotel on ski resort Gudauri: 121 rooms;

**623 Rooms under design**  
Ramada in Kutaisi: 121 rooms; Hotel in Telavi: 130 rooms; Kakheti, Wine & Spa: 60 rooms; Hotel on Javakishvili str.: 120 rooms; Seti Square Hotel in Mestia, Svaneti: 72 rooms; Seti Square Hotel in Mestia, Svaneti: 120 rooms;



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

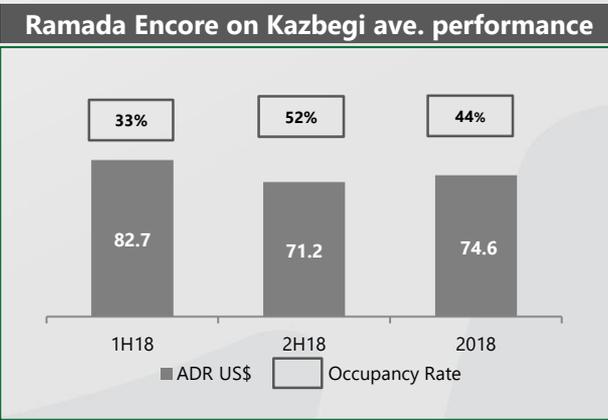
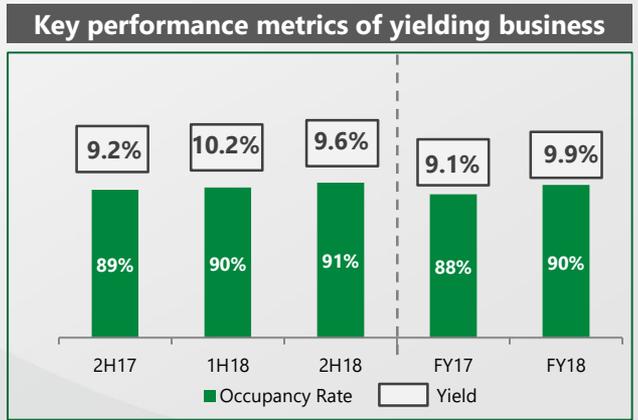
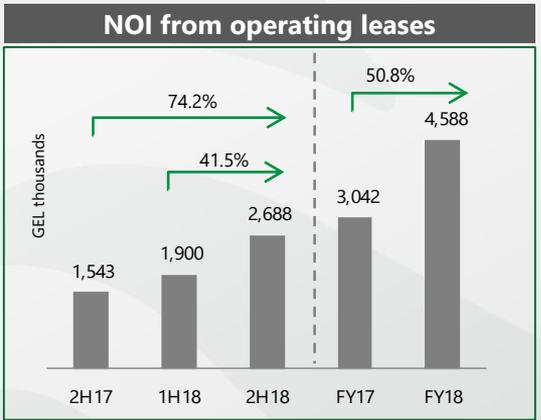
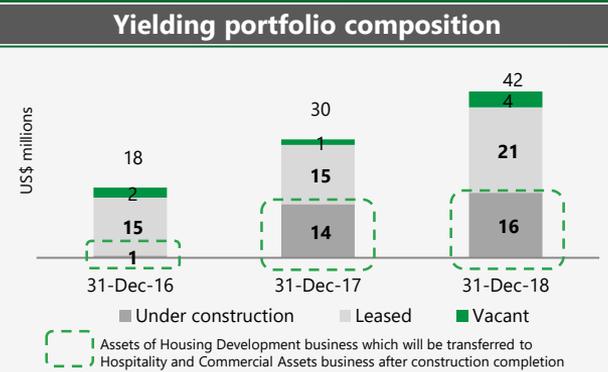
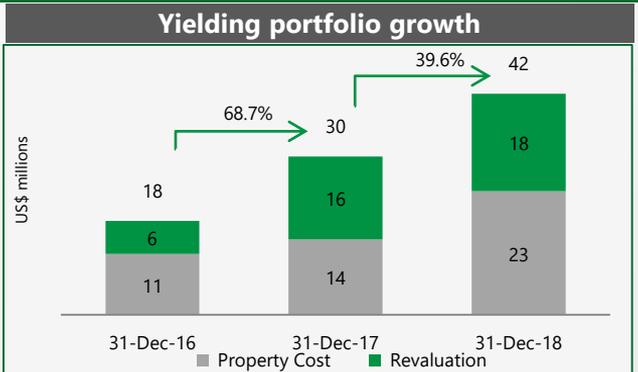
(2)The breakdown is on m<sup>2</sup> Real Estate level as all rent-generating assets will be transferred to Hospitality and Commercial real estate business after construction completion.

