



Georgia-focused investment company

Investor Presentation: 2H18 & FY18 results

10 x = 10 y

Forward looking statements



Disclaimer

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: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional tensions and instability; regulatory risk across a wide range of industries; investment strategy risk; investment risk and liquidity risk and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's 1H18 results announcement and in BGEO Group PLC's Annual Report and Accounts 2017. No part of this 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.

Sovereign ratings with stable outlook and favourable macro fundamentals



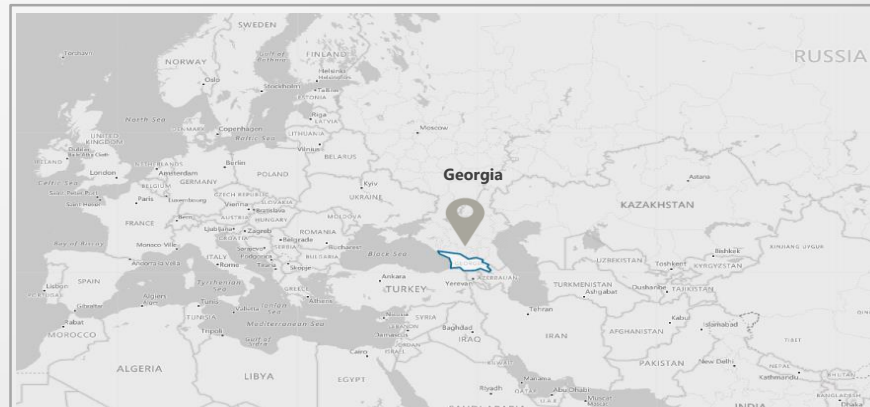
Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
MOODY'S	Ba2	Stable	September 2018
S&P Global	BB-	Stable	May 2018
FitchRatings	BB-	Positive	August 2018

Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	B+	Positive
Azerbaijan	BB+	Stable
Belarus	B	Stable
Czech Republic	AA-	Stable
Georgia	BB-	Positive
Kazakhstan	BBB	Stable
Turkey	BB	Negative
Ukraine	B-	Stable

General Facts



- Area: 69,700 sq km
- Population (2017): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Currency (code): Lari (GEL)

Economy

- Nominal GDP (Geostat, preliminary) 2017: GEL 38.0 bln (US\$15.2 bln)
- Real GDP growth rate 2013-2017: 3.4%, 4.6%, 2.9%, 2.8%, 4.8%
- Real GDP 2007-17 annual average growth rate: 4.5%
- GDP per capita 2017 (PPP, international dollar) IMF: 10,742
- Annual inflation (e-o-p) 2018: 1.5%
- External public debt to GDP 2018E: 33.5%

2H18 & FY18
results |
Georgia
Capital

Capital
allocation

Investment
strategy &
portfolio
overview

Georgian
Macro
Overview

Appendices

Georgia's key economic drivers



Liberal economic policy	<p>Top performer globally in WB Doing Business over the past 12 years</p> <ul style="list-style-type: none"> Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework: Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60% Business friendly environment and low tax regime (attested by favourable international rankings)
Regional logistics and tourism hub	<p>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</p> <ul style="list-style-type: none"> Access to a market of 2.8bn customers without customs duties: Free trade agreements with EU, China, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Hong Kong was signed in June 2018. FTA with India under consideration. Tourism revenues on the rise: tourism inflows stood at US\$ 3.2 b in 2018 and international travelers reached 8.7 million in 2018 (up 9.8% y-o-y), out of which tourist arrivals were up 17% y-o-y to 4.8 million visitors. Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes
Strong FDI	<p>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</p> <ul style="list-style-type: none"> FDI stood at US\$ 1.9bln (12.5% of GDP) in 2017, up 21% y-o-y FDI averaged 10.0% of GDP in 2007-2017
Support from international community	<p>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</p> <ul style="list-style-type: none"> 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 Discussions commenced with the USA to drive inward investments and exports Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU
Electricity transit hub potential	<p>Developed, stable and competitively priced energy sector</p> <ul style="list-style-type: none"> Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development Georgia imports natural gas mainly from Azerbaijan 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 Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe
Political environment stabilised	<ul style="list-style-type: none"> 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 New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency Continued economic relationship with Russia, although economic dependence is relatively low Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgians citizens effective December 23, 2015 Direct flights between the two countries resumed in January 2010 Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia In 2018, Russia accounted for 13% of Georgia's exports and 10.3% of imports

2H18 & FY18 results | Georgia Capital

Capital allocation

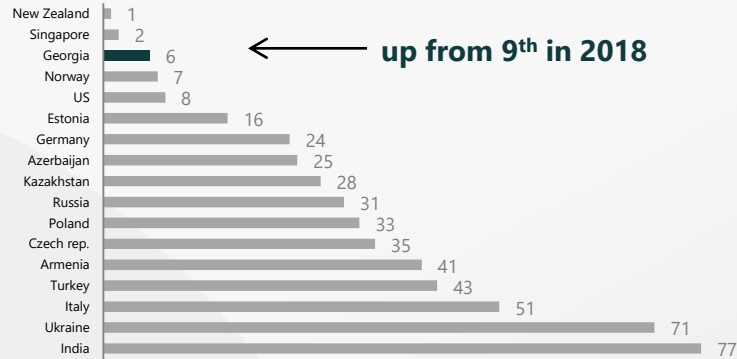
Investment strategy & portfolio overview

