

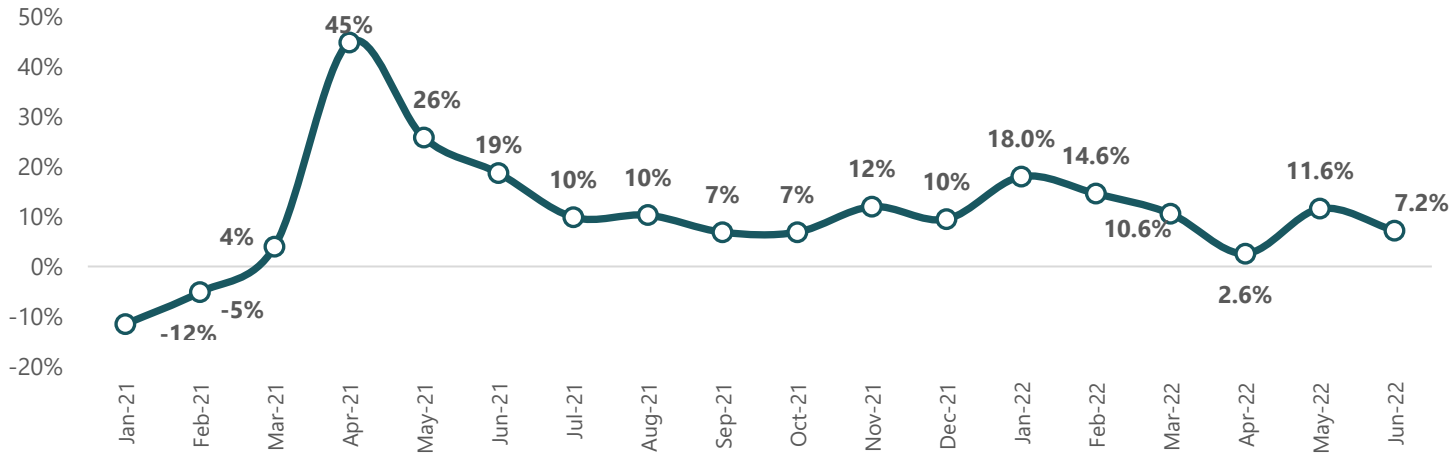
# MACROECONOMIC OVERVIEW

2Q22 & 1H22 RESULTS

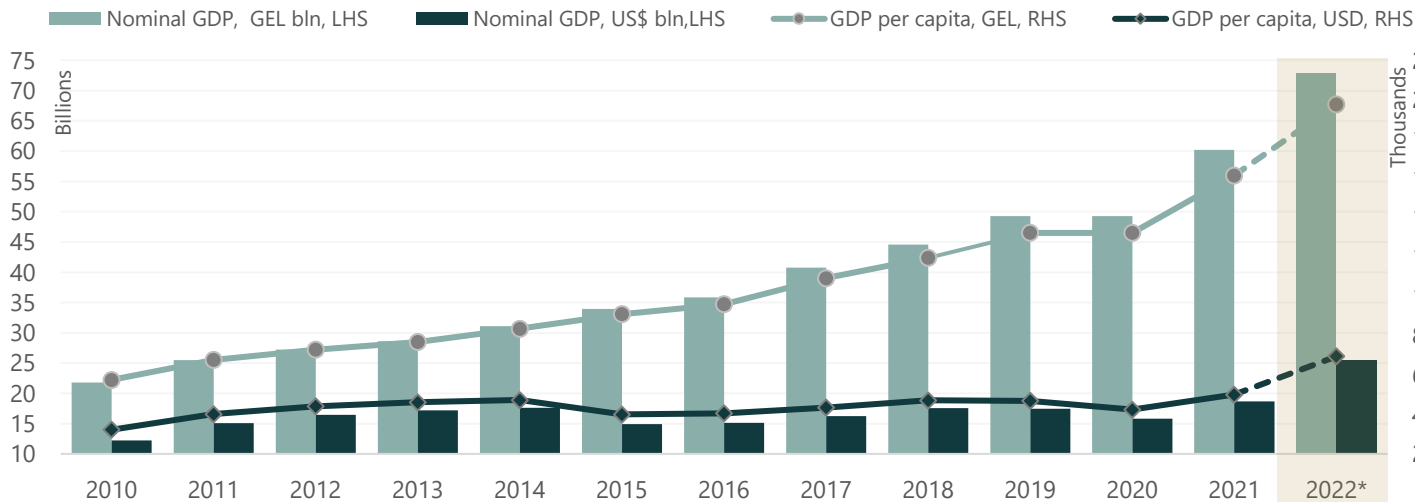
# REAL GDP CONTINUING DOUBLE-DIGIT GROWTH IN 2022



## REAL GDP UP 10.5% Y-O-Y IN 1H22



## NOMINAL GDP IS EXPECTED TO ACCELERATE BOTH IN GEL AND USD TERMS



## REAL GDP UP 10.5% Y-O-Y IN 1H22

### KEY DRIVERS

- Strong external demand supplemented by the migration effect, as remittance inflows grew by 65% y-o-y in 1H22 on the back of a surge in inflows from Russia, while merchandise exports increased by 35% y-o-y in 1H22, and tourism revenues reached 79% of 2019 levels in 1H22, including 92% in May-June;
- Continued credit expansion despite the tight monetary stance (up 18.7% y-o-y in June w/o the exchange rate effect) both in retail and business sectors, aiding economic activity;
- Current expenditures growing by 9% y-o-y and capital expenditures expanding by 4% y-o-y in 1H22, facilitated by a 34% growth in fiscal revenues;
- Strong consumer and business sentiment supporting spending and investment decisions.

# GEORGIAN LARI – APPRECIATING SINCE MID-2021



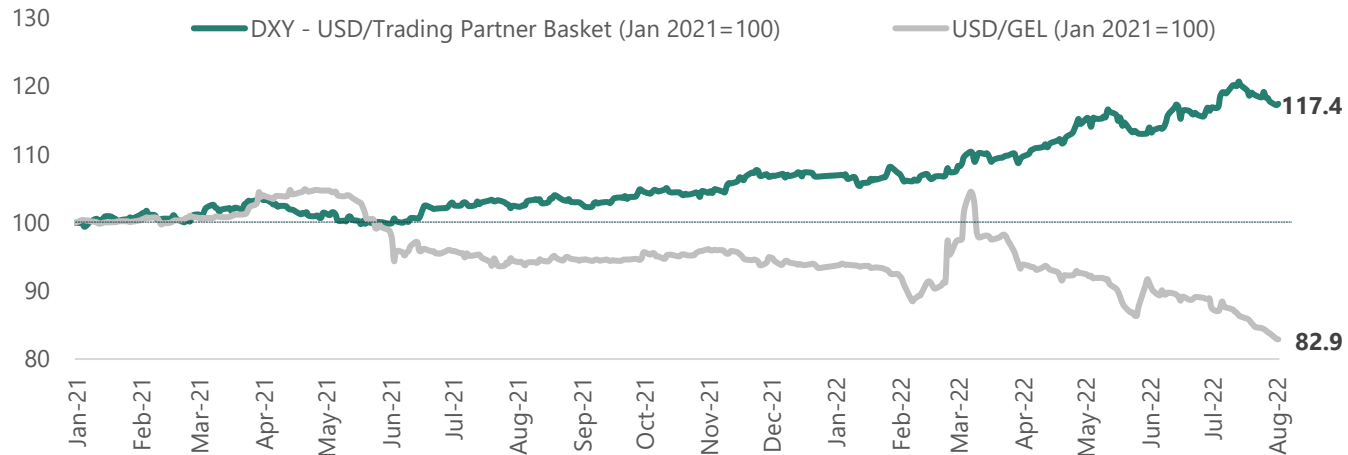
APPRECIATING SINCE MID-2021, BRIEFLY INTERRUPTED AFTER THE RUSSIAN INVASION OF UKRAINE, GEL HAS NOW STRENGTHENED CLOSE TO PRE-PANDEMIC LEVELS AGAINST USD

Sources: NBG



## GE HAS APPRECIATED AGAINST USD, DESPITE USD STRENGTHENING GLOBALLY

Sources: NBG, Bloomberg



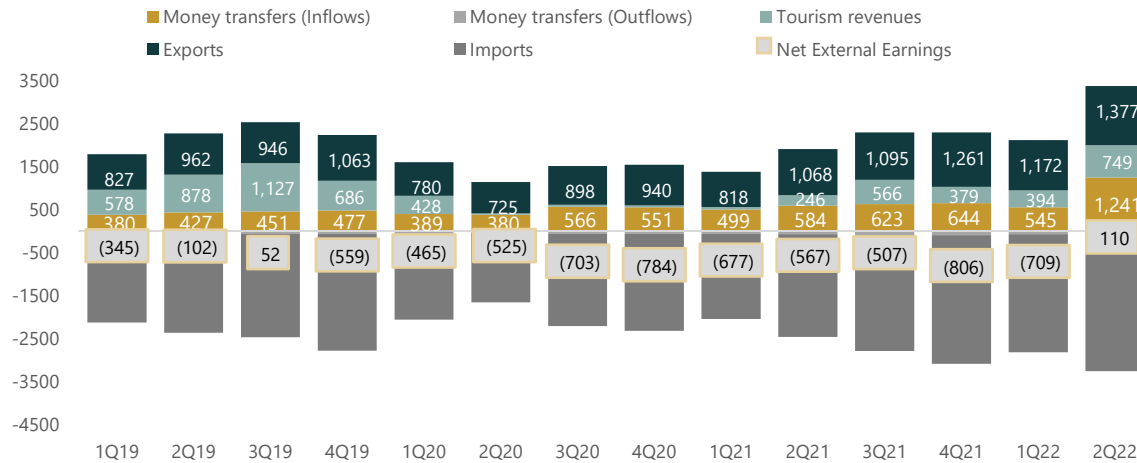
## GEL APPRECIATION DRIVERS

- Record high remittance inflows, increasing by 65% y-o-y in 1H22;
- Continued robust performance in merchandise exports, growing by 35% y-o-y in 1H22;
- Tourism revenues rebounding to 79% of 2019 level in 1H22 (including 96% in May and 89% in June), reflecting the global resumption of travel as well as the migration effect;
- Tight monetary policy (cumulative hike of 300 basis points since March 2021 to 11% as of June 2022), supporting stronger GEL and curbing negative expectations;
- Rebounding economic activity and significant interest rate differential aiding accelerated lending in foreign currency, as FX loans have been steadily increasing since April 2021, both in retail and business sectors.

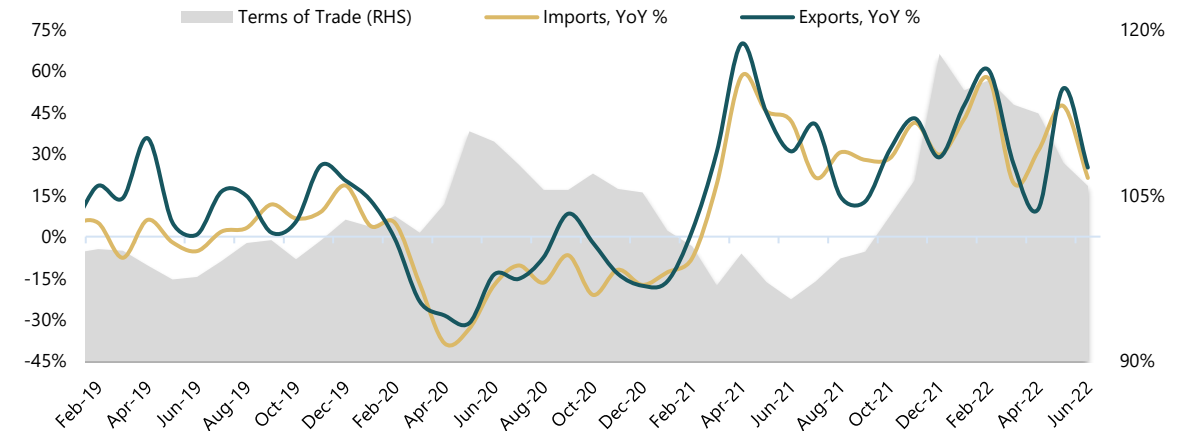
# NET EXTERNAL EARNINGS\* TURNED POSITIVE IN 2Q22 LARGELY ON THE BACK OF REMITTANCE INFLOWS



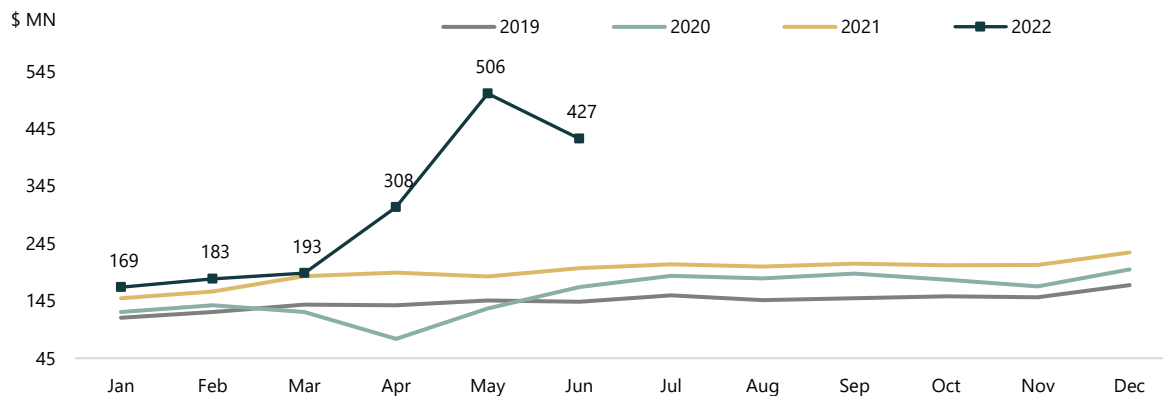
## EXTERNAL EARNINGS (US\$ MILLION)