# Hospitality & commercial real estate business performance highlights



## Strong Performance

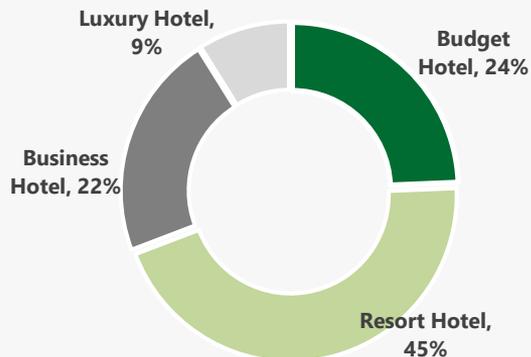
Key highlights			
<i>All amounts in GEL millions</i>	2018	2017	Change
Revenue	38.5	4.6	NMF
NOI	31.5	3.4	NMF
Development Capex	81.0	32.5	NMF
Maintenance Capex	-	-	NMF
FCF	(66.8)	(29.8)	NMF
Cash from operations	5.7	2.7	NMF
Net debt	91.7	24.2	NMF



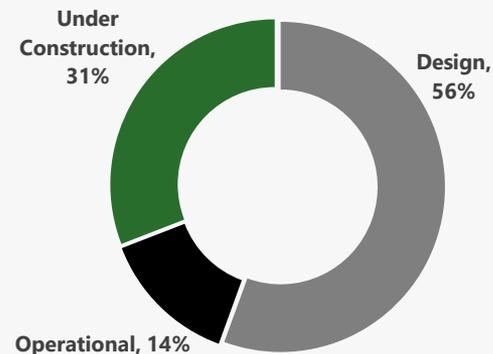
Water Utility  
Housing Development  
P&C Insurance  
Renewable Energy  
Hospitality & Commercial RE  
Beverages

# Hospitality business overview

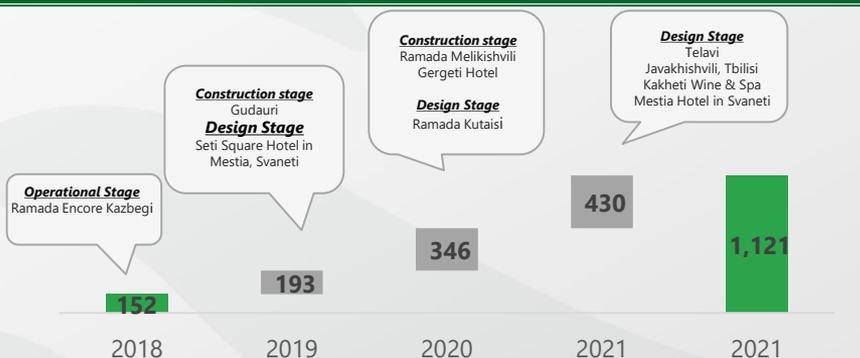
## Hotel rooms by types | operational, construction, design stages



## Hotel rooms by types | operational, construction, design stages



## Rooms operational by years



## Target return on invested capital (ROIC)<sup>1</sup>

Hotel	Location	Rooms	Target opening date	Current Stage	Total Cost US\$ mln	Target ROIC
Ramada Encore Kazbegi ave.	Capital city	152	Q1-2018	Operational	12,066	18.0%
Gudauri	Region	121	Q2-2019	Construction	10,809	12.8%
Seti Square Hotel in Mestia, Svaneti	Region	72	Q4-2019	Design	5,915	16.2%
Ramada Melikishvili	Capital city	125	Q1-2020	Construction	12,352	15.7%
Gergeti Hotel	Capital city	100	Q3-2020	Construction	23,473	13.7%
Ramada Kutaisi	Region	121	Q4-2020	Design	9,535	17.5%
Mestia Hotel in Svaneti	Region	120	Q1-2021	Design	10,096	15.8%
Telavi	Region	130	Q2-2021	Design	12,735	13.4%
Javakhishvili Hotel	Capital city	120	Q2-2021	Design	14,144	13.8%
Kakheti Wine & Spa	Region	60	Q3-2021	Design	7,500	17.3%
<b>Total</b>		<b>1,121</b>				

(1) Return on invested capital per each hotel equals stabilized adjusted net operating income divided by total investment excl. VAT.