Georgian Macro Overview

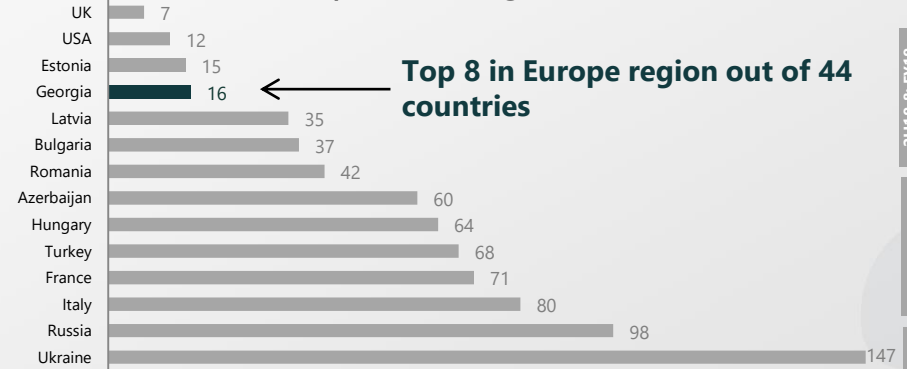
Appendices

Institutional oriented reforms

Ease of Doing Business | 2019 (WB Doing Business Report)

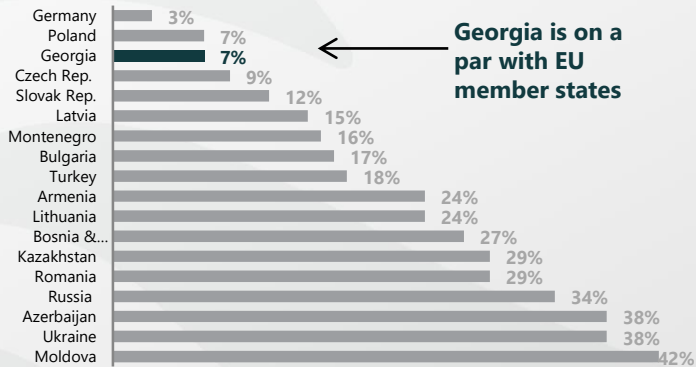


Economic Freedom Index | 2019 (Heritage Foundation)

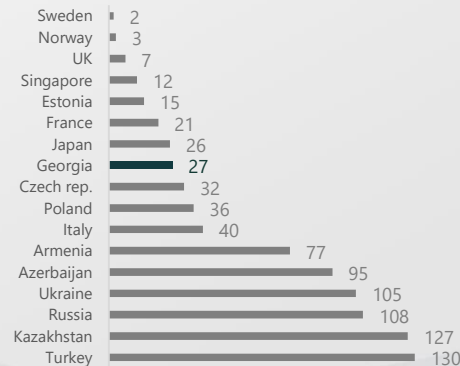


Global Corruption Barometer | TI 2017

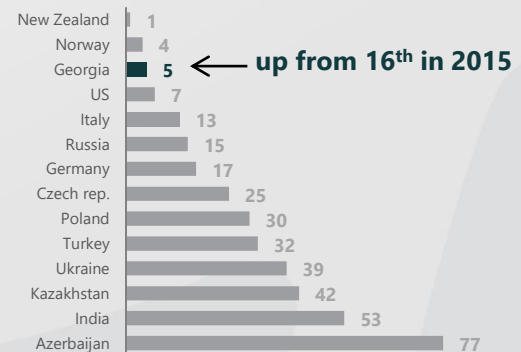
% admitting having paid a bribe last year



Business Bribery Risk, 2018 | Trace International

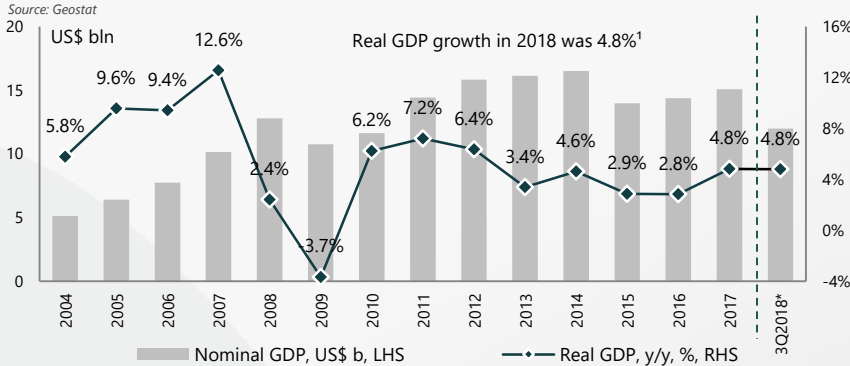


Open Budget Index, 2017 | International Budget Partnership

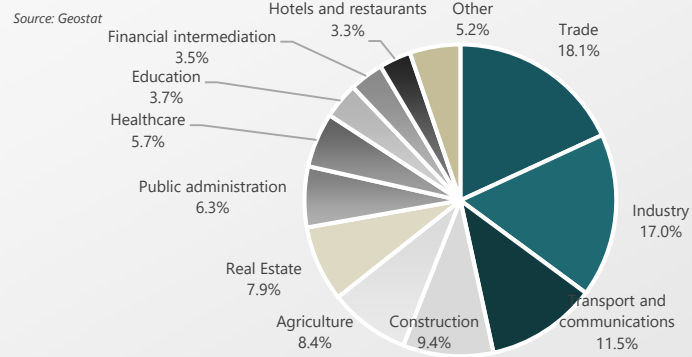


Diversified resilient economy

Gross domestic product



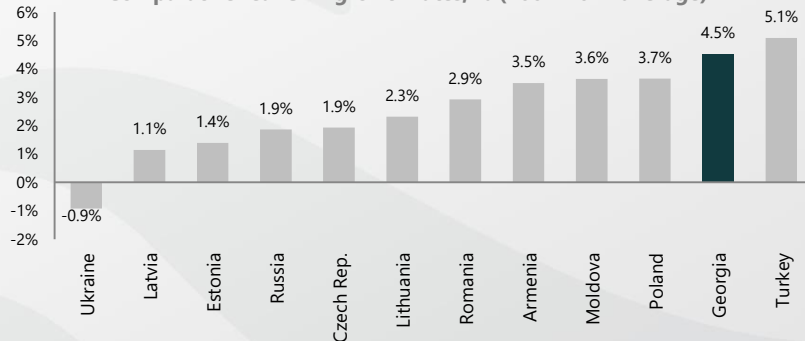
Diversified nominal GDP structure, 2018 Q3