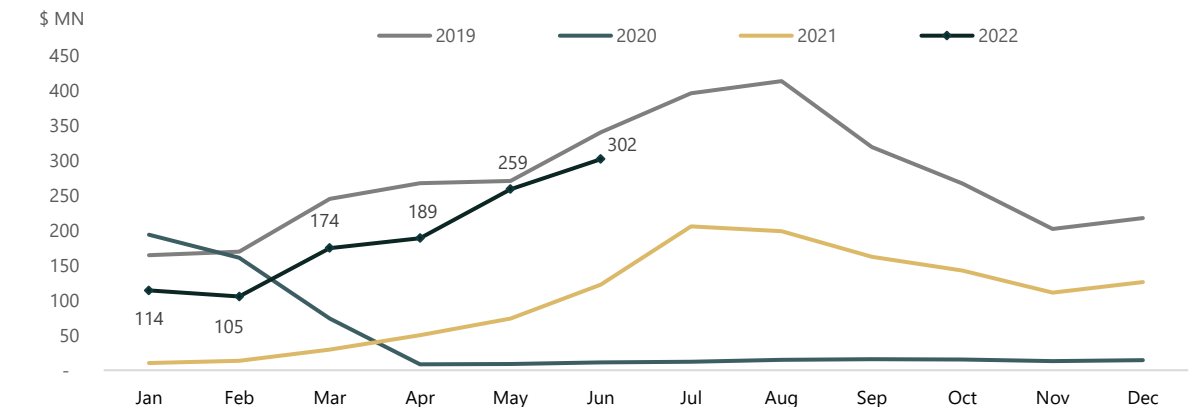
## TERMS OF TRADE HAVE REACHED 112% ON AVERAGE IN 1H22, COMPARED TO 101% IN 2021 (JAN 2017=100)



## REMITTANCE INFLOWS HAVE SURGED AT RECORD HIGH LEVELS SINCE APRIL 2022



## TOURISM REVENUES HAVE BOUNCED BACK TO ALMOST 2019 LEVELS SINCE MAY



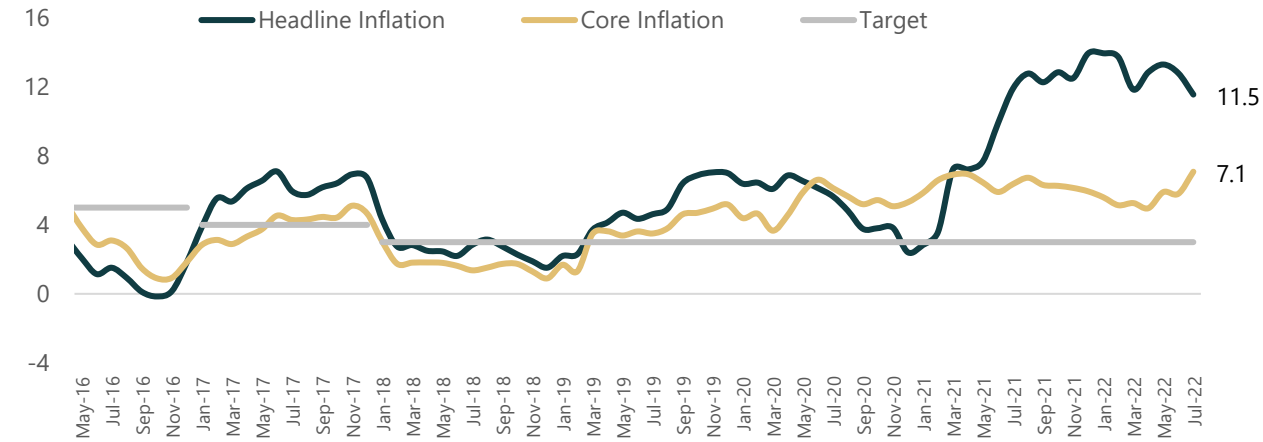
\*Net external earnings include merchandise exports and imports, remittance inflows and outflows, and tourism inflows.

# INFLATION TO DECELERATE GRADUALLY IN THE 2<sup>ND</sup> HALF OF 2022



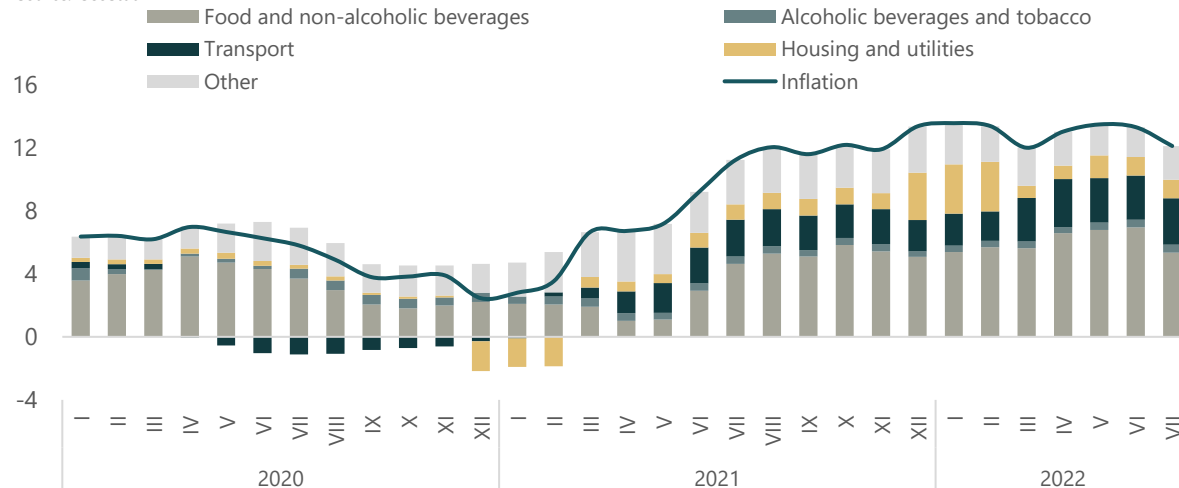
## INFLATION Y-O-Y VS. INFLATION TARGET

Sources: NBG, GeoStat



## INFLATION COMPONENTS

Source: GeoStat



## INFLATION TO DECELERATE BUT REMAIN CLOSE TO DOUBLE DIGITS IN 2022

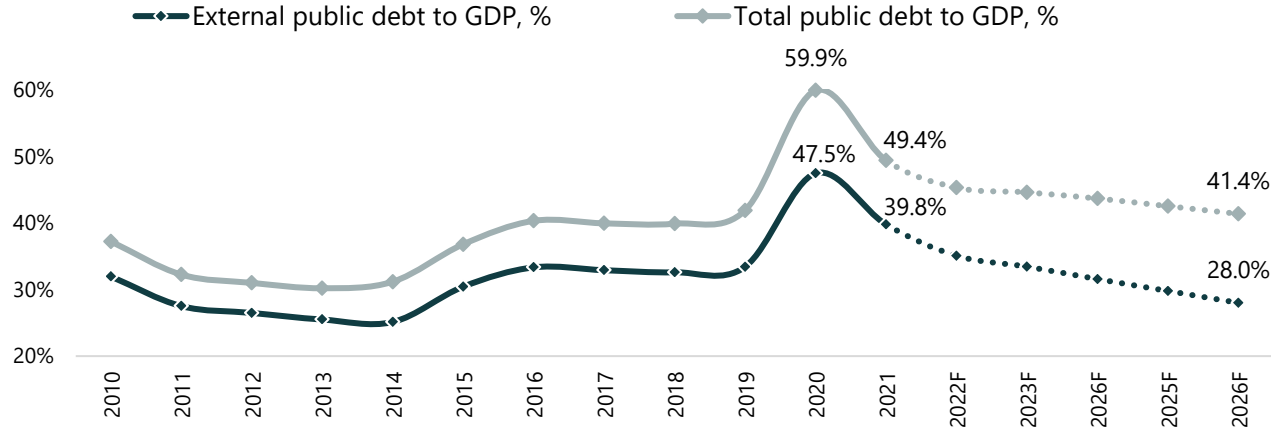
- Annual inflation reached 11.5% in July 2022 (12.9% on average in 7M22) and is expected to decelerate in the 2<sup>nd</sup> half of the year, partially due to the base effect coming into play from July;
- Food, oil and utility prices have been the main drivers of rising prices throughout the year;
- Despite GEL strengthening, imported inflation has so far been the most significant driver of rising prices, with global food and energy prices contributing the most to elevated price pressures;
- Supply side price pressures are no longer abated by weak domestic demand, as the economic recovery has been rapid;
- Rising prices have been a widespread occurrence, with prices increasing annually on 85% of products in the consumer basket in July, including by more than 5% y-o-y for 69% of products and by more than 10% y-o-y for 49% of products.

# FISCAL DEFICIT TO FALL TO 3.5% IN 2022 ON THE BACK OF EXCEPTIONAL REVENUE PERFORMANCE AND MODERATING EXPENSES



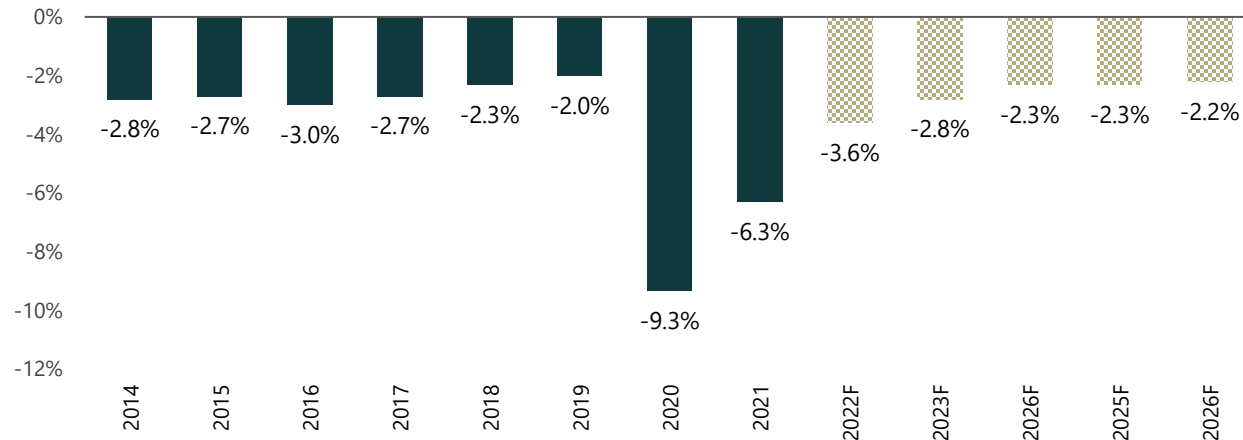
## PUBLIC DEBT

Sources: MoF



## OVERALL BALANCE (IMF MODIFIED), % OF GDP

Source: MoF



## FISCAL SUPPORT HAS BEGUN MODERATING

- Fiscal support moderated in 2022, with current expenditures growing by 9% y-o-y and capital expenditures expanding by 4% y-o-y in 1H22, as opposed to 19% and 28% y-o-y respectively in 1H21;
- As a result of double-digit economic growth, tax revenues grew by 34% y-o-y in 1H22, facilitating a 34% growth in overall fiscal revenues (consolidated budget);
- The overall fiscal deficit fell by 94% y-o-y in 1H22, on the back of a slowdown in expenditures and exceptional revenue performance, while the operating balance improved from GEL -290 mln in 1H21 to GEL 1.4 bln in 1H22;
- The government committed to reducing the fiscal deficit to 3.6% of GDP in 2022, with the deficit set to fall under 3% from next year.

# SOVEREIGN RATINGS WITH FAVOURABLE MACRO FUNDAMENTALS



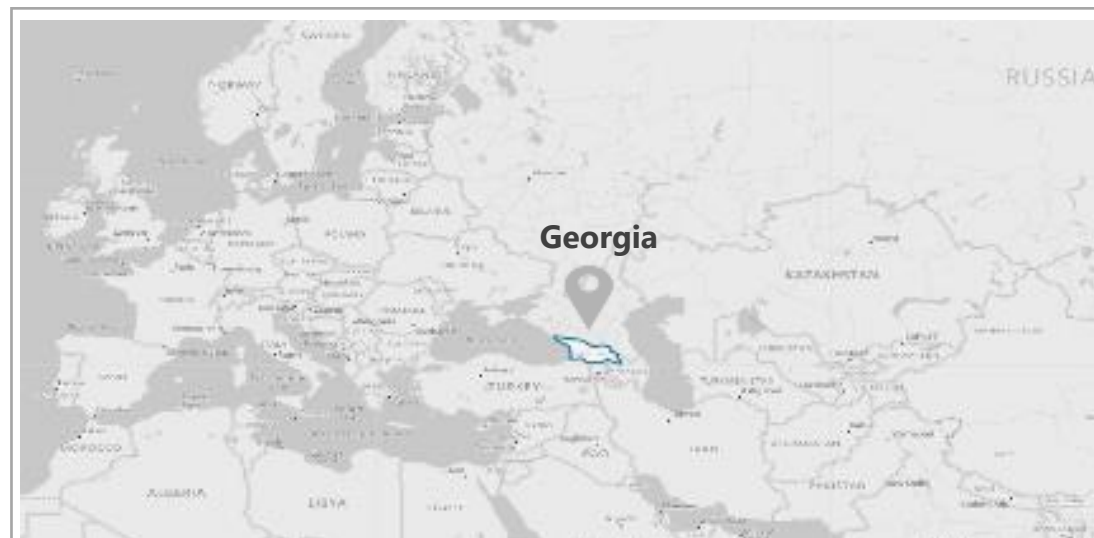
## Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
<b>MOODY'S</b>	Ba2	Negative	April 2022
<b>S&amp;P Global</b>	BB	Stable	February 2022
<b>Fitch Ratings</b>	BB	Stable	July 2022

## Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	B+	Stable
Azerbaijan	BB+	Stable
Czech Republic	AA-	Negative
<b>Georgia</b>	<b>BB</b>	<b>Stable</b>
Kazakhstan	BBB	Stable
Turkey	B	Negative
Uzbekistan	BB-	Stable

## General Facts



- Area: 69,700 sq. km
- Population (2021): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 73.5 years
- Official language: Georgian
- Literacy: 100%
- Currency (code): Lari (GEL)

## Economy

- Nominal GDP (Geostat) 2021: GEL 60 billion (US\$18.7 billion)
- Real GDP growth rate 2021: 10.4%
- Real GDP ten-year annual average growth rate: 4%
- GDP per capita 2021 (PPP, international dollar) IMF: 16,910
- Annual inflation 2021: 9.6%
- External public debt to GDP 2021: 39.8%

# GEORGIA'S KEY ECONOMIC DRIVERS

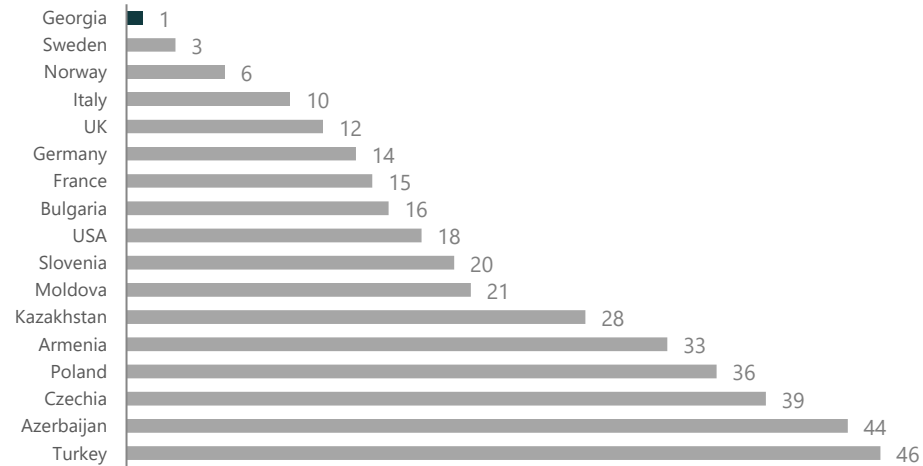


<b>Liberal economic policy</b>	<b>Top performer globally in WB Doing Business over the past 12 years</b> <ul style="list-style-type: none"><li>▪ Liberty Act (effective January 2014) ensures a credible fiscal framework; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%.</li><li>▪ Following the emergency clause activation after the COVID-19 shock, the fiscal framework will return within the rule bounds in three years, as specified in the Liberty Act;</li><li>▪ Business friendly environment and low tax regime (attested by favourable international rankings);</li></ul>
<b>Regional logistics and tourism hub</b>	<b>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</b> <ul style="list-style-type: none"><li>▪ Access to a market of 2.8 billion customers without customs duties: Free trade agreements with EU, China, Hong Kong, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Israel and India under consideration.</li><li>▪ Tourism inflows fell sharply to US\$ 542 million in 2020 from US\$ 3.2 billion in 2019 due to COVID-19, but bounced back to US\$ 1.3 billion in 2021;</li><li>▪ Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes.</li></ul>
<b>Strong FDI</b>	<b>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</b> <ul style="list-style-type: none"><li>▪ FDI stood at US\$ 1.2 (6.1% of GDP) in 2021;</li><li>▪ FDI has averaged 8% of GDP since 2010.</li></ul>
<b>Support from international community</b>	<b>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</b> <ul style="list-style-type: none"><li>▪ Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017.</li><li>▪ Discussions commenced with the USA to drive inward investments and exports.</li><li>▪ Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU.</li></ul>
<b>Electricity transit hub potential</b>	<b>Developed, stable and competitively priced energy sector</b> <ul style="list-style-type: none"><li>▪ Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development.</li><li>▪ Georgia imports natural gas mainly from Azerbaijan.</li><li>▪ Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded.</li><li>▪ Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe.</li></ul>
<b>Political environment stabilised</b>	<ul style="list-style-type: none"><li>▪ Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU.</li><li>▪ New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency.</li><li>▪ Continued economic relationship with Russia, although economic dependence is relatively low.</li><li>▪ Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgian's citizens effective December 23, 2015.</li><li>▪ Direct flights between the two countries resumed in January 2010. However, they have been banned again since July 2019 following the decision from Russia.</li><li>▪ Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia.</li><li>▪ In 2021, Russia accounted for 14% of Georgia's exports and 10% of imports.</li></ul>

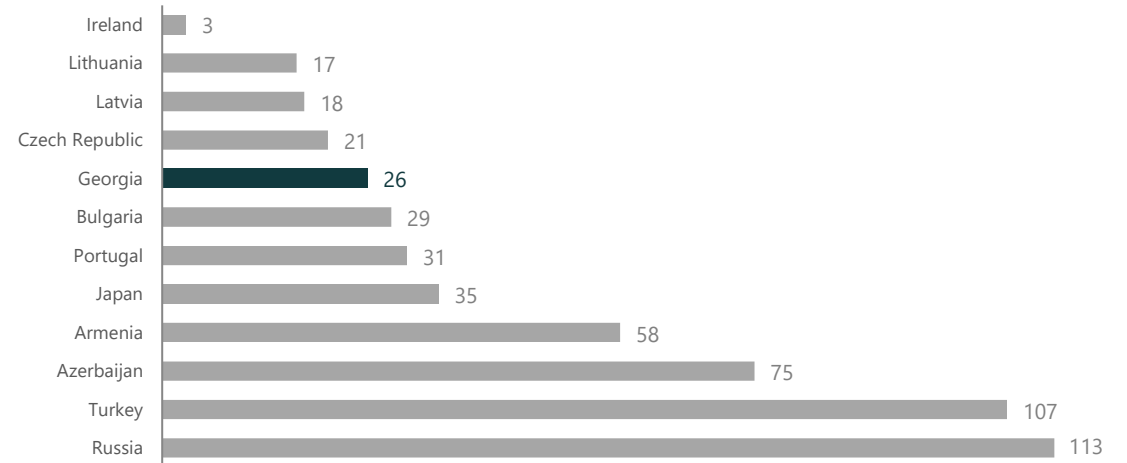


# INSTITUTIONAL ORIENTED REFORMS

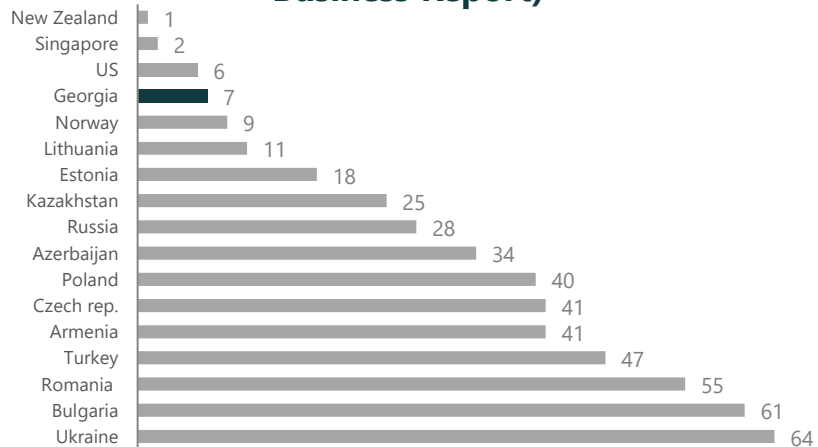
**Open Budget Index, 2021 | International Budget Partnership (Budget Transparency)**



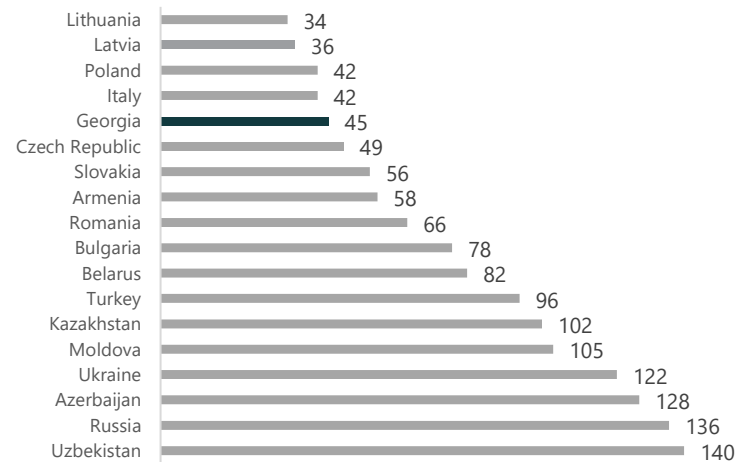
**Economic Freedom Index | 2022 (Heritage Foundation)**



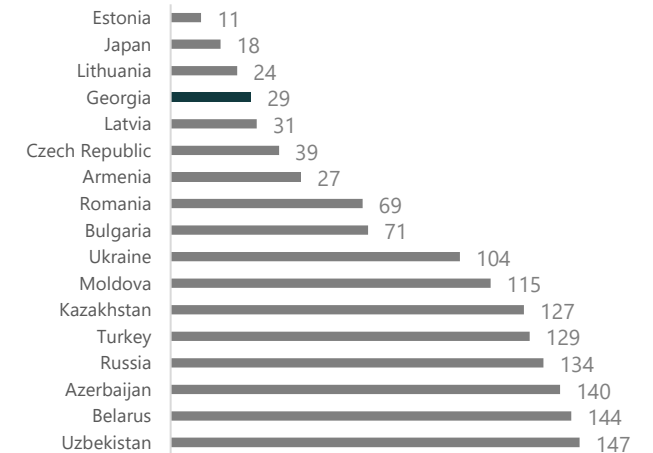
**Ease of Doing Business | 2020 (WB Doing Business Report)**



**Corruption Perception Index | 2021 (TI)**



**Business Bribery Risk, 2021 | Trace International**

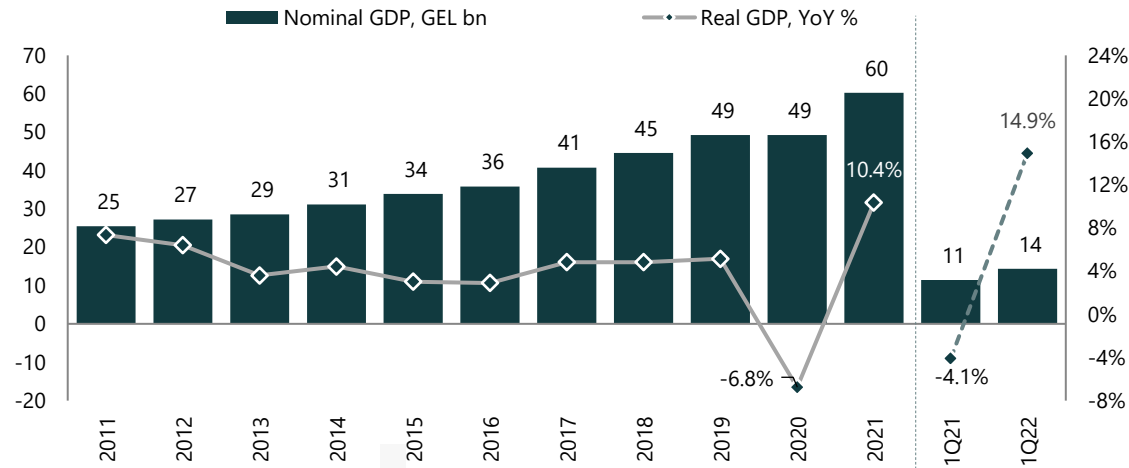


Sources: Transparency International, Heritage Foundation, World Bank, Trace International.