# Hospitality & commercial real estate business – market opportunity

Water Utility

Housing Development

P&amp;C Insurance

Renewable Energy

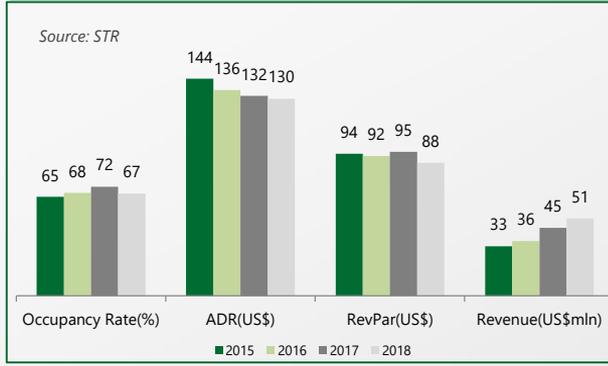
Hospitality &amp; Commercial RE

Beverages

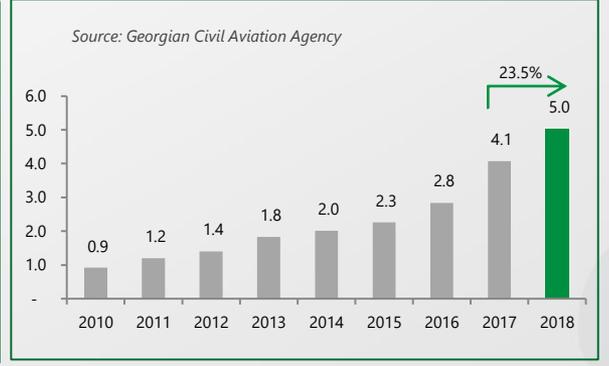
## Arrivals of tourists and tourism revenue | Georgia



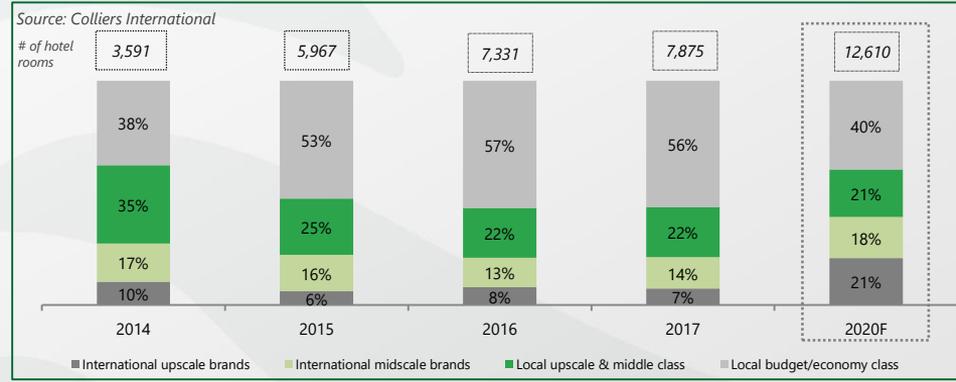
## Key performance metrics of hotels | Tbilisi