One of the Fastest Developing Economies in the Region (2007-2017 average)

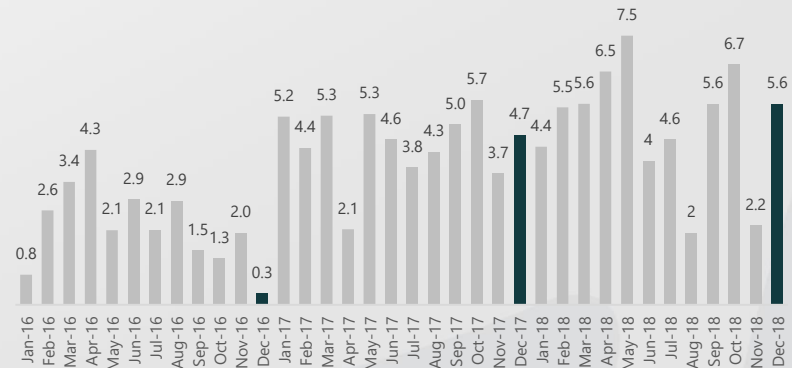
Sources: IMF

Comparative real GDP growth rates, % (2007-2017 average)



Monthly Economic Activity Estimate, y/y growth

Sources: GeoStat



¹ preliminary data

2H18 & FY18
results |
Georgia
Capital

Capital
allocation

Investment
strategy &
portfolio
overview

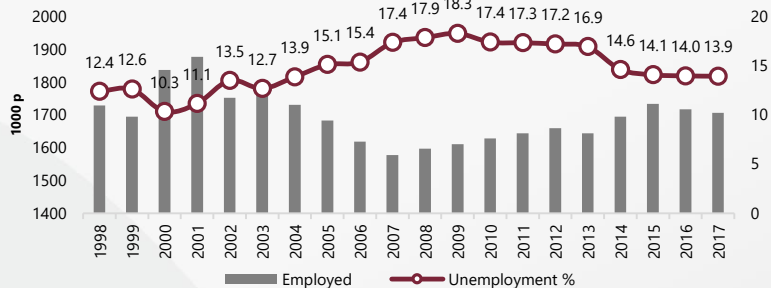
Georgian
Macro
Overview

Appendices

Room for further job creation

Unemployment rate down 0.1ppts y/y to 13.9% in 2017

Sources: GeoStat



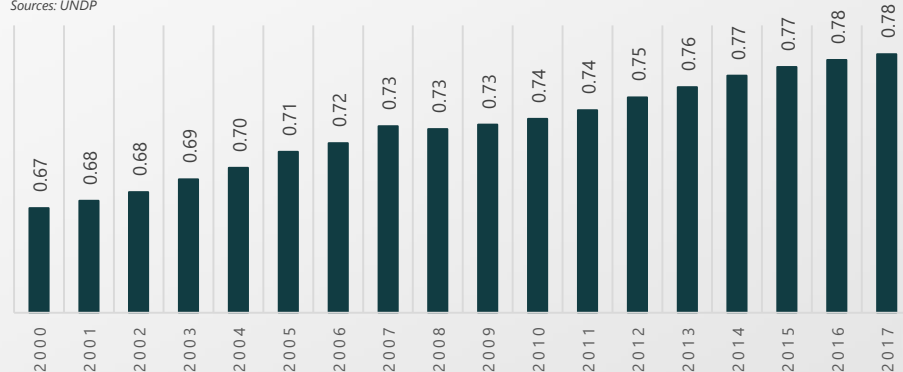
Average monthly nominal earnings in business sector

Sources: GeoStat



UNDP Human Development Index

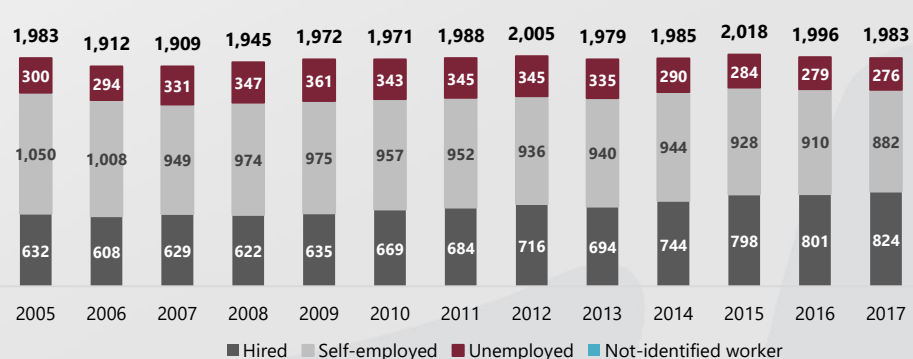
Sources: UNDP



Labor force decomposition 2017

Sources: GeoStat

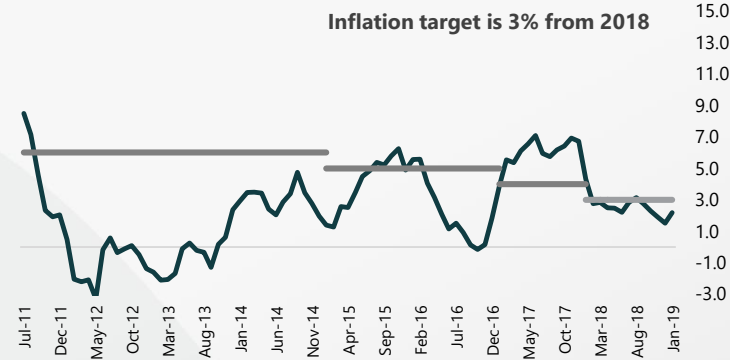
Hired workers accounted 48% in total employment in 2017



