

Georgia Capital PLC 3Q19 and 9M19 trading update

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS)

(GEL'000 except per share information)

Georgia Capital NAV overview	Sep-19	Jun-19	Change	Dec-18	Change
NAV per share, GEL	50.04	53.90	-7.2%	44.32	12.9%
Net Asset Value (NAV)	1,747,905	1,938,365	-9.8%	1,688,221	3.5%
Total Portfolio Value	2,183,046	2,237,523	-2.4%	1,883,374	15.9%
Liquid assets and loans issued	436,041	556,248	-21.6%	605,130	-27.9%
Net debt	(438,117)	(304,518)	43.9%	(196,915)	122.5%
Georgia Capital Performance	3Q19	9M19			
Total portfolio value creation	(137,281)	209,302			
<i>of which, listed businesses</i>	(174,290)	71,527			
<i>of which, private businesses</i>	37,009	137,775			
Gross capital allocations	144,948	266,218			
<i>of which, investments</i>	113,413	175,948			
<i>of which, share buybacks</i>	31,535	90,270			

KEY POINTS

- Strong growth in private portfolio operating cash flow generation, up 44.7% y-o-y in 3Q19 (up 67% y-o-y in 9M19)
- GEL 31 million in-kind dividend, finished commercial properties, received from Housing Development
- Strong GEL 113 million investments during 3Q19 (GEL 176 million in 9M19)
 - GEL 16 million was allocated to the wine business for Alaverdi acquisition (100% stake), which added 244 hectares of vineyards and tripled its production capacity
 - GEL 40 million invested in securing high quality partnerships with three top schools with excellent management teams
 - GEL 53 million allocated to the hospitality and commercial real estate business, of which, GEL 22 million was cash for development of pipeline hotels and GEL 31 million was the value of allocated commercial properties
- NAV per share up 12.9% to GEL 50.04 in 9M19
 - GEL 72 million increase in the market value of listed assets and GEL 138 million value creation in private portfolio
 - GEL 90 million spent on share buybacks, while 2.7 million shares were cancelled
- NAV per share down 7.2% in 3Q19
 - GEL 174 million decrease in the market value of listed assets, while private assets created GEL 37 million value
 - GEL 32 million share buybacks, while 0.7 million shares were cancelled in Aug-19
- Continued strong and sustainable growth in revenues and EBITDA across our private portfolio
- Water Utility EBITDA up 19.7% in 3Q19 driven by tripling of electricity sales revenues
- The beer business increased revenues by 52%, while posting first quarterly positive EBITDA of GEL 1 million

Irakli Gilauri, Georgia Capital Chairman and CEO, commented: "I am pleased to report that we had an excellent quarter in terms of operating cash flow generation and step up in capital allocations. Firstly, operating cash flow generation across the private portfolio companies increased by 44.7% y-o-y in 3Q19 and by 67% y-o-y in 9M19. Secondly, our investments - while remaining disciplined - were our highest in a single quarter as we successfully converted active pipeline deals into acquisitions. We made a bolt-on acquisition in the wine business, while also successfully closing the acquisitions of majority stakes in three leading Georgian private schools. We continue to have a robust pipeline and our outlook for 4Q19 and beyond remains strong as our private portfolio continues to grow.

Our NAV per share (GEL) was up 12.9% in 9M19 on the back of strong value creation across our private portfolio companies and disciplined share buybacks at discounts to NAV. However, our NAV per share (GEL) decreased by 7.2% in 3Q19 as a result of GEL 174 million decrease in the market value of listed businesses (-9.0% impact), GEL 14 million FX movements and net interest expense (-0.7% impact) and GEL 9 million management platform related costs (-0.5% impact), which were partially offset by 37 million value creation in private businesses (+1.9% impact) and GEL 32 million buybacks at discounts to NAV (+1.1% impact). Private portfolio value creation was primarily driven by strong operating performance of Water Utility (GEL 34 million), where energy sales tripled y-o-y in 3Q19. Strong capital allocations and disciplined share buybacks drove a GEL 134 million increase in net debt in 3Q19. At 30 September 2019, our firepower available for deployment remained high at GEL 436 million. During 9M19 we collected GEL 187 million net cash from the repayment of our high-quality loans issued to portfolio companies, leading to a 55% decrease in issued loan balance.