# ECONOMIC GROWTH CONTINUING AT PACE

## Gross domestic product

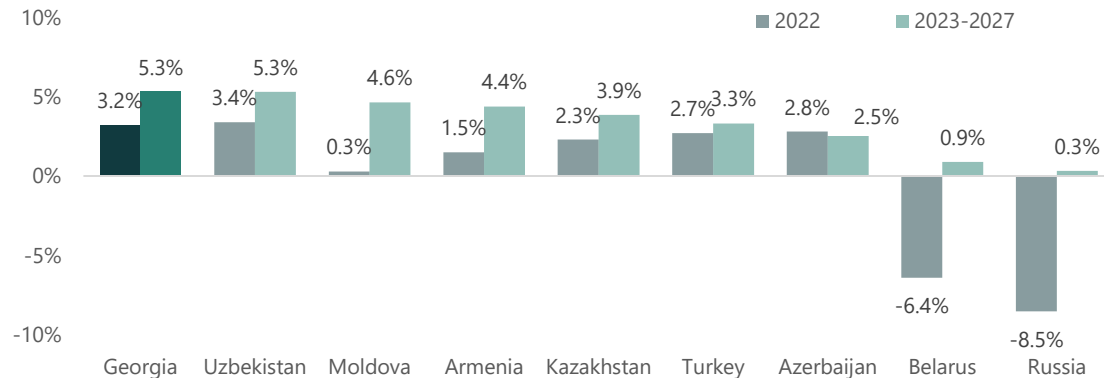
According to preliminary estimates, real GDP grew by 14.9% y-o-y in 1Q22



Source: Geostat

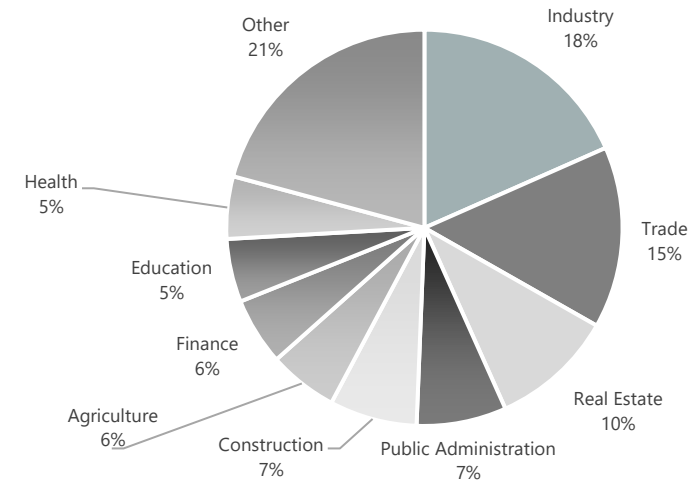
## Georgia's medium-term growth rate projected to be highest among peers by IMF (April 2022)

Projected real GDP growth rates, % | IMF



Source: IMF, WEO (April 2022)

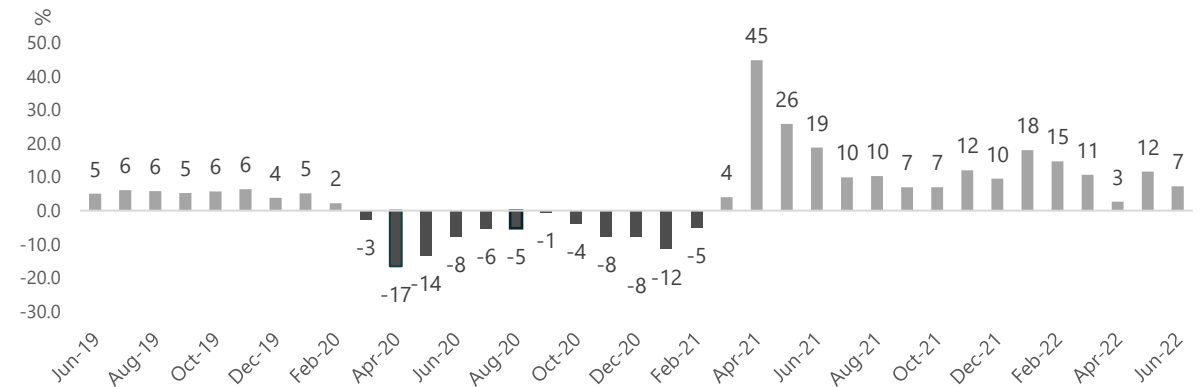
## Nominal GDP structure, 1Q21



Source: Geostat

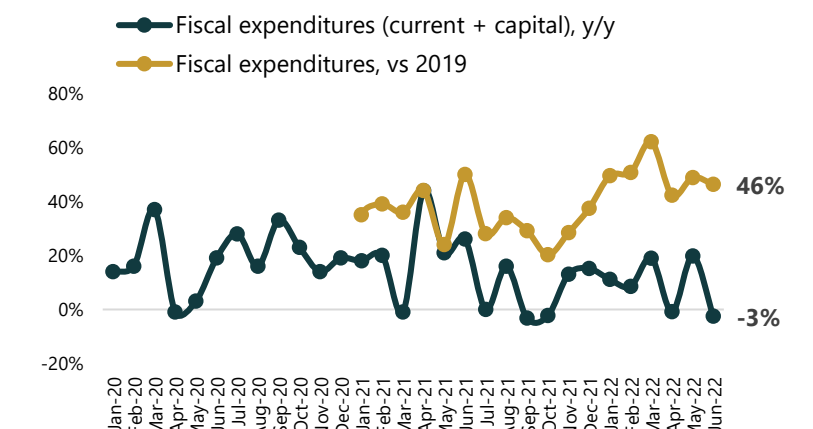
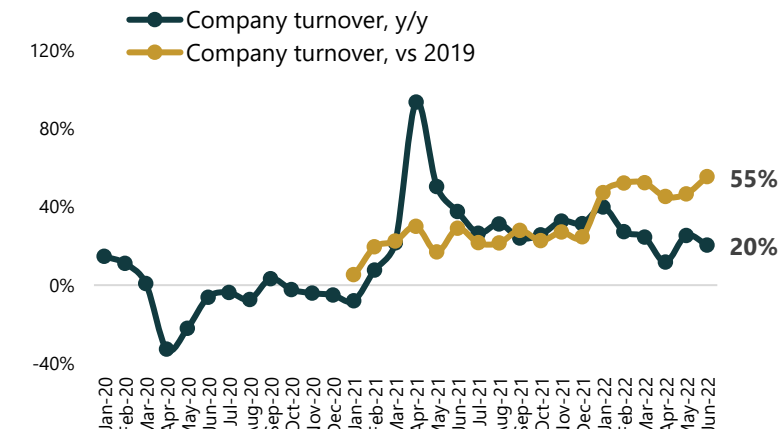
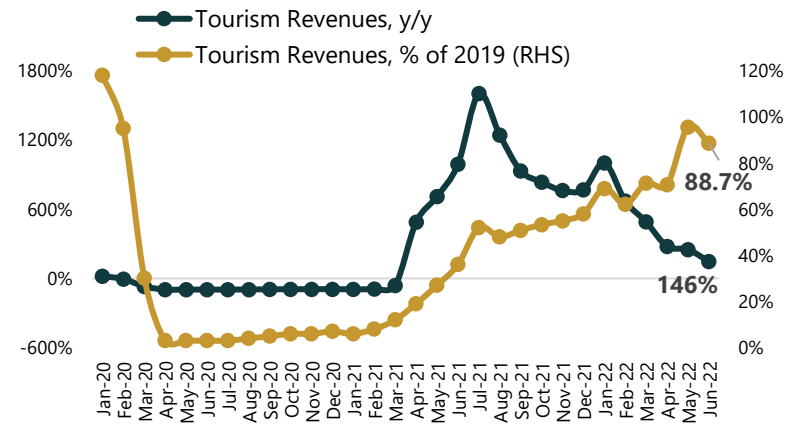
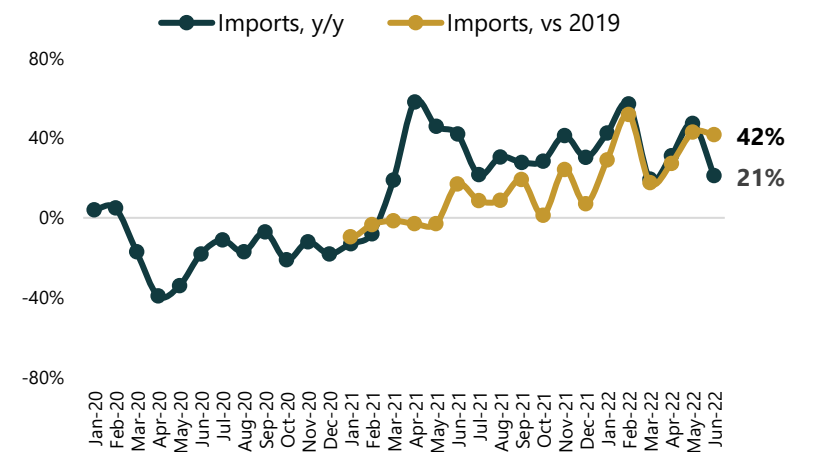
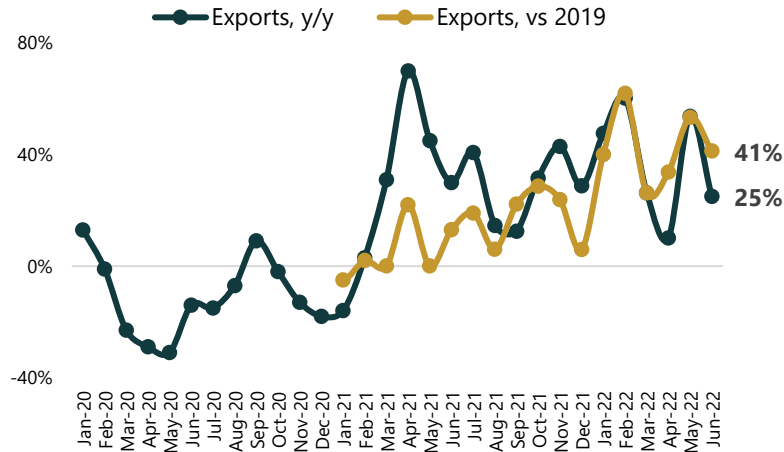
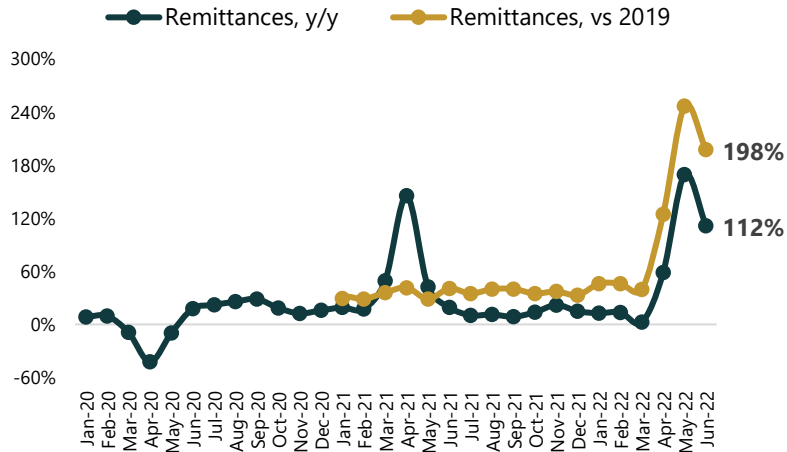
## Monthly Economic Activity Estimate, Y-o-Y growth

Flash estimates show the economy growing by 10.5% in 1H22



Source: Geostat

# STRONG EXTERNAL DEMAND EVIDENT IN SURGING FX INFLOWS, WHILE DOMESTIC DEMAND ALSO REMAINS ROBUST DESPITE FISCAL SUPPORT MODERATING

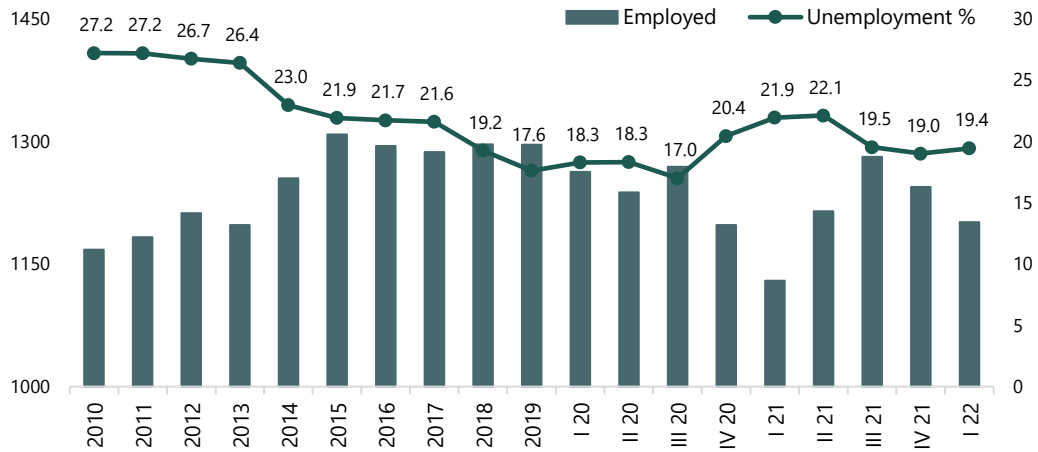


# EMPLOYMENT DYNAMICS CATCHING UP WITH RECOVERY IN WAGES



## Unemployment rate down since 2H21

Sources: GeoStat



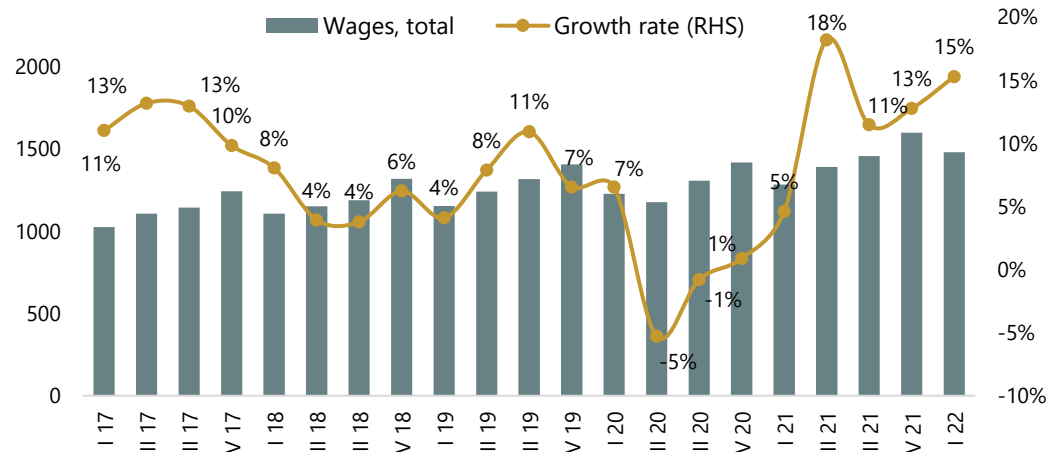
## UNDP Human Development Index

Sources: UNDP



## Average monthly nominal earnings in the business sector

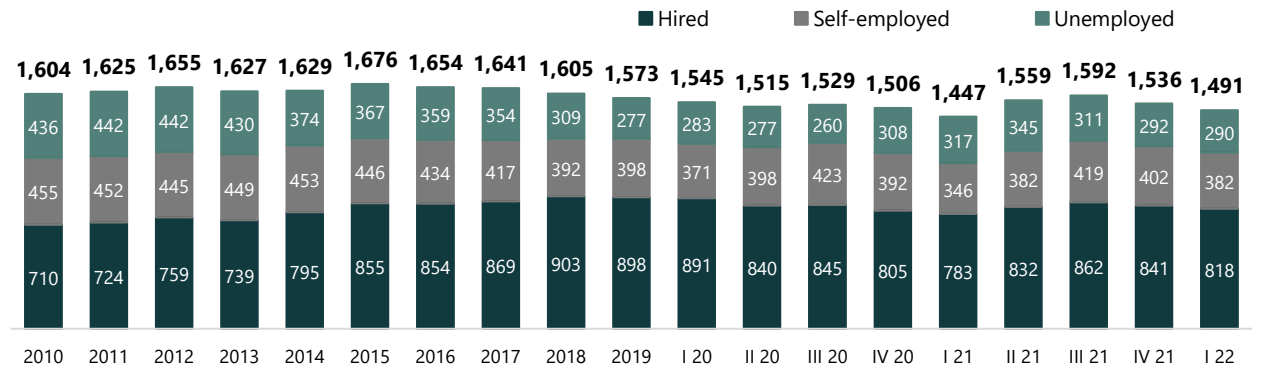
Sources: GeoStat



## Labour force decomposition

Sources: GeoStat

The labour force increased by 43,000 y-o-y in 1Q22, as the number of employed people rose by 71,000 and the number of unemployed fell by 28,000