Inflation targeting since 2009

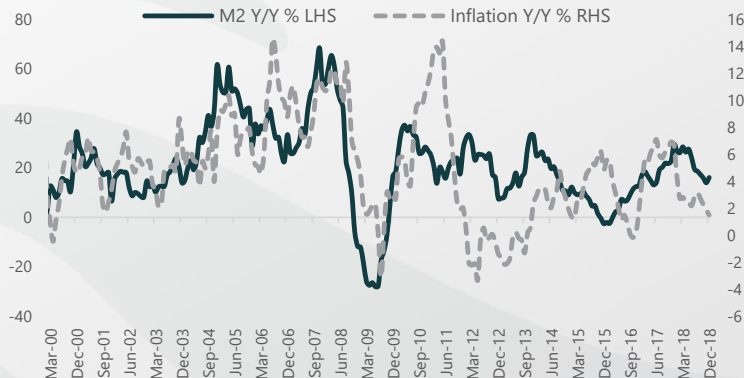
Inflation y/y vs. inflation target

Sources: NBG, GeoStat



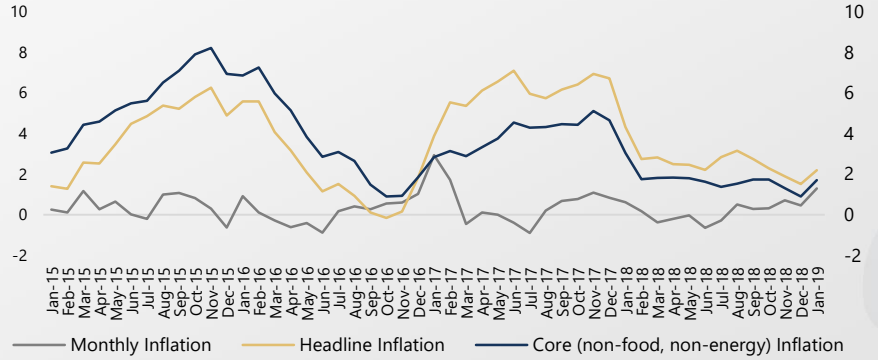
M2 vs. inflation, y-o-y%

Sources: Geostat, NBG



Inflation y/y

Source: GeoStat



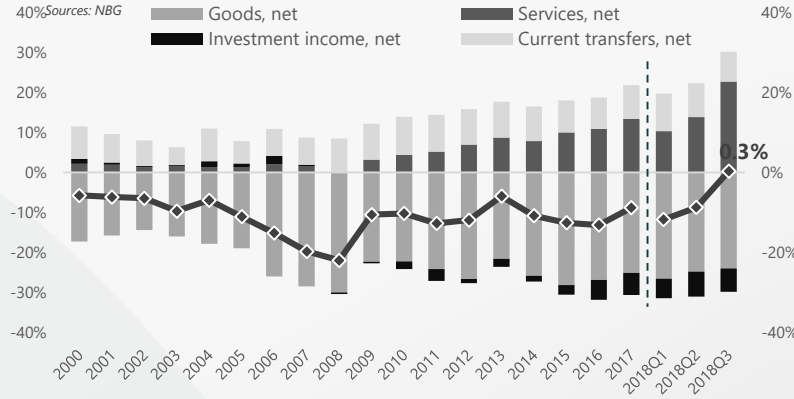
Average monthly nominal earnings

Source: Geostat

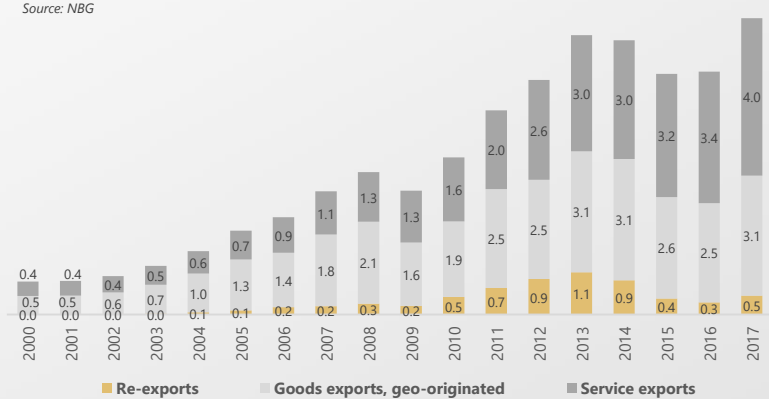


Current account deficit supported by FDI

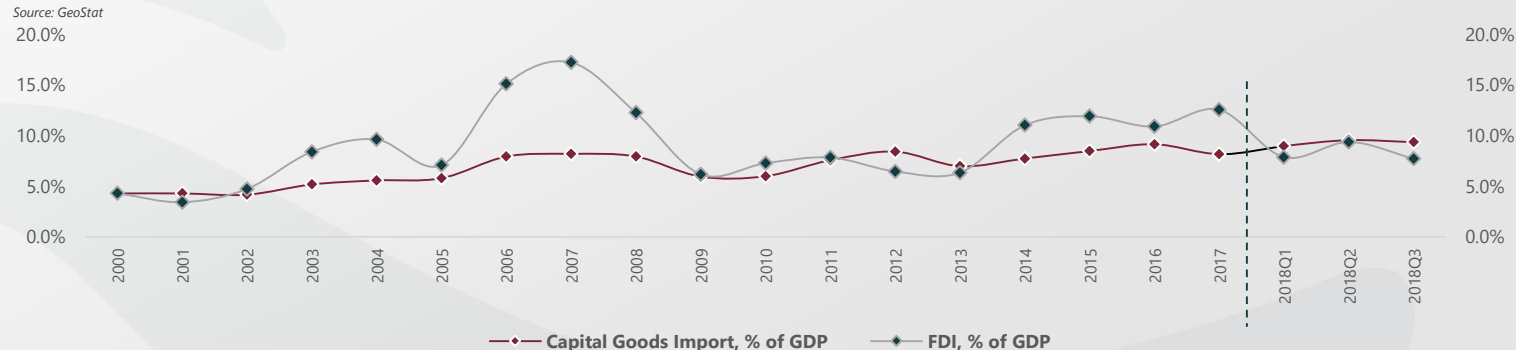
Current account balance (% of nominal GDP)