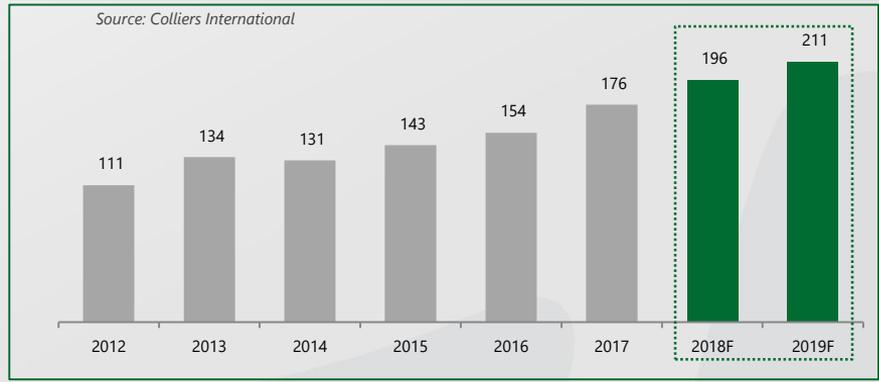
## Arrivals at airports (mln) | Georgia



## Hotel Room Supply | Tbilisi



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



## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# Beverages financial highlights

## Income statement

*GEL thousands, unless otherwise noted*

	<b>2H18</b>	<b>2H17</b>	<b>Change</b>	<b>1H18</b>	<b>Change</b>	<b>FY18</b>	<b>FY17</b>	<b>Change</b>
Wine Business	20,346	13,457	51.2%	10,757	89.1%	31,103	22,101	40.7%
Beer Business	16,037	18,023	-11.0%	13,252	21.0%	29,289	20,528	42.7%
Distribution Business	9,364	6,672	40.3%	6,458	45.0%	15,822	13,101	20.8%
<b>Revenue</b>	<b>45,747</b>	<b>38,152</b>	<b>19.9%</b>	<b>30,467</b>	<b>50.2%</b>	<b>76,214</b>	<b>55,730</b>	<b>36.8%</b>
Wine Business	(9,838)	(6,153)	59.9%	(5,361)	83.5%	(15,199)	(10,314)	47.4%
Beer Business	(10,387)	(11,093)	-6.4%	(8,803)	18.0%	(19,190)	(12,887)	48.9%
Distribution Business	(7,526)	(5,219)	44.2%	(5,045)	49.2%	(12,571)	(10,151)	23.8%
<b>COGS</b>	<b>(27,751)</b>	<b>(22,465)</b>	<b>23.5%</b>	<b>(19,209)</b>	<b>44.5%</b>	<b>(46,960)</b>	<b>(33,352)</b>	<b>40.8%</b>
<b>Gross Profit</b>	<b>17,996</b>	<b>15,687</b>	<b>14.7%</b>	<b>11,258</b>	<b>59.9%</b>	<b>29,254</b>	<b>22,378</b>	<b>30.7%</b>
<b>Gross Profit Margin</b>	<b>39.3%</b>	<b>41.1%</b>		<b>37.0%</b>		<b>38.4%</b>	<b>40.2%</b>	
Salaries and other employee benefits	(7,843)	(5,019)	56.3%	(6,352)	23.5%	(14,195)	(7,807)	81.8%
Sales and marketing expenses	(2,632)	(3,026)	-13.0%	(3,794)	-30.6%	(6,426)	(4,970)	29.3%
General and administrative expenses	(4,356)	(2,733)	59.4%	(3,557)	22.5%	(7,913)	(4,539)	74.3%
Distribution expenses	(2,871)	(2,152)	33.4%	(2,012)	42.7%	(4,883)	(3,029)	61.2%
Other operating expenses	(648)	(994)	-34.8%	(1,630)	-60.2%	(2,278)	(1,177)	93.5%
<b>EBITDA</b>	<b>(354)</b>	<b>1,763</b>	<b>NMF</b>	<b>(6,087)</b>	<b>-94.2%</b>	<b>(6,441)</b>	<b>856</b>	<b>NMF</b>
<i>wine EBITDA</i>	<i>5,524</i>	<i>3,944</i>	<i>40.1%</i>	<i>1,627</i>	<i>NMF</i>	<i>7,151</i>	<i>5,427</i>	<i>31.8%</i>
<i>beer EBITDA</i>	<i>(6,170)</i>	<i>(2,724)</i>	<i>NMF</i>	<i>(7,584)</i>	<i>-18.6%</i>	<i>(13,754)</i>	<i>(5,533)</i>	<i>NMF</i>
<i>distribution EBITDA</i>	<i>349</i>	<i>479</i>	<i>-27.1%</i>	<i>276</i>	<i>26.4%</i>	<i>625</i>	<i>728</i>	<i>-14.1%</i>
Net foreign currency gain (loss)	(6,380)	(7,322)	-12.9%	4,501	NMF	(1,879)	(7,090)	-73.5%
Depreciation and amortization	(6,637)	(3,924)	69.1%	(5,245)	26.5%	(11,882)	(5,524)	NMF
Net interest income/expense	(4,145)	(2,388)	73.6%	(2,940)	41.0%	(7,085)	(3,171)	NMF
Net non-recurring items	(1,690)	509	NMF	(196)	NMF	(1,886)	536	NMF
<b>(Loss) profit before income tax</b>	<b>(19,206)</b>	<b>(11,362)</b>	<b>69.0%</b>	<b>(9,967)</b>	<b>92.7%</b>	<b>(29,173)</b>	<b>(14,393)</b>	<b>NMF</b>
<b>(Loss) Profit</b>	<b>(19,206)</b>	<b>(11,362)</b>	<b>69.0%</b>	<b>(9,967)</b>	<b>92.7%</b>	<b>(29,173)</b>	<b>(14,393)</b>	<b>NMF</b>