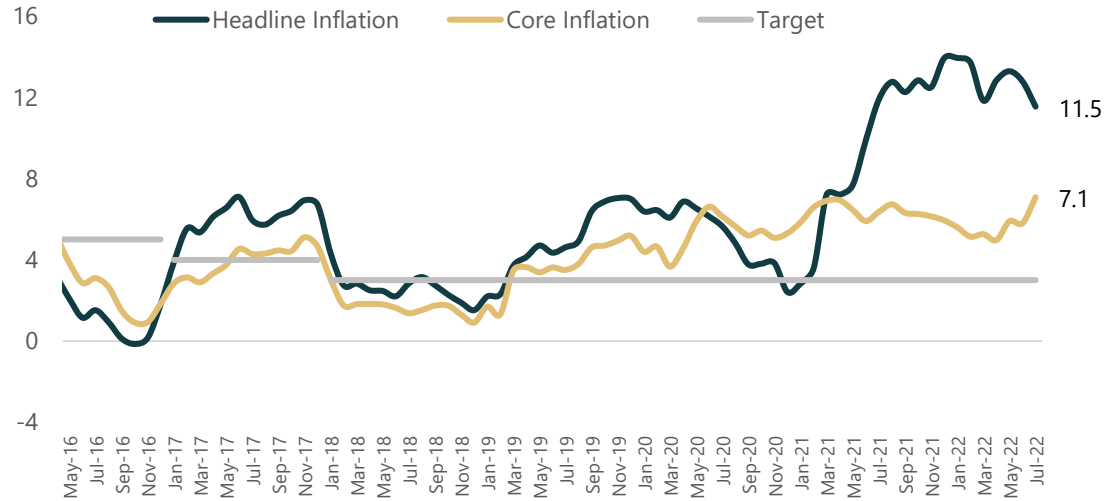


# INFLATION TO DECELERATE FROM THE 2<sup>ND</sup> HALF OF 2022



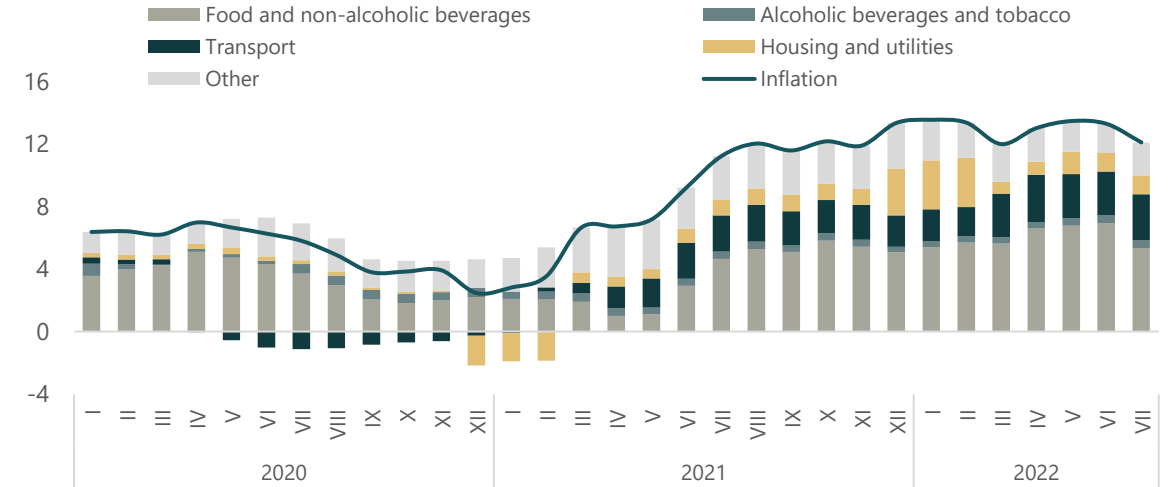
## Inflation Y-o-Y vs. inflation target

Sources: NBG, GeoStat



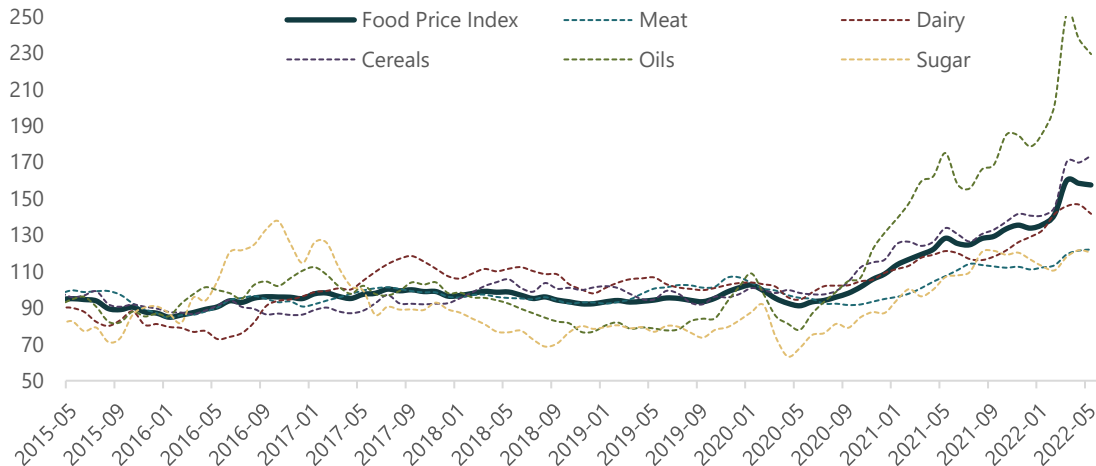
## Inflation components

Source: GeoStat



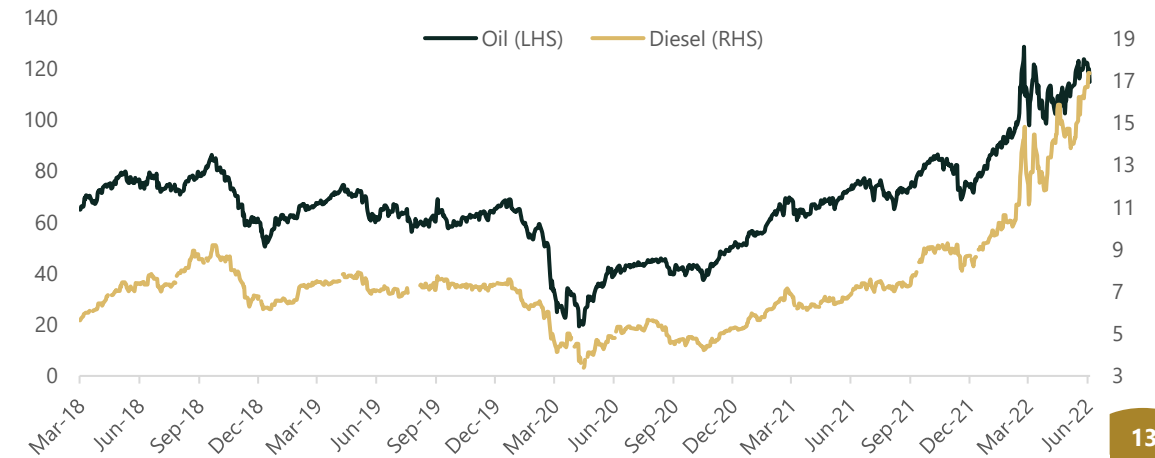
## FAO food price index

Sources: FAO



## Brent crude oil and diesel prices

Sources: Bloomberg

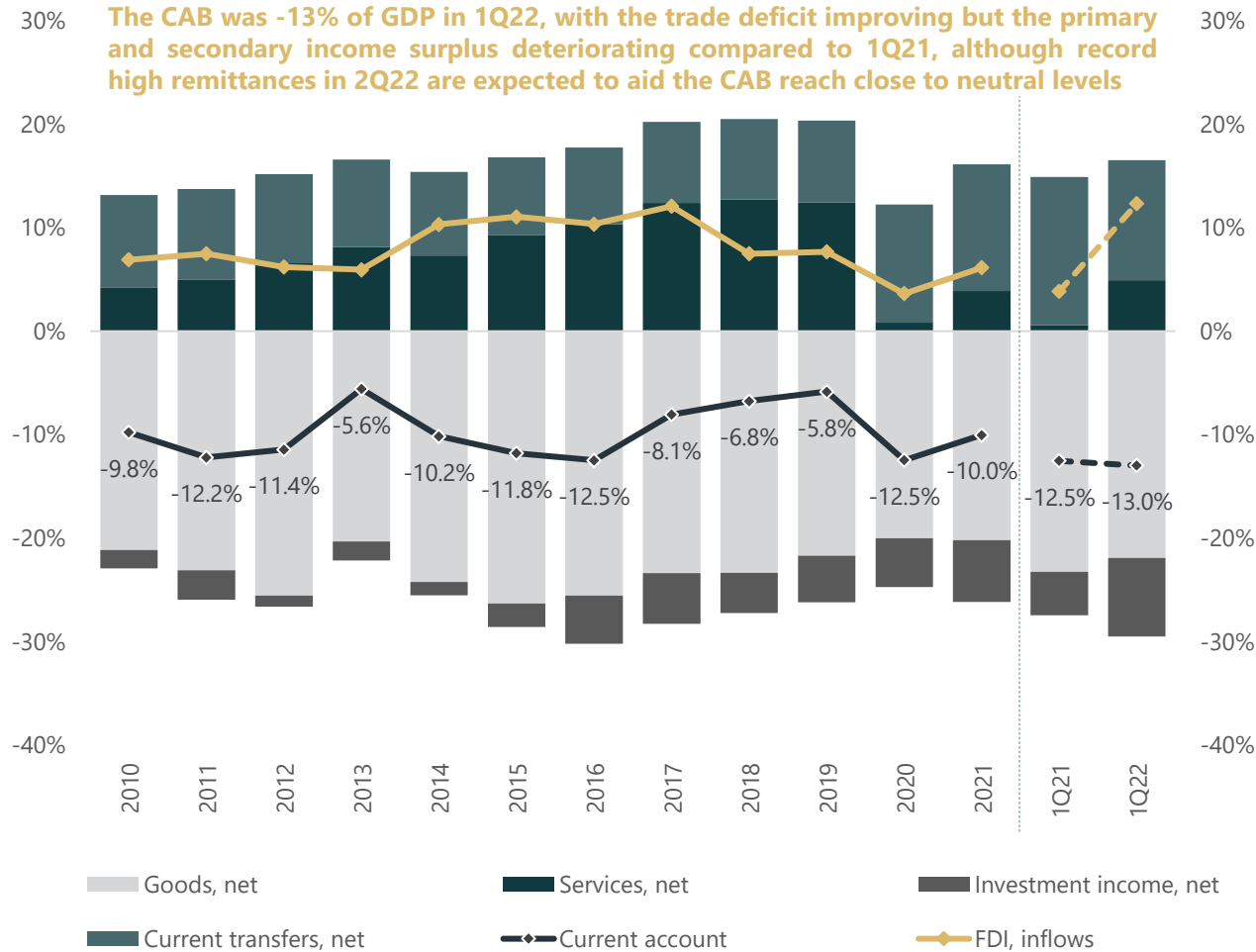


# CURRENT ACCOUNT DEFICIT 13% OF GDP IN 1Q22 BUT EXPECTED TO BE CLOSE TO NEUTRAL IN 2Q22

## Current account balance (% of nominal GDP)

Sources: NBG

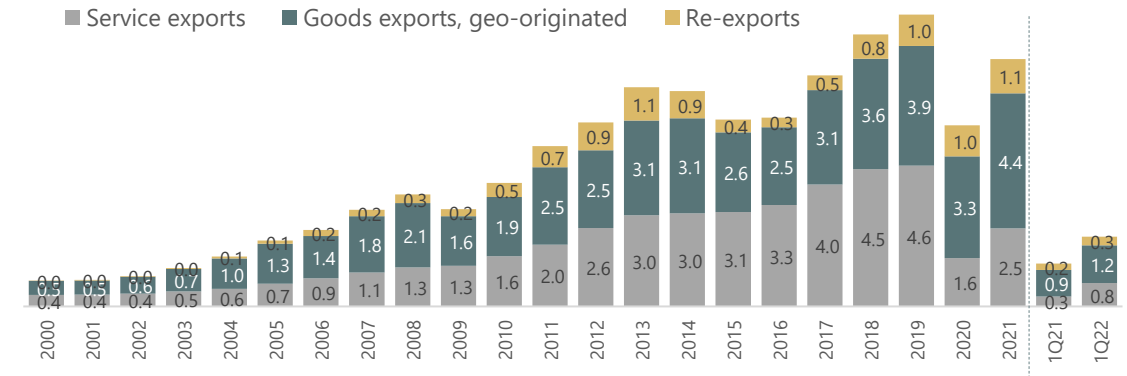
The CAB was -13% of GDP in 1Q22, with the trade deficit improving but the primary and secondary income surplus deteriorating compared to 1Q21, although record high remittances in 2Q22 are expected to aid the CAB reach close to neutral levels