Exports and Re-exports, US\$ bln

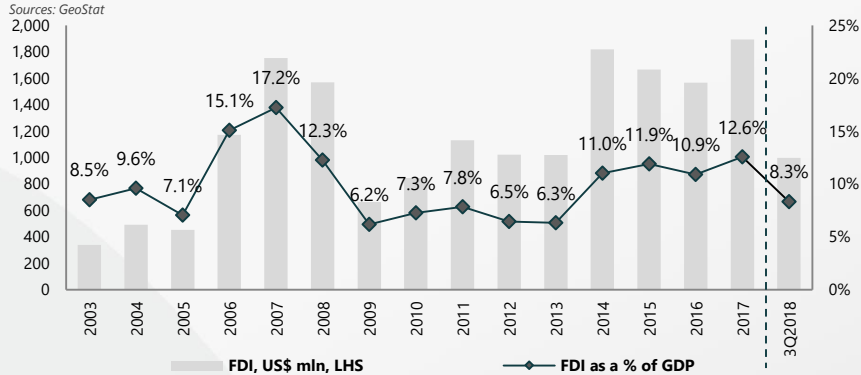


FDI and capital goods import

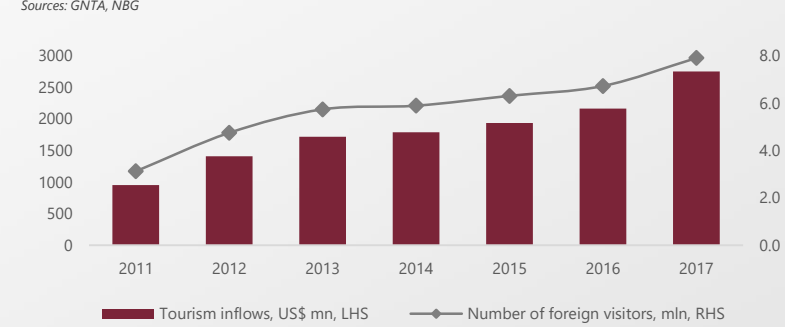


Diversified sources of capital

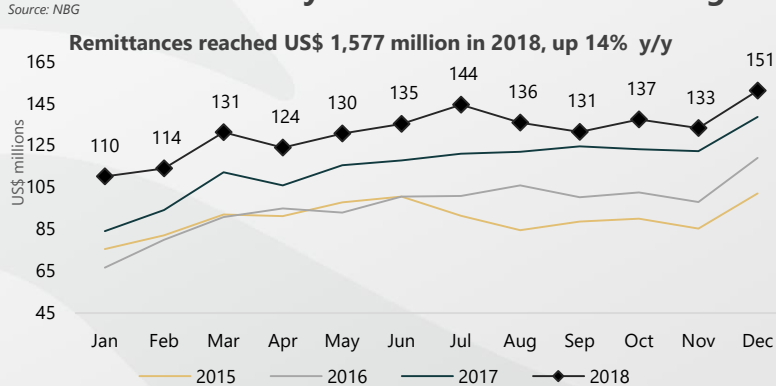
Strong foreign investor interest



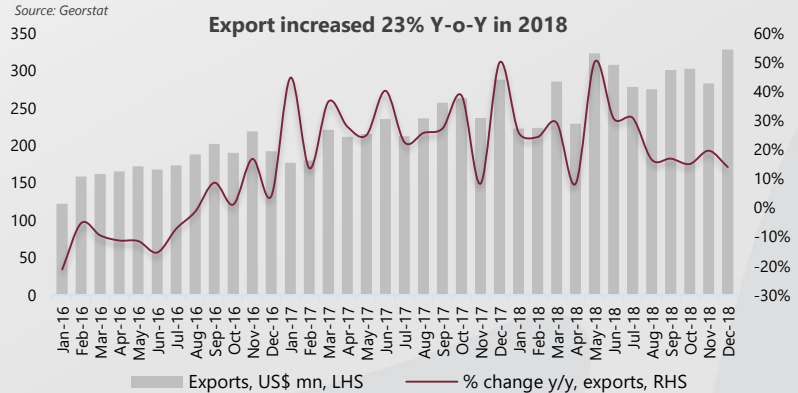
Visitors and tourism revenues on the rise



Remittances - steady source of external funding



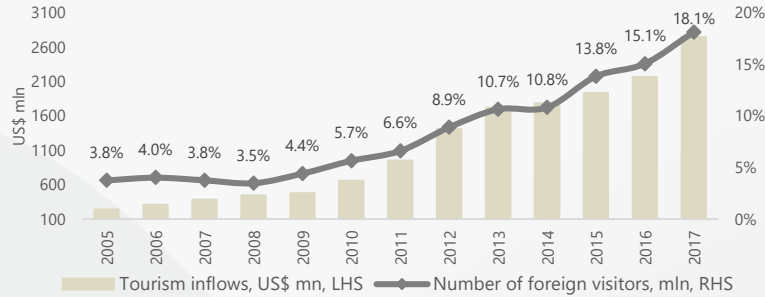
Export continues to support economic growth