## Balance Sheet

*GEL thousands, unless otherwise noted*

	<b>Dec-18</b>	<b>Dec-17</b>	<b>change</b>
Cash and cash equivalents	9,954	17,455	-43.0%
Amounts due from financial institutions	136	4,381	-96.9%
Accounts Receivable	16,260	12,179	33.5%
Prepayments & Other Assets	6,283	4,472	40.5%
Inventory	30,043	17,454	72.1%
Intangible Assets, Net	2,094	1,799	16.4%
Goodwill	8,198	2,836	NMF
Property and Equipment, Net	130,980	102,872	27.3%
<b>Total Assets</b>	<b>203,948</b>	<b>163,448</b>	<b>24.8%</b>
Accounts Payable	18,021	14,335	25.7%
Borrowings	117,172	71,430	64.0%
Other Current Liabilities	6,728	1,776	NMF
<b>Total Liabilities</b>	<b>141,921</b>	<b>87,541</b>	<b>62.1%</b>
<b>Total equity</b>	<b>62,027</b>	<b>75,907</b>	<b>-18.3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>203,948</b>	<b>163,448</b>	<b>24.8%</b>

# Beverages financial highlights

## Wine Business - Statement of Cash Flow

<i>GEL thousands, unless otherwise noted</i>	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Cash received from customers	20,818	14,193	46.7%	11,697	78.0%	32,515	23,233	40.0%
Cash paid to suppliers	(13,710)	(9,485)	44.5%	(4,451)	NMF	(18,161)	(12,784)	42.1%
Cash paid to employees	(2,648)	(1,021)	NMF	(1,121)	NMF	(3,769)	(1,838)	NMF
Cash paid for operating expenses	(4,424)	(2,481)	78.3%	(3,071)	44.1%	(7,495)	(4,723)	58.7%
Interest received	124	-	NMF	-	NMF	124	81	53.1%
Taxes paid	(1,626)	(1,275)	27.5%	(1,490)	9.1%	(3,116)	(2,385)	30.6%
<b>Net cash flows from operating activities</b>	<b>(1,466)</b>	<b>(69)</b>	<b>NMF</b>	<b>1,564</b>	<b>NMF</b>	<b>98</b>	<b>1,584</b>	<b>-93.8%</b>
Investments in Subsidiaries	(5,070)	(730)	NMF	(16,604)	-69.5%	(21,674)	(730)	NMF
Purchase of Property, Plant & Equipment	(543)	(438)	24.0%	(98)	NMF	(641)	(606)	5.8%
Repayment of issued loan	-	2,500	NMF	-	NMF	-	2,500	NMF
Loans Issued	(467)	-	NMF	-	NMF	(467)	(689)	-32.2%
Cash inflow from restricted cash account	2,560	(2,626)	NMF	1,872	36.8%	4,432	(563)	NMF
<b>Net cash flows from used in investing activities</b>	<b>(3,520)</b>	<b>(1,294)</b>	<b>NMF</b>	<b>(14,830)</b>	<b>-76.3%</b>	<b>(18,350)</b>	<b>(88)</b>	<b>NMF</b>
Proceeds from borrowings	21,171	5,000	NMF	18,918	11.9%	40,089	5,000	NMF
Repayments of borrowings	(11,256)	(1,216)	NMF	(4,547)	NMF	(15,803)	(4,347)	NMF
Interest paid	(588)	(287)	NMF	(882)	-33.3%	(1,470)	(718)	NMF
Capital increase	-	-	NMF	432	-100.0%	432	-	NMF
<b>Net cash flows from financing activities</b>	<b>9,327</b>	<b>3,497</b>	<b>NMF</b>	<b>13,921</b>	<b>-33.0%</b>	<b>23,248</b>	<b>(65)</b>	<b>NMF</b>
Effect of exchange rates changes on cash and cash equivalents	384	264	45.5%	(485)	NMF	(101)	(10)	NMF
<b>Total cash inflow</b>	<b>4,725</b>	<b>2,398</b>	<b>97.0%</b>	<b>170</b>	<b>NMF</b>	<b>4,895</b>	<b>1,421</b>	<b>NMF</b>
<b>Cash and cash equivalents, beginning</b>	<b>3,655</b>	<b>1,087</b>	<b>NMF</b>	<b>3,485</b>	<b>4.9%</b>	<b>3,485</b>	<b>2,064</b>	<b>68.8%</b>
<b>Cash and cash equivalents, ending</b>	<b>8,380</b>	<b>3,485</b>	<b>NMF</b>	<b>3,655</b>	<b>NMF</b>	<b>8,380</b>	<b>3,485</b>	<b>NMF</b>