## Exports and Re-exports, US\$ billion

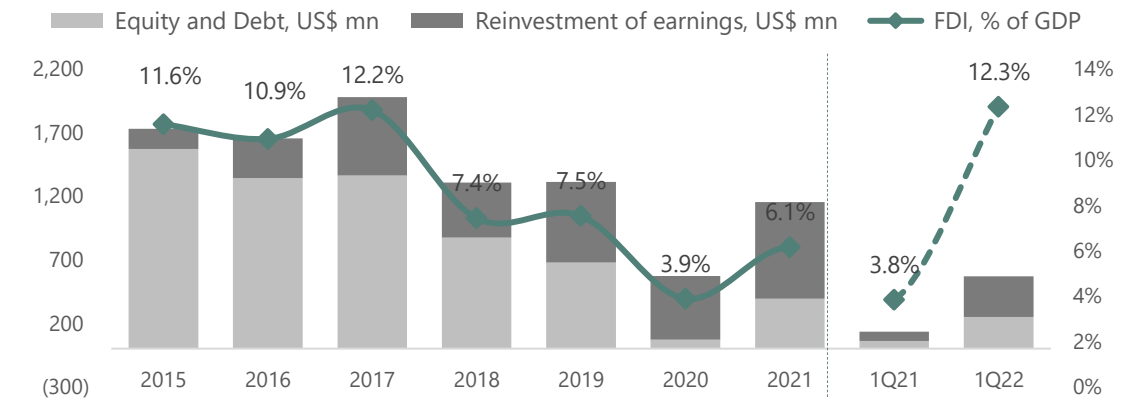
Source: NBG

Georgian-originated goods exports have continued to play a dominant role in rising export revenues



## FDI (components and % of nominal GDP)

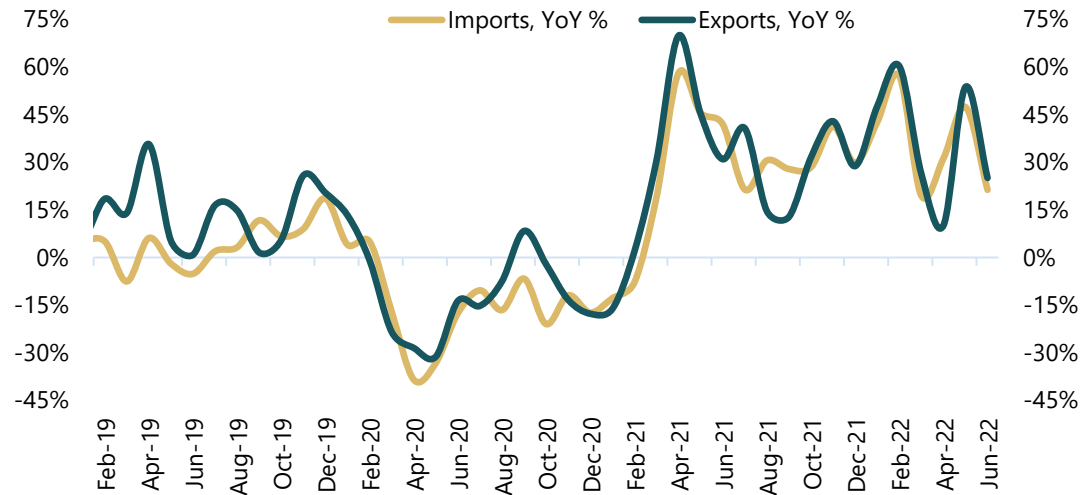
Source: Geostat



# DIVERSIFIED FOREIGN TRADE

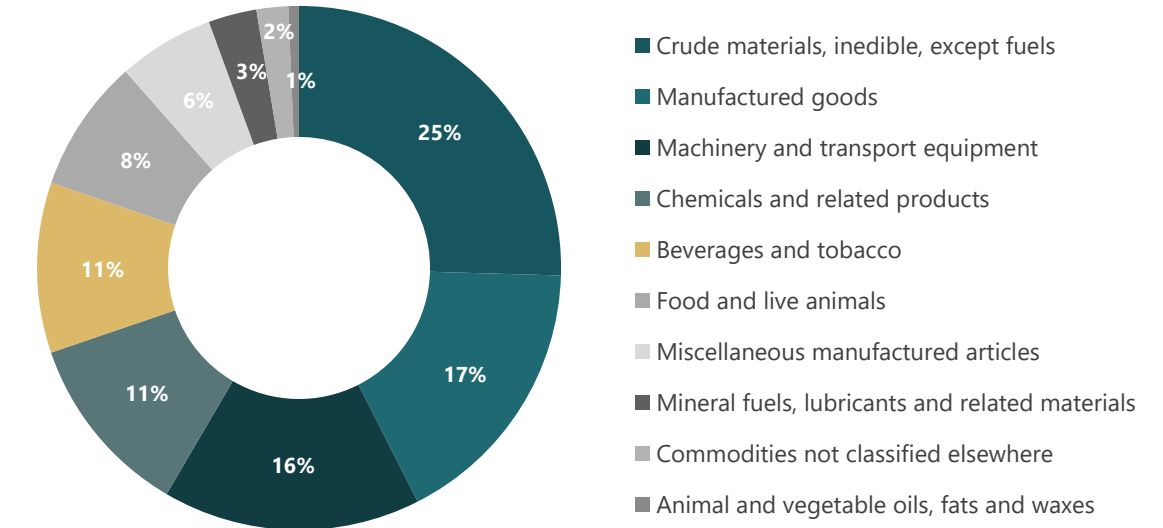
## Exports and imports of goods, Y-o-Y %

Source: Geostat



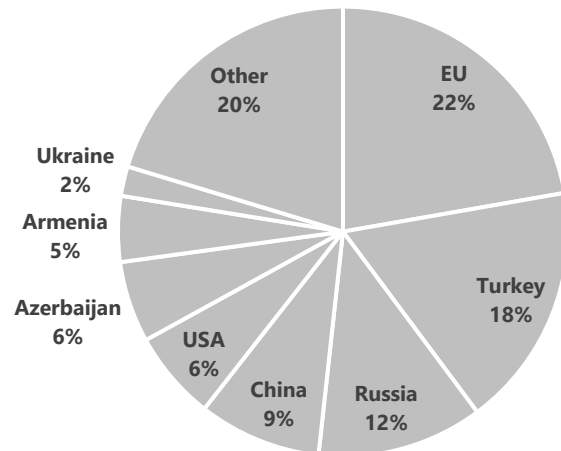
## Foreign Demand, 1H22

Source: Geostat



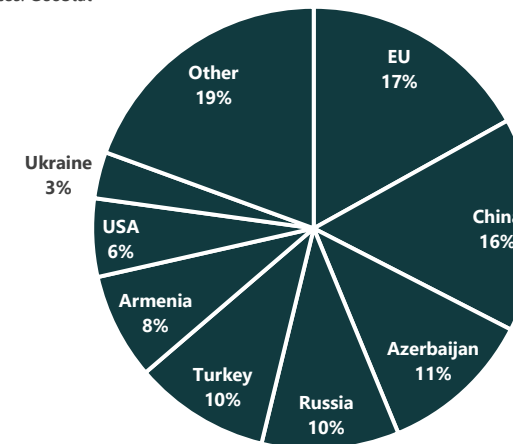
## Import countries, 1H22

Sources: GeoStat



## Export countries, 1H22

Sources: GeoStat



After emerging as the single largest destination country for Georgian exports in 2020, China has retained the top position since, accounting for 16% of Georgian exports in 1H22

# REMITTANCES AT RECORD HIGH LEVELS DUE TO THE MIGRANT EFFECT AS TOURISM REVENUES ALSO BOUNCE BACK



## Tourism revenues to GDP

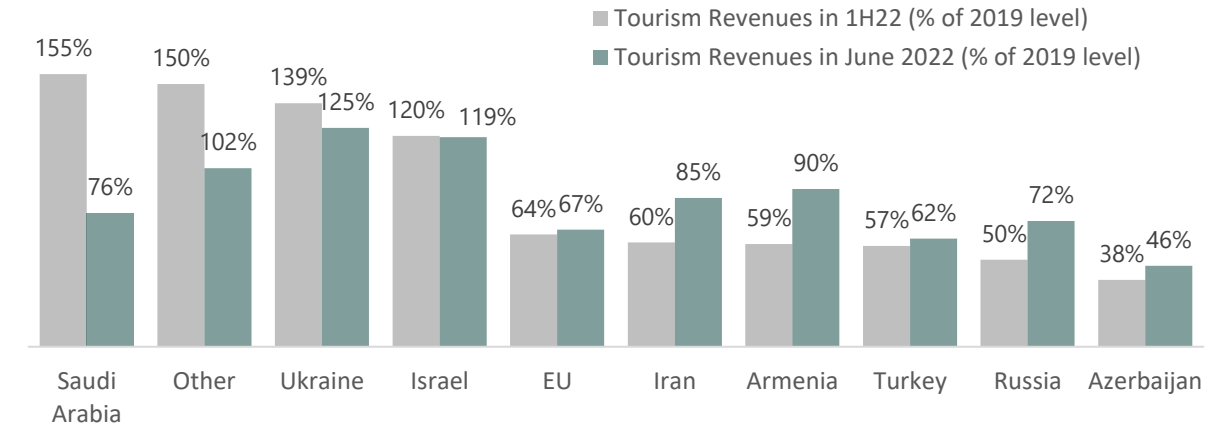
Sources: NBG, Geostat

Tourism revenues rebounded to 96% of 2019 level in May 2022 and 89% in June, aided by rebounding travel and the migrant effect



## Tourism revenues by country

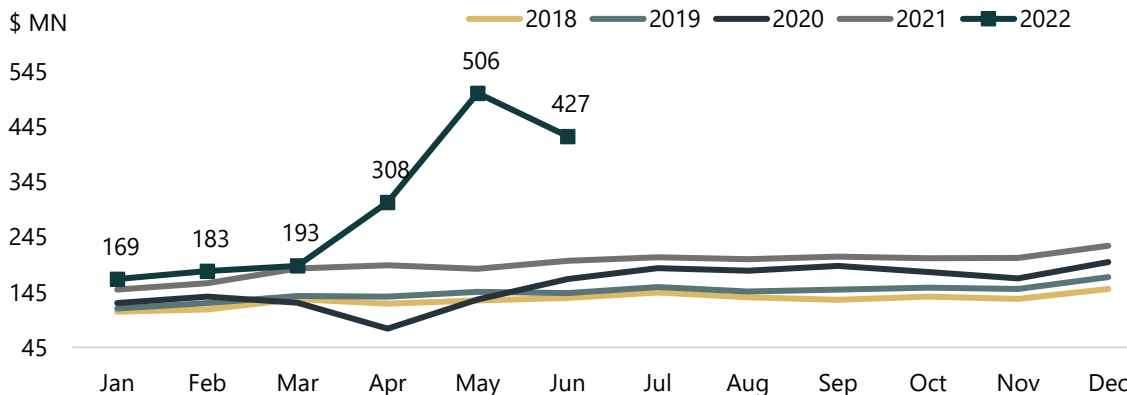
Sources: GNTA



## Remittances at record high levels

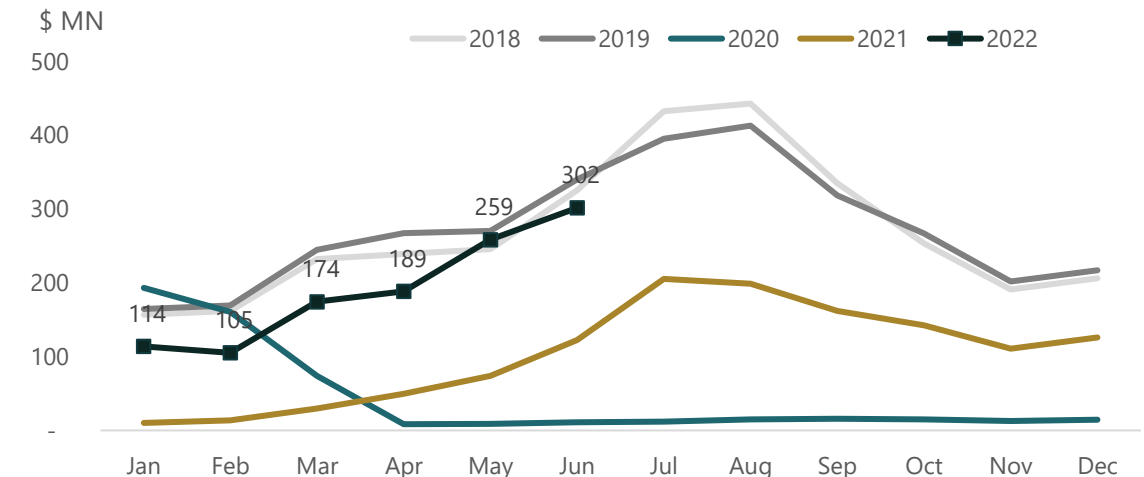
Source: NBG

Remittance inflows have surged at record high levels since April 2022, growing by 65% y-o-y in 1H22 and by 213% y-o-y in April-May 2022