Tourism sector on the rise

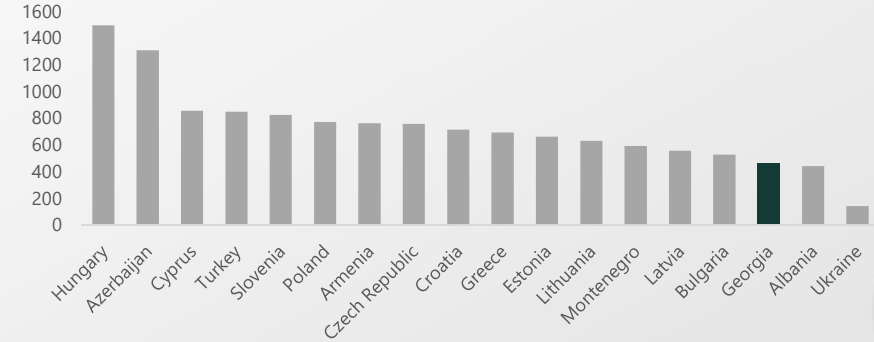
Tourism revenues to GDP

Sources: NBG



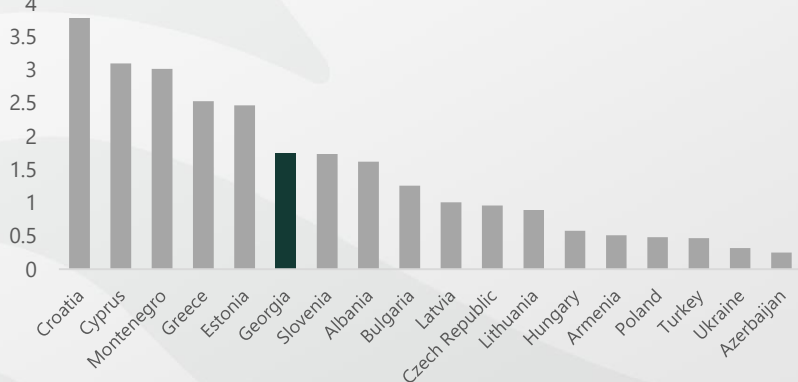
Spending per arrival, 2017

Source: WDI



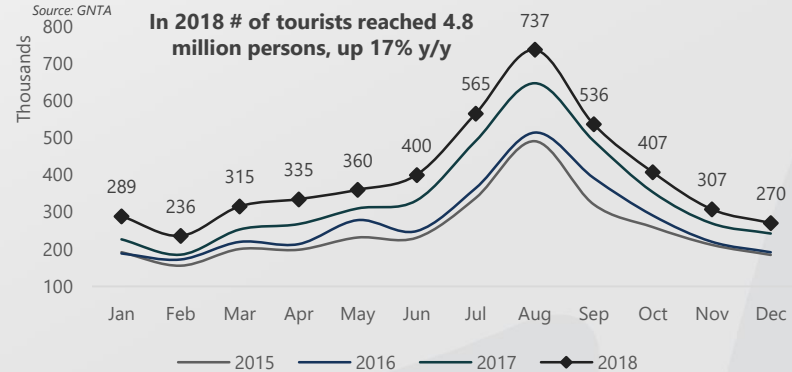
Arrivals to country's population, 2017

Source: WDI



Number of Tourists (overnight visitors)