The Georgian economy continued to demonstrate strong performance, with 5% real GDP growth in the first eight months of 2019. The current account deficit continued to shrink and reached its historic low of 4.6% of GDP in 1H19 on the back of improved goods trade deficit. Average inflation was above the target at 4.1% in 9M19 leading to NBB reversing its monetary

policy direction towards tightening (+100 bps to 7.5%) in September 2019. At the same time, NBG lowered the minimum reserve requirement for funds attracted in foreign currency by 5 pp to 25% and sold \$72.8 million on foreign exchange auctions to provide liquidity to the markets. Meanwhile, the tourism sector showed resilience, with the number of tourists increasing by 5.8% y-o-y in 9M19 despite the air travel ban imposed by Russia. Georgia's strong progress was acknowledged by S&P, which upgraded Georgian Sovereign Bond rating from BB- to BB with stable outlook in Oct-19."

Private portfolio companies

Late stage portfolio

Water utility

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Revenue	44,649	39,616	12.7%	119,189	109,450	8.9%
<i>of which, water supply</i>	36,497	35,962	1.5%	99,340	97,714	1.7%
<i>of which, energy</i>	6,382	2,005	218.3%	14,622	6,727	117.4%
EBITDA	27,453	22,941	19.7%	67,820	60,172	12.7%
Capex	29,362	50,995	-42.4%	68,337	140,509	-51.4%
Net debt	(323,636)	(271,980)	19.0%	(323,636)	(271,980)	19.0%

The double-digit growth in 3Q19 water utility revenues was primarily driven by increased electricity sales, which more than tripled y-o-y and amounted to GEL 6.4 million, reflecting significant improvements in the average electricity sales price on the back of electricity market deregulation, and continued savings in Water Utility's self-produced electricity consumption (down 8.2% y-o-y to 46.3 million kwh in 3Q19). Continued efficiency improvements were reflected in positive operating leverage of 10.5 pts in 3Q19, leading to 19.7% EBITDA growth. Capital expenditures continued to substantially decrease during the quarter, following the completion of privatisation obligations in 1H19.

Housing development

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Gross real estate profit	4,794	5,364	-10.6%	9,541	18,857	-49.4%
<i>of which, apartment sales</i>	2,325	3,196	-27.3%	4,323	13,189	-67.2%
<i>of which, construction management</i>	2,092	2,176	-3.9%	4,551	3,256	39.8%
EBITDA	394	1,993	-80.2%	(1,707)	11,213	NMF

In 2019 market conditions remained healthy and the business continued its strong project execution. Total sales progress reached 99% of total saleable area in completed projects and 60% in the on-going Digomi project. Revenue recognition from the Digomi project started in 3Q19 and the business recognized US\$ 2.7 million sales revenue, in line with the IFRS construction progress, out of total sales value of US\$ 13.8 million. Cash collection also increased in line with the sales and construction progress and operating cash flow was positive at GEL 6.9 million in 3Q19. Gross real estate profit was also supported by the construction management segment.

P&C insurance

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Earned premiums, net	20,420	18,508	10.3%	56,708	49,959	13.5%
Net income	5,172	4,538	14.0%	13,480	12,214	10.4%

Border third-party liability insurance and organic growth in the credit life and unemployment insurance portfolio drove double-digit y-o-y revenue and net income growth in 3Q19. ROAE was 35.0% in 3Q19 (36.8% in 3Q18), while the loss ratio remained healthy at 37.8%. However, higher commission rates on the credit life insurance portfolio and investments in digital distribution channels resulted in the expense ratio increasing by 4.8 pts y-o-y to 42.5% in 3Q19.