# Beverages financial highlights

<b>Beer Business - Statement of Cash Flow</b>								
<i>GEL thousands, unless otherwise noted</i>	<b>2H18</b>	<b>2H17</b>	<b>Change</b>	<b>1H18</b>	<b>Change</b>	<b>FY18</b>	<b>FY17</b>	<b>Change</b>
Proceeds from sales	26,518	21,764	21.8%	18,189	45.8%	44,707	23,069	93.8%
Cash outflows for inventory	(10,639)	(6,496)	63.8%	(8,302)	28.1%	(18,941)	(11,519)	64.4%
Transportation Cost	(965)	(1,148)	-15.9%	(807)	19.6%	(1,772)	(1,794)	-1.2%
Sales and Marketing Expenses	(3,814)	(4,529)	-15.8%	(3,556)	7.3%	(7,370)	(6,085)	21.1%
Operating Expenses	(17,625)	(6,529)	NMF	(12,847)	37.2%	(30,472)	(15,093)	NMF
<b>Net cash flows from operating activities</b>	<b>(6,525)</b>	<b>3,062</b>	<b>NMF</b>	<b>(7,323)</b>	<b>-10.9%</b>	<b>(13,848)</b>	<b>(11,422)</b>	<b>21.2%</b>
Cash outflows for purchase of Property, plant and equipment	(6,193)	(10,326)	-40.0%	(3,850)	60.9%	(10,043)	(30,034)	-66.6%
<b>Net cash flows used in investing activities</b>	<b>(6,193)</b>	<b>(10,326)</b>	<b>-40.0%</b>	<b>(3,850)</b>	<b>60.9%</b>	<b>(10,043)</b>	<b>(30,034)</b>	<b>-66.6%</b>
Proceeds from borrowings	8,000	-	NMF	1,200	NMF	9,200	61,742	-85.1%
Repayment of borrowings	(1,200)	(2,500)	-52.0%	(16)	NMF	(1,216)	(47,145)	-97.4%
Interest paid	(1,047)	(969)	8.0%	(1,035)	1.2%	(2,082)	(3,089)	-32.6%
Issue of share capital	5,567	12,940	-57.0%	1,358	NMF	6,925	43,133	-83.9%
<b>Net cash flows from financing activities</b>	<b>11,320</b>	<b>9,471</b>	<b>19.5%</b>	<b>1,507</b>	<b>NMF</b>	<b>12,827</b>	<b>54,641</b>	<b>-76.5%</b>
Effect of exchange rate difference from cash and cash equivalents	189	371	-49.1%	(883)	NMF	(694)	(199)	NMF
<b>Total cash inflow/(outflow)</b>	<b>(1,209)</b>	<b>2,578</b>	<b>NMF</b>	<b>(10,549)</b>	<b>-88.5%</b>	<b>(11,758)</b>	<b>12,986</b>	<b>NMF</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,453</b>	<b>10,424</b>	<b>-76.5%</b>	<b>13,002</b>	<b>-81.1%</b>	<b>13,002</b>	<b>16</b>	<b>NMF</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,244</b>	<b>13,002</b>	<b>-90.4%</b>	<b>2,453</b>	<b>-49.3%</b>	<b>1,244</b>	<b>13,002</b>	<b>-90.4%</b>