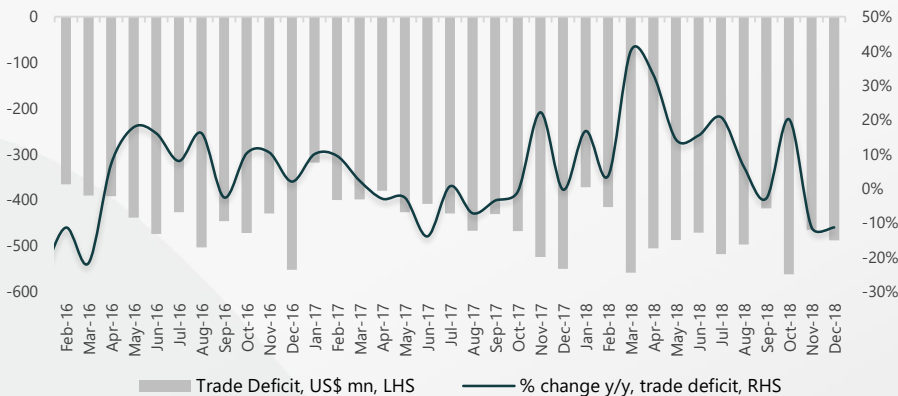
Source: GNTA



Diversified foreign trade

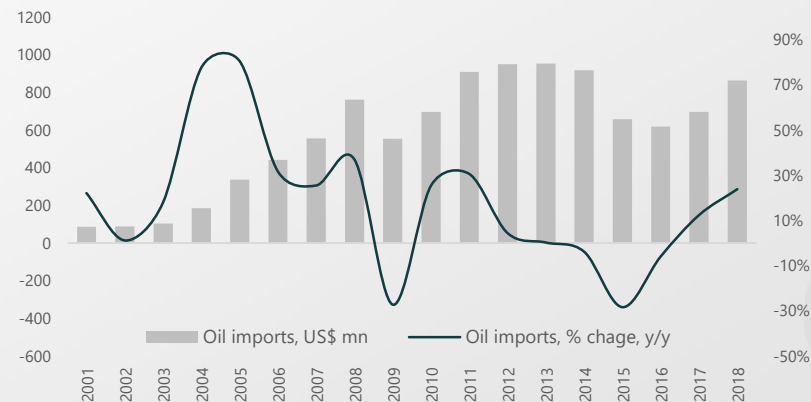
Goods' Trade Deficit

Source: GeoStat



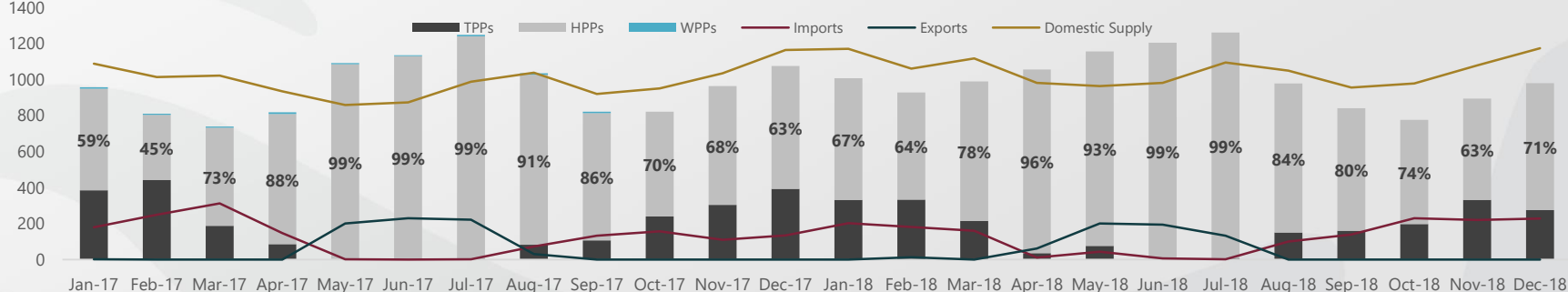
Oil imports

Source: GeoStat



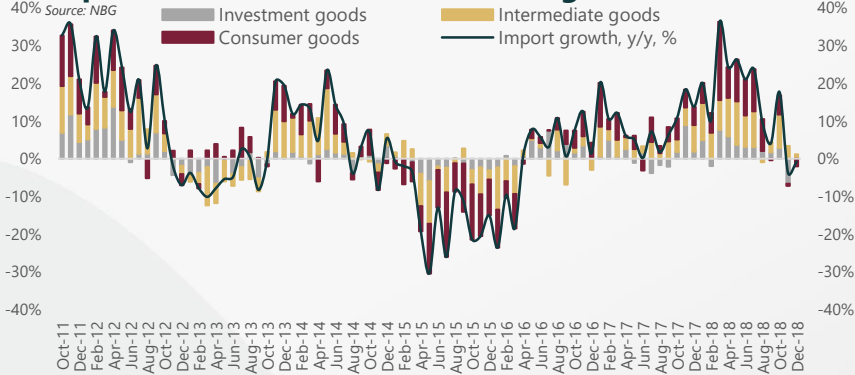
Electricity generation and trade, GWH

Source: ESCO



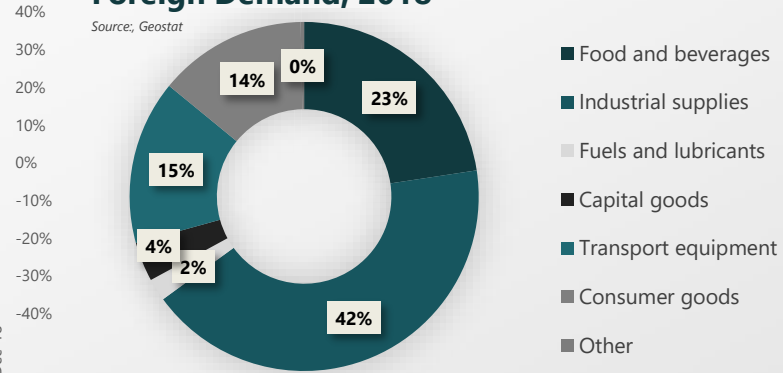
Diversified foreign trade

Imports of Goods, contribution to growth



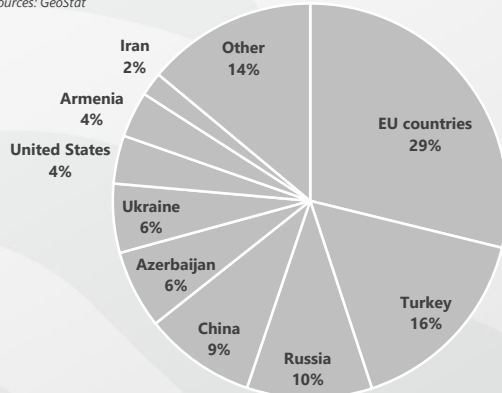
Foreign Demand, 2018

Source: Geostat



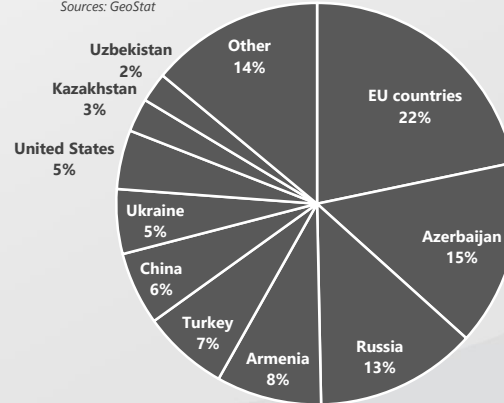
Importing countries, 2018

Sources: GeoStat



Exporting countries, 2018