Early stage portfolio

Renewable energy

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Revenue	9,681	-	NMF	12,076	-	NMF
EBITDA	8,722	(213)	NMF	10,206	(616)	NMF
Capex	3,941	20,934	-81.2%	25,695	41,498	-38.1%
Net debt	(92,820)	(97,679)	-5.0%	(92,820)	(97,679)	-5.0%

The renewable energy business continued repair works to bring online the 50MW cascade of Mestiachala hydro power plants, which were flooded in late July 2019 and taken offline. The first phase (30MW) of Mestiachala HPPs is expected to return online by the end of 2019, followed by the second phase (20MW) by the end of 2020. The business continues

negotiations with the insurer and continues to expect the reimbursement of associated costs. 3Q19 revenues reflect estimated GEL 7.4 million reimbursement for foregone electricity sale revenues during August and September. At the same time, the business continued to develop its greenfield projects.

Hospitality & commercial real estate

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Revenue	4,754	3,742	27.0%	11,922	7,584	57.2%
<i>of which, hospitality</i>	2,383	2,211	7.8%	5,517	3,787	45.7%
<i>of which, commercial real estate</i>	2,371	1,393	70.2%	6,405	3,608	77.5%
Net Operating Income (NOI)	1,590	1,540	3.2%	11,110	2,923	NMF

Commercial real estate revenues increased by 70% as a result of the 74% y-o-y portfolio expansion to US\$ 42.1 million at 30 September 2019. The business generated a gross income yield of 10.4% on US\$ 32 million leased commercial assets in 3Q19. Within the hospitality business, the hotel room utilization picked up from 65.6% in 3Q18 to 71.2% in 3Q19 in Ramada Encore hotel. The y-o-y growth in net operating income in 3Q19 was negatively affected by the upcoming roll-out of the under-construction hotels, where Gudauri hotel is on track to be launched by the end of 2019.

Beverages

<i>GEL thousands, unless otherwise noted</i>	3Q19	3Q18	Change	9M19	9M18	Change
Revenue	39,243	22,733	72.6%	85,469	53,199	60.7%
<i>of which, wine business</i>	8,700	7,358	18.2%	25,954	17,215	50.8%
<i>of which, beer business</i>	16,259	10,705	51.9%	34,500	23,956	44.0%
EBITDA	3,172	(632)	NMF	(1,559)	(6,720)	76.8%
<i>of which, wine business</i>	597	779	-23.4%	3,643	2,406	51.4%
<i>of which, beer business</i>	1,029	(2,187)	NMF	(5,435)	(9,771)	44.4%

Wine revenues grew double-digits y-o-y in 3Q19, while operating cash flow increased significantly y-o-y from negative GEL 3.4 million to positive GEL 1.4 million in 3Q19. Sales to export markets accounted for 76% of the quarter's revenues and were up 25% y-o-y in 3Q19. The business continued to invest in developing new export markets during the quarter, which led to increased operating costs in 3Q19.

The beer business benefited from full scale launch of new brands, including Heineken, Amstel, Krusovice, Kazbegi and Kayaki, a light beer, which is the first local brand positioned in the upper mainstream segment. Improved product mix allowed the beer business to achieve a positive operating leverage and posted positive EBITDA in 3Q19 on the back of 52% growth in revenues.

Pipeline portfolio

Auto Service - Periodic Technical Inspection (PTI)

<i>GEL thousands, unless otherwise noted</i>	3Q19	9M19
Revenue	3,923	9,227
Gross profit	2,653	5,676
EBITDA	1,382	1,995

The PTI business, fully launched in March 2019, serviced 103,343 cars in 3Q19 (243,682 cars in 9M19), resulting in approximately 37% market share. The number of primary¹ car checks was 74,790 in 3Q19 (176,303 in 9M19). During 3Q19 the gross profit margin improved to 68% (62% in 9M19), while the EBITDA margin increased to 35% (22% in 9M19).