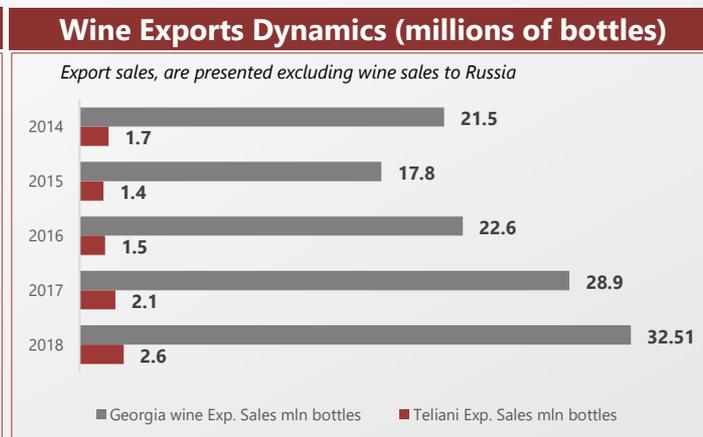
# Beverages targets & priorities

## Targeting to become leading beverages producer and distributor in Caucasus

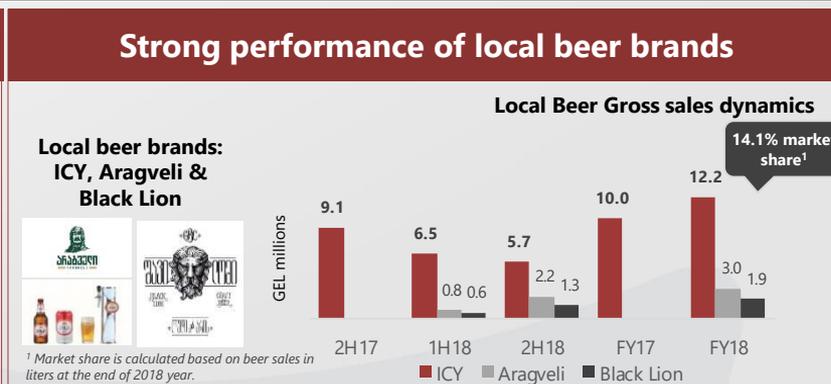
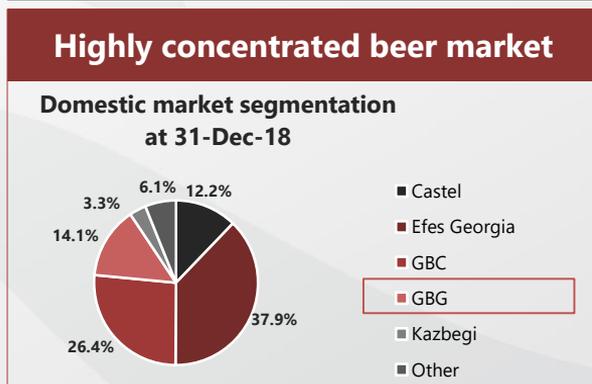
	Wine business	Distribution business	Beer business
<b>Business Segments</b>	<ul style="list-style-type: none"> <li>C. 4.3 million bottles sold in FY18 (Up 22% y-o-y)</li> <li>GEL 29.4mln revenue in FY18 (Up 43.7% y-o-y)</li> <li>72 % of sales from export</li> <li>In 2018, we acquired a 100% controlling interest in Kindzmarauli Marani LLC, a producer of exquisite Georgian wines and spirits, which owns 350 hectares of vineyards. With this acquisition major step was made towards increasing our vineyard base to the targeted 1,000 hectares, from the 86 hectares, over the next three years</li> </ul>	<ul style="list-style-type: none"> <li>C. 6,843 sales points</li> <li>Exporting wine to 17 countries, including all FSU, Poland, Sweden, USA, Canada, China, Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Launched mainstream beer under Aragveli Brand in May 2018 and globally well known licensed Czech beer Krusovice in June 2018</li> <li>In February 2018, we acquired a 100% equity stake in a leading Georgian craft beer producer – Black Lion LLC</li> <li>Beer and Lemonade sales amounted GEL 27.5mln and GEL 1.8mln in 2018, respectively</li> <li>10 year exclusivity with Heineken to produce beer to be sold in Georgia, Armenia and Azerbaijan (c.17mln population)</li> </ul>
<b>Market share 2018</b>	<ul style="list-style-type: none"> <li>Total and Spontaneous awareness shows high recognition of Teliani Valley as a Brand on the local market (total awareness 99.3% and spontaneous awareness 65.5%)</li> <li>Export sales – c. 8% market share of exported wine from Georgia, excluding Russia</li> </ul>	<ul style="list-style-type: none"> <li>Wine &amp; Sparkling Wine distribution – market leader</li> <li>Other products distribution – second largest distributor on the market</li> <li>Lavazza coffee distribution – market leader in ground coffee and in HoReCa distribution</li> </ul>	<ul style="list-style-type: none"> <li>Local production – 14.1% market share based on beer sales in liters at the end of 2018</li> <li>Heineken is the highest equity valued brand in Georgia – 8.3 (out of 10)</li> </ul>
<b>Priorities</b>	<ul style="list-style-type: none"> <li>Targeting to retain lead position on a domestic market and maintain high double digit growth of revenue per strategic export market.</li> <li>Add a premium priced wine and diversify the export markets</li> <li>Grow vineyard base from current 436 hectares up to 1000 ha (2019-2022)</li> </ul>	<ul style="list-style-type: none"> <li>Enhance product portfolio, becoming the leading FMCG distributor in Georgia</li> </ul>	<ul style="list-style-type: none"> <li>Achieve 20% market share</li> </ul>