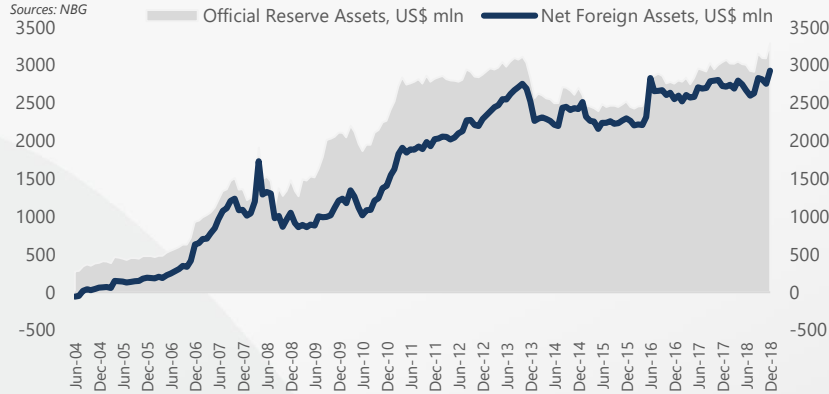
Sources: GeoStat



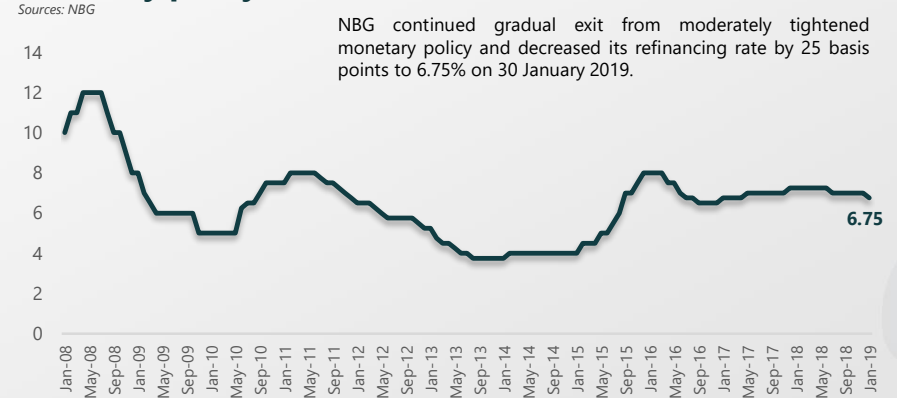
Prudent monetary policy ensures macro-financial stability



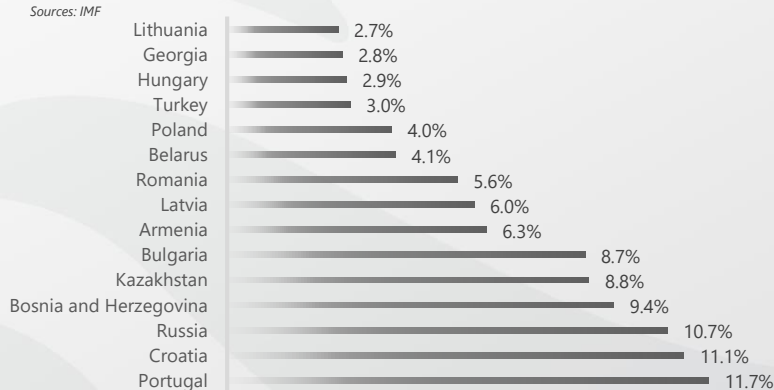
International reserves



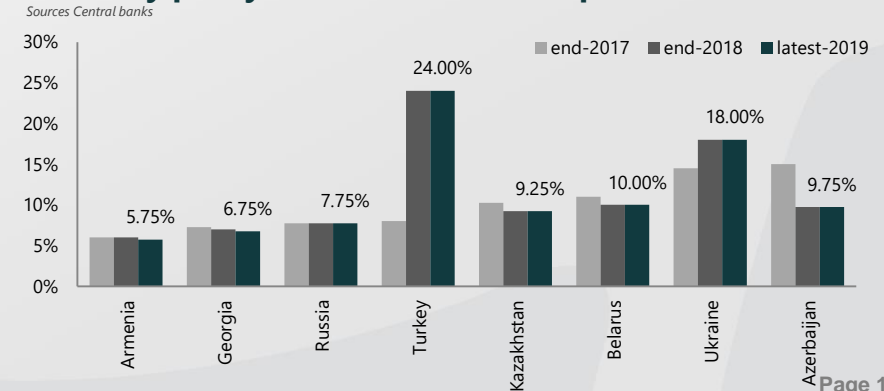
Monetary policy rate



Nonperforming loans to total gross loans, latest 2018



Monetary policy rate remains low vs. peers



2H18 & FY18 results | Georgia Capital

Capital allocation

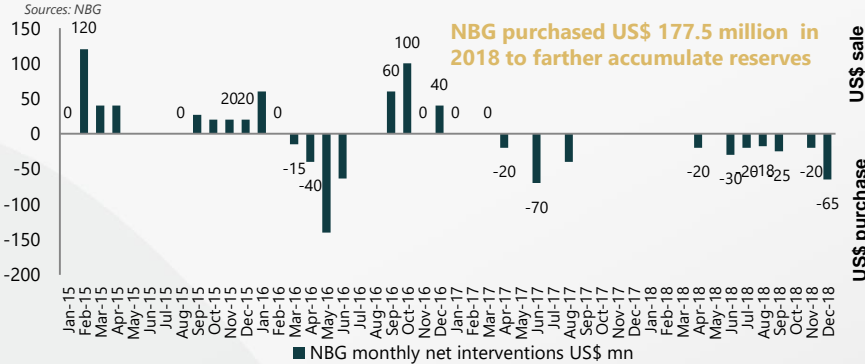
Investment strategy & portfolio overview

Georgian Macro Overview

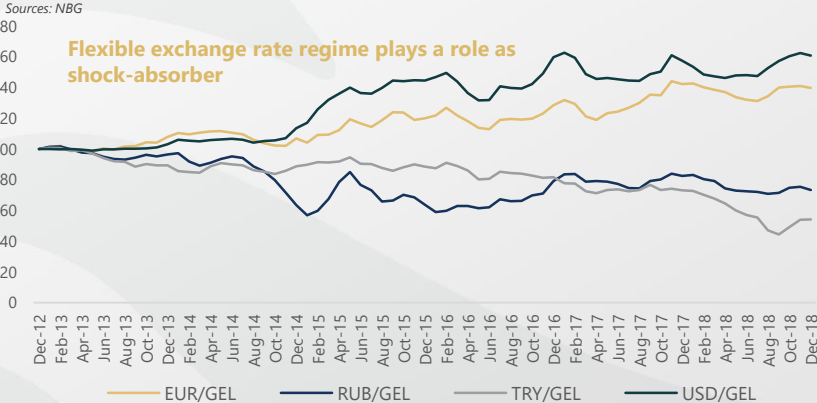
Appendices

Floating exchange rate - policy priority