Conference call

An investor/analyst conference call details, to be held on 22 October 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 5267827.

¹ According to the local PTI regulation, primary checks are paid services, while secondary checks are free of charge.

APPENDIX A: 3Q19 NAV STATEMENT

<i>GEL '000, unless otherwise noted</i>	Jun-19	1. Value creation	2a. Capital allocations	2b. Buybacks	3. Operating expenses	4a. Net interest income	4b. Liquidity mgmt./FX/Other	Sep-19	Change %
Listed Portfolio Companies	1,194,712	(174,290)	-	-	-	-	-	1,020,422	-14.6%
GHG	661,413	(115,767)	-	-	-	-	-	545,646	-17.5%
BoG	533,299	(58,523)	-	-	-	-	-	474,776	-11.0%
Private Portfolio Companies	1,042,811	37,009	82,804	-	-	-	-	1,162,624	11.5%
Late Stage	681,973	32,333	(30,609)	-	-	-	-	683,697	0.3%
Water Utility	459,706	33,913	-	-	-	-	-	493,619	7.4%
Housing Development	60,858	-	(30,609)	-	-	-	-	30,249	-50.3%
P&C Insurance	161,409	(1,580)	-	-	-	-	-	159,829	-1.0%
Early Stage	314,901	3,121	73,739	-	-	-	-	391,761	24.4%
Renewable Energy	62,737	-	6	-	-	-	-	62,743	-
Hospitality & Commercial RE	182,431	4,517	52,995	-	-	-	-	239,943	31.5%
Beverages	69,733	(1,396)	20,738	-	-	-	-	89,075	27.7%
Of which, wine	59,633	(1,396)	16,099	-	-	-	-	74,336	24.7%
Of which, beer	10,100	-	4,639	-	-	-	-	14,739	45.9%
Pipeline	45,937	1,555	39,674	-	-	-	-	87,166	89.8%
Education	11,209	-	39,600	-	-	-	-	50,809	NMF
Auto Service	24,363	1,555	-	-	-	-	-	25,918	6.4%
Digital Services	8,790	-	-	-	-	-	-	8,790	-
Other	1,575	-	74	-	-	-	-	1,649	4.7%
Total Portfolio Value (1)	2,237,523	(137,281)	82,804	-	-	-	-	2,183,046	-2.4%
Net Debt (2)	(304,519)	-	(79,017)	(31,535)	(4,843)	(4,376)	(13,827)	(438,117)	43.9%
of which, Cash and liquid funds	323,959	-	(74,378)	(31,535)	(4,843)	4,571	81,308	299,082	-7.7%
of which, Loans issued	232,289	-	(4,639)	-	-	5,622	(96,313)	136,959	-41.0%
of which, Gross Debt	(860,767)	-	-	-	-	(14,569)	1,178	(874,158)	1.6%
Net other assets/ (liabilities) (3)	5,361	-	(3,787)	1,200	(3,913)	-	4,115	2,976	-44.5%
Net Asset Value (1)+(2)+(3)	1,938,365	(137,281)	-	(30,335)	(8,756)	(4,376)	(9,712)	1,747,905	-9.8%
NAV change %		-7.1%	-	-1.6%	-0.5%	-0.2%	-0.5%	-9.8%	
Shares outstanding	35,961,403	-	-	(1,032,239)	-	-	-	34,929,164	-2.9%
Net Asset Value per share	53.90	(3.82)	-	0.59	(0.24)	(0.12)	(0.27)	50.04	-7.2%
NAV per share change %		-7.1%	-	1.1%	-0.5%	-0.2%	-0.5%	-7.2%	