# Beverages performance highlights

Key Highlights			
All amounts in GEL millions	2018	2017	Change
Revenue	76.2	55.7	36.8%
EBITDA	(6.4)	0.9	NMF
Development Capex	32.4	30.6	NMF
Maintenance Capex	0.4	-	NMF
FCF	(42.1)	(40.0)	5.3%
Cash from operations	(13.8)	(9.8)	39.8%
Net debt	107.1	49.6	NMF



## Exclusive Heineken producer in Caucasus



## 1. 2H18 & FY18 results discussion | Investment portfolio

### Late stage

- *Water Utility*
- *Housing Development*
- *P&C Insurance*

### Early stage

- *Renewable Energy*
- *Hospitality & Commercial Real Estate*
- *Beverages*

## 2. Appendices

# Glossary



- **Georgia Capital** and “the Group” refer to Georgia Capital PLC and its portfolio companies as a whole.
- **NMF** – Not meaningful.
- **LTM** – last twelve month.
- **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group’s operational performance and the profitability of its operations. The Company considers EBITDA to be an important indicator of its representative recurring operations.
- **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.
- **Loss ratio** equals net insurance claims expense divided by net earned premiums.
- **Expense ratio** equals sum of acquisition costs and operating expenses divided by net earned premiums.
- **Combined ratio** equals sum of the loss ratio and the expense ratio.
- **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders of P&C insurance business divided by monthly average equity attributable to shareholders of P&C business for the same period for BoGG and P&C insurance.
- **NOI** – net operating income.

# Georgia Capital PLC company information



## **Registered Address**

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United Kingdom

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

Registered under number 10852406 in England and Wales

## **Stock Listing**

London Stock Exchange PLC's Main Market for listed securities

Ticker: "CGEO.LN"

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

Investor Centre Web Address - [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

Investor Centre Shareholder Helpline - + 44 (0)370 702 0176

## **Share price information**

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

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