## Tourism revenues

Source: NBG



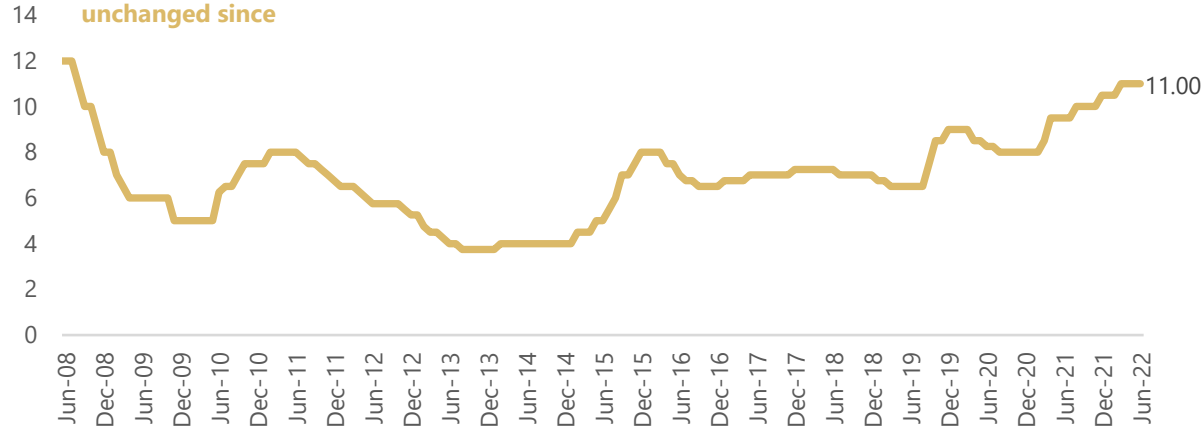


# APPROPRIATE MONETARY POLICY STANCE ENSURING MACROECONOMIC STABILITY

## Monetary policy rate

Sources: NBG

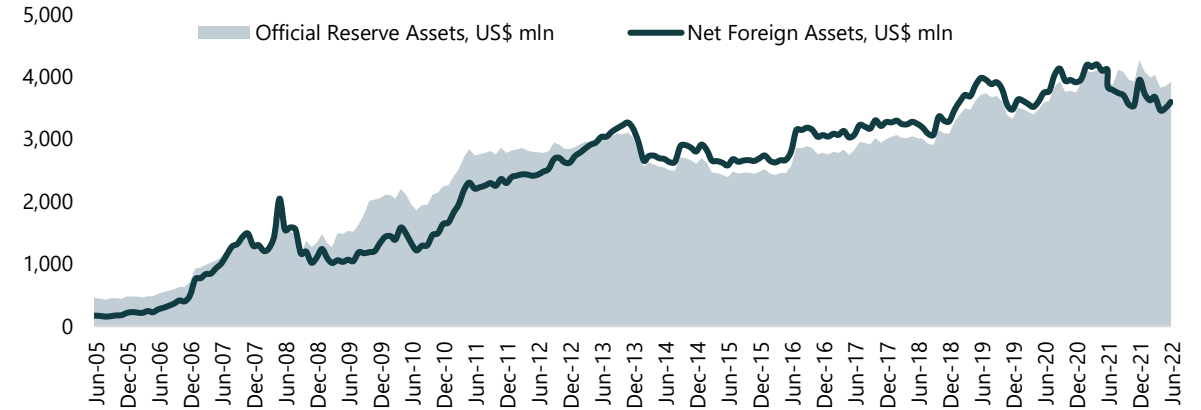
NBG further increased the monetary policy rate to 11% in March 2022 and has left it unchanged since



## International Reserves

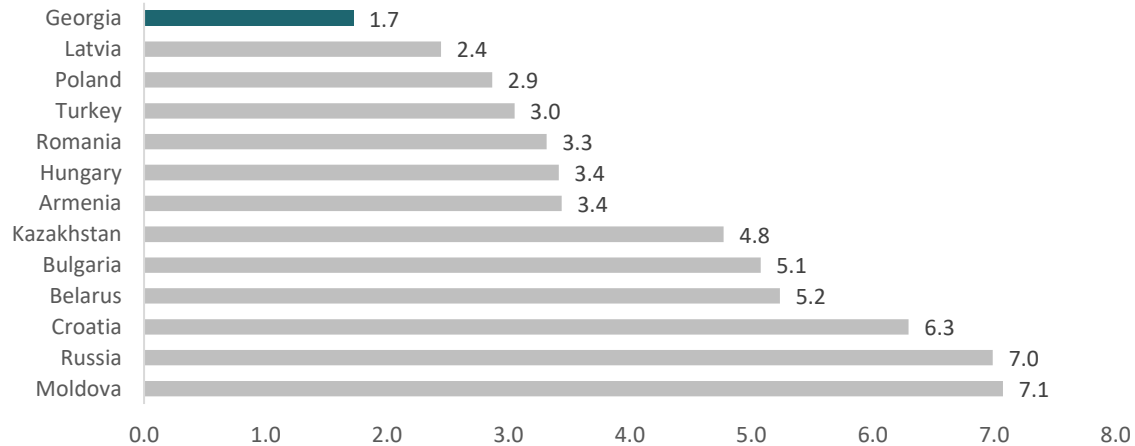
Sources: NBG

International reserves reached \$3.9 bn by the end of June 2022, up 0.1% y-o-y and providing ample cover



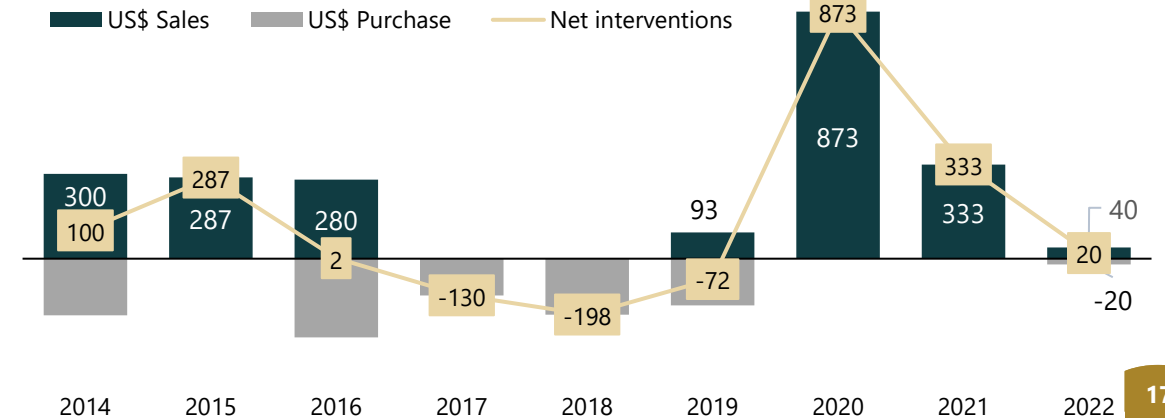
## Nonperforming loans to total gross loans, % (latest 2022)

Sources: IMF



## Foreign exchange market interventions, \$US million

Sources: NBG



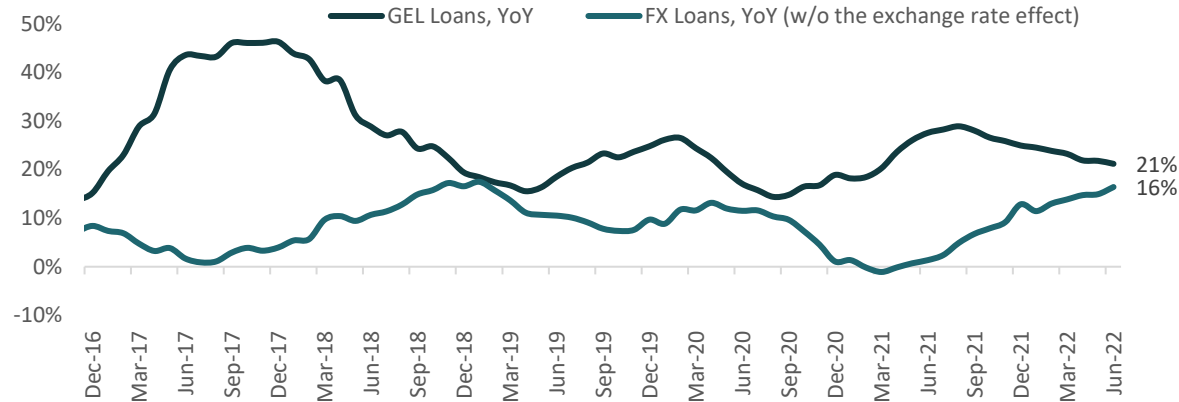
# GEL APPRECIATING SINCE MID-2021



## Loans by currencies

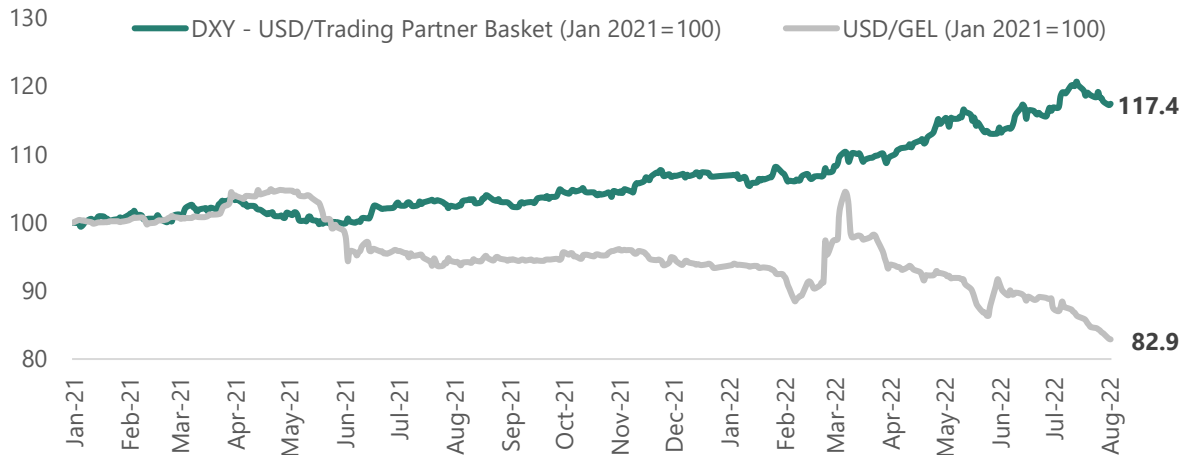
Sources: NBG

Commercial bank lending has remained resilient throughout the year on the back of rebounding demand, with foreign currency loans further aided by tight monetary policy



## Exchange rate indices

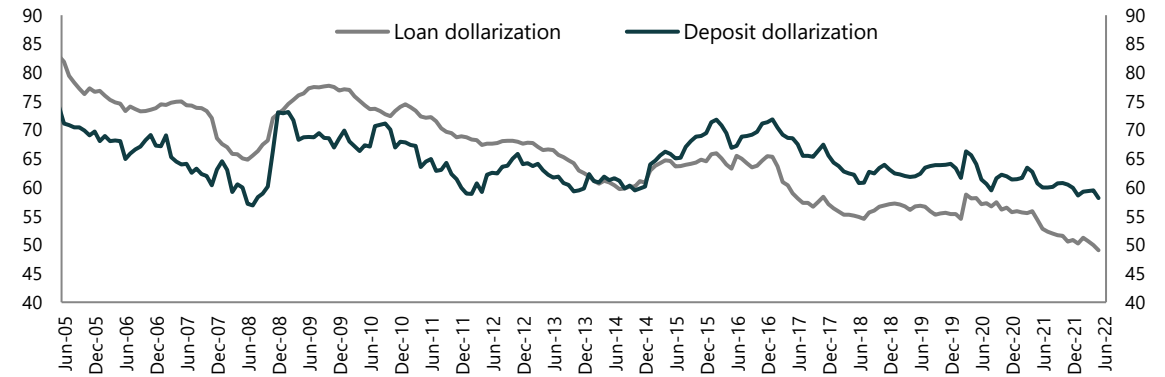
Sources: NBG, Bloomberg



## Dollarization ratios

Source: NBG

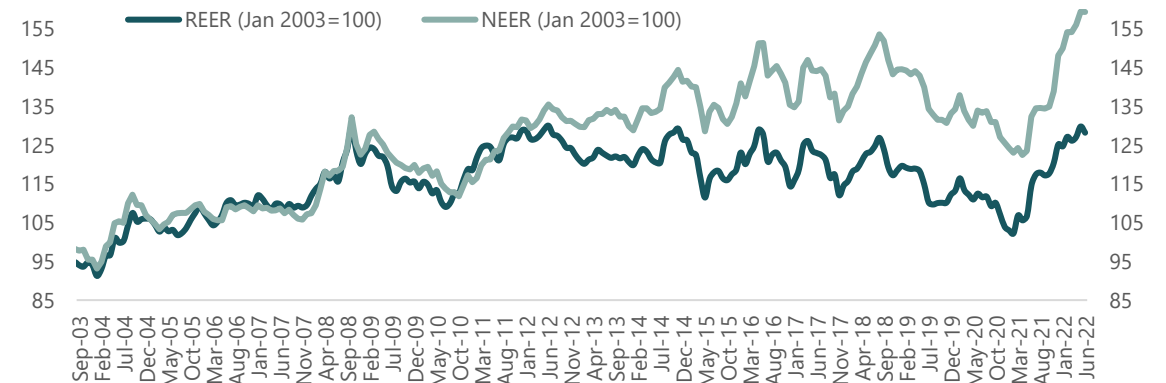
Both deposit and loan dollarization have fallen since May-June 2021, in parallel with GEL appreciation