APPENDIX B: 9M19 NAV STATEMENT

<i>GEL '000, unless otherwise noted</i>	Dec-18	1. Value creation	2a. Capital allocations	2b. Buybacks	3. Operating expenses	4a. Net interest income	4b. Liquidity mgmt./FX/Other	Sep-19	Change %
Listed Portfolio Companies	977,827	71,527	(28,932)	-	-	-	-	1,020,422	4.4%
<i>GHG</i>	520,332	29,295	(3,981)	-	-	-	-	545,646	4.9%
<i>BoG</i>	457,495	42,232	(24,951)	-	-	-	-	474,776	3.8%
Private Portfolio Companies	905,547	137,775	119,302	-	-	-	-	1,162,624	28.4%
Late Stage	628,326	112,016	(56,645)	-	-	-	-	683,697	8.8%
<i>Water Utility</i>	431,017	62,602	-	-	-	-	-	493,619	14.5%
<i>Housing Development</i>	66,785	12,109	(48,645)	-	-	-	-	30,249	-54.7%
<i>P&C Insurance</i>	130,524	37,305	(8,000)	-	-	-	-	159,829	22.5%
Early Stage	271,288	8,542	111,931	-	-	-	-	391,761	44.4%
<i>Renewable Energy</i>	61,182	-	1,561	-	-	-	-	62,743	2.6%
<i>Hospitality & Commercial RE</i>	149,079	11,603	79,261	-	-	-	-	239,943	61.0%
<i>Beverages</i>	61,027	(3,061)	31,109	-	-	-	-	89,075	46.0%
<i>Of which, wine</i>	56,771	1,195	16,370	-	-	-	-	74,336	30.9%
<i>Of which, beer</i>	4,256	(4,256)	14,739	-	-	-	-	14,739	NMF
Pipeline	5,933	17,217	64,016	-	-	-	-	87,166	NMF
<i>Education</i>	7,071	-	43,738	-	-	-	-	50,809	NMF
<i>Auto Service</i>	(1,326)	17,217	10,027	-	-	-	-	25,918	NMF
<i>Digital Services</i>	-	-	8,790	-	-	-	-	8,790	0.0%
<i>Other</i>	188	-	1,461	-	-	-	-	1,649	NMF
Total Portfolio Value (1)	1,883,374	209,302	90,370	-	-	-	-	2,183,046	15.9%
Net Debt (2)	(196,915)	-	(89,220)	(90,270)	(14,411)	(3,102)	(44,199)	(438,117)	122.5%
<i>of which, Cash and liquid funds</i>	299,650	-	(84,580)	(90,270)	(14,411)	18,621	170,072	299,082	-0.2%
<i>of which, Loans issued</i>	305,480	-	(4,640)	-	-	18,738	(182,619)	136,959	-55.2%
<i>of which, Gross Debt</i>	(802,045)	-	-	-	-	(40,461)	(31,652)	(874,158)	9.0%
Net other assets/ (liabilities) (3)	1,762	-	(1,150)	-	(10,954)	-	13,318	2,976	68.9%
Net Asset Value (1)+(2)+(3)	1,688,221	209,302	-	(90,270)	(25,365)	(3,102)	(30,881)	1,747,905	3.5%
NAV change %		12.4%	-	-5.3%	-1.5%	-0.2%	-1.8%	3.5%	
Shares outstanding	38,089,558	-	-	(3,816,420)	-	-	656,026 ²	34,929,164	-8.3%
Net Asset Value per share	44.32	5.49	-	2.59	(0.67)	(0.08)	(1.61)	50.04	12.9%
NAV per share change %		12.4%	-	5.8%	-1.5%	-0.2%	-3.6%	12.9%	

About Georgia Capital PLC

Georgia Capital PLC ("Georgia Capital" or "the Group" – LSE: **CGEO LN**) is a platform for buying, building and developing businesses in Georgia. **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, which could include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional instability; regulatory risk across a wide range of industries; portfolio company strategic and execution risks; investment risk and liquidity risk and other key factors that indicated could adversely affect our business and financial performance, which are contained in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's Annual Report and Accounts 2018 and in Georgia Capital PLC's 1H19 results announcement. 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.

² Represents the amount of salary and bonus shares awarded to Georgia Capital management for FY18 performance in 2019, which vest over 5 to 6 years.