## Real (REER) and nominal (NEER) effective exchange rates

Source: NBG

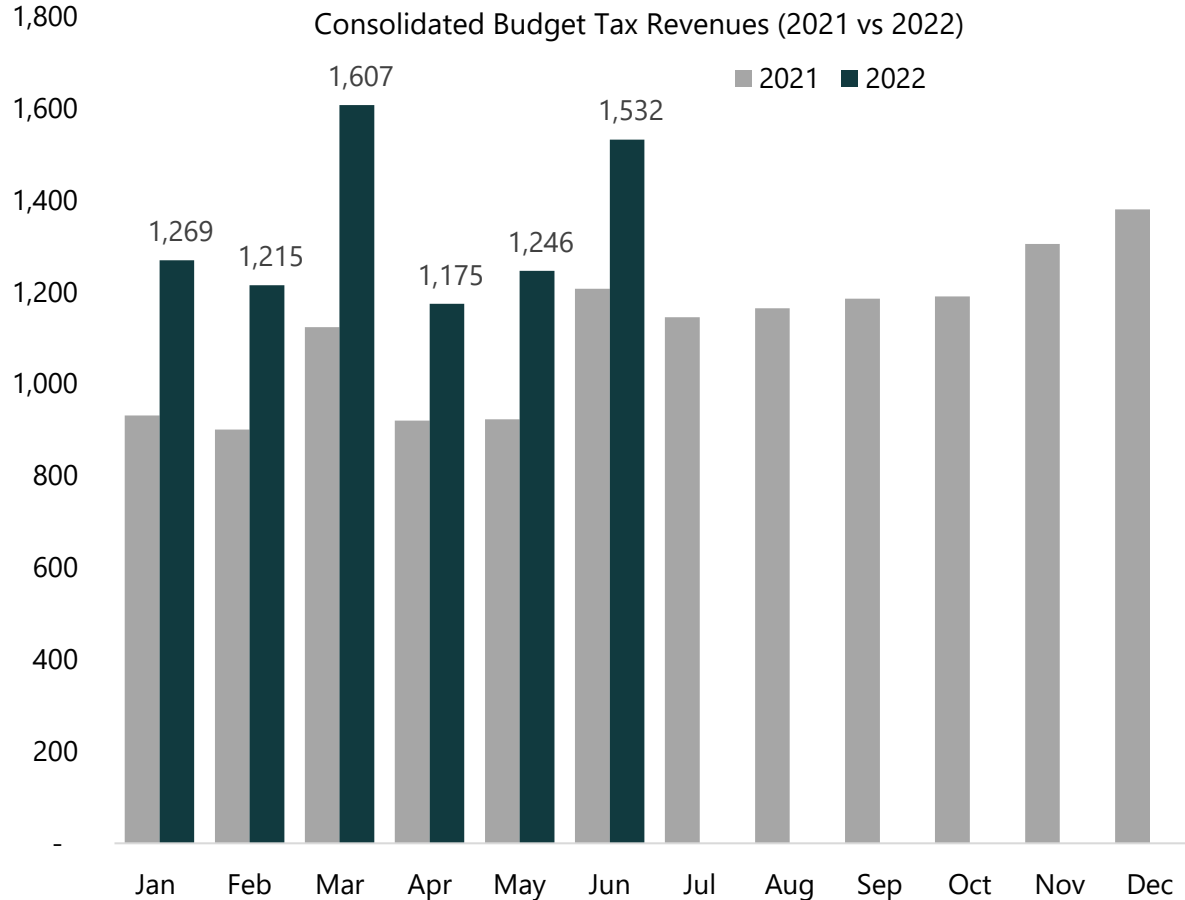
REER and NEER have been appreciating since mid-2021



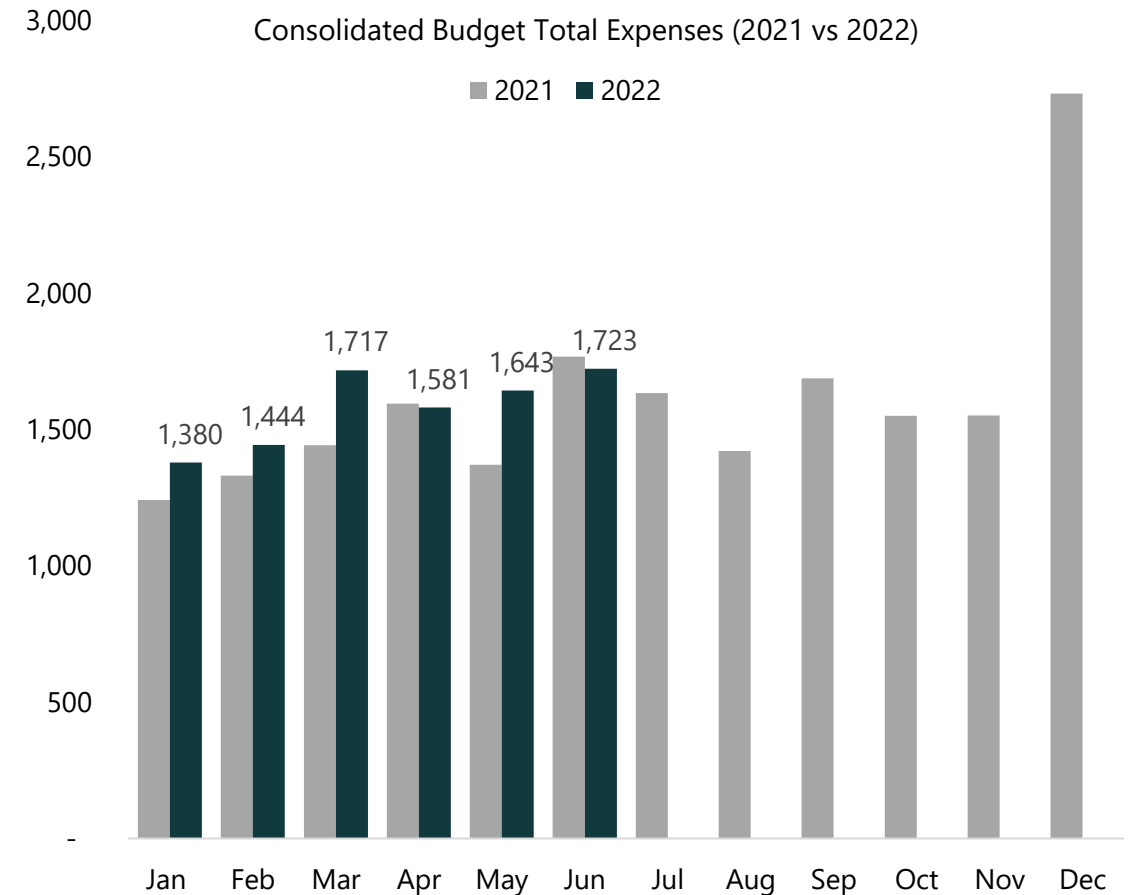
# TAX REVENUES CONTINUE OVERPERFORMANCE WHILE EXPENDITURE GROWTH HAS MODERATED



**TAX REVENUES GREW BY 34% Y-O-Y IN 1H22, WITH VAT REVENUES GROWING BY 26% Y-O-Y AND INCOME TAX REVENUES GROWING BY 45% Y-O-Y**



**TOTAL EXPENSES GREW BY 8% Y-O-Y IN 1H22, WITH A 9% Y-O-Y GROWTH IN CURRENT AND 4% Y-O-Y GROWTH IN CAPITAL EXPENSES**



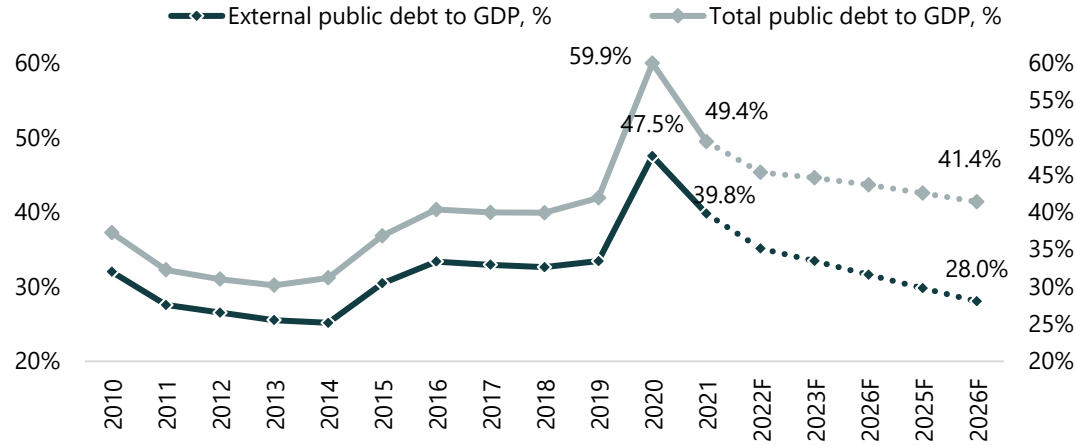
# DEBT AND FISCAL DEFICIT ON COURSE FOR CONSOLIDATION



## Public debt

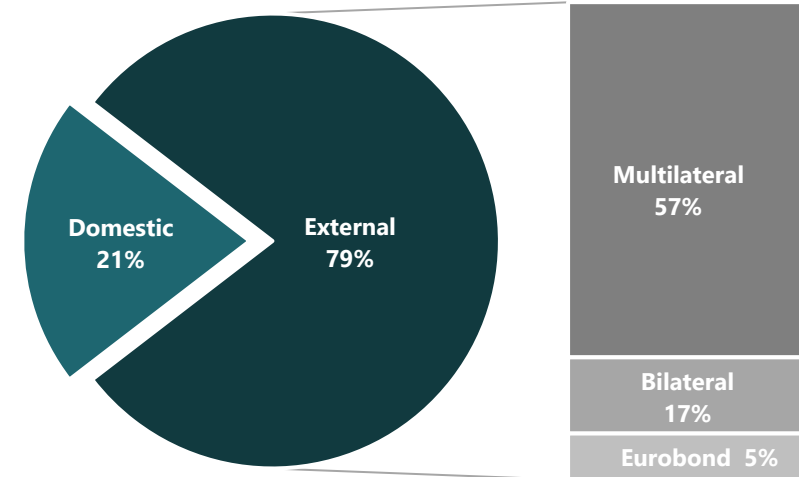
Sources: MOF

Public debt was expected to fall to 51% of GDP but declined to under 50% in 2021 due to GEL appreciation and robust economic rebound



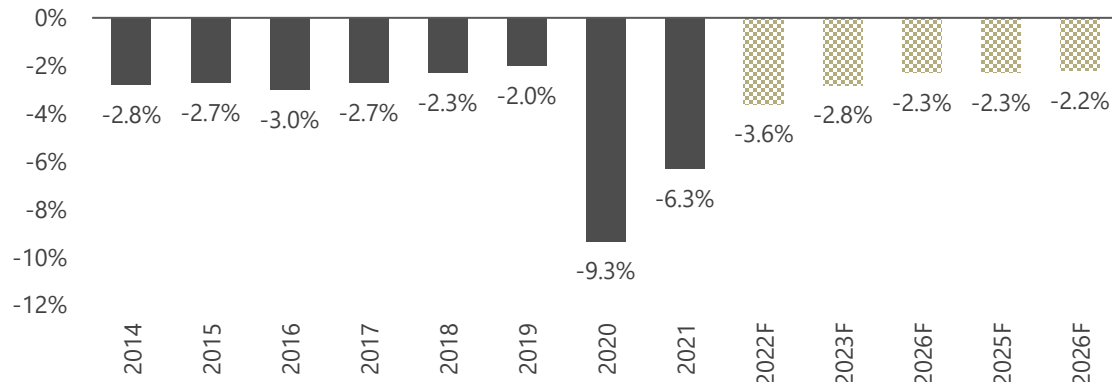
AVERAGE WEIGHTED INTEREST RATE WAS 0.95%, WHILE REMAINING MATURITY TOTALED 8.9 YEARS AS OF 31 MARCH 2022

Source: MOF



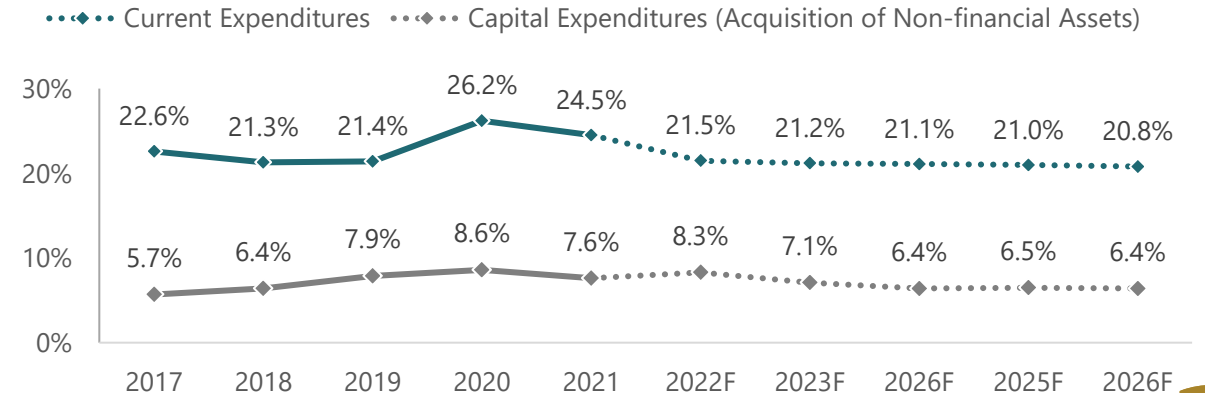
## Overall Balance (IMF Modified), % of GDP

Source: MOF



## Current vs Capital Expenditure, % of GDP

Source: MOF



# FORWARD LOOKING STATEMENTS



This presentation 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 factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: regional instability; impact of COVID-19; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in the 1H22 Results Announcement and Georgia Capital PLC's Annual Report and Accounts 2021. No part of this presentation 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 presentation should be construed as a profit forecast.

## COMPANY INFORMATION

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

Registered under number 10852406 in England and Wales

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London Stock Exchange PLC's Main Market for listed securities

Ticker: "CGEO.LN"

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### Share price information

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

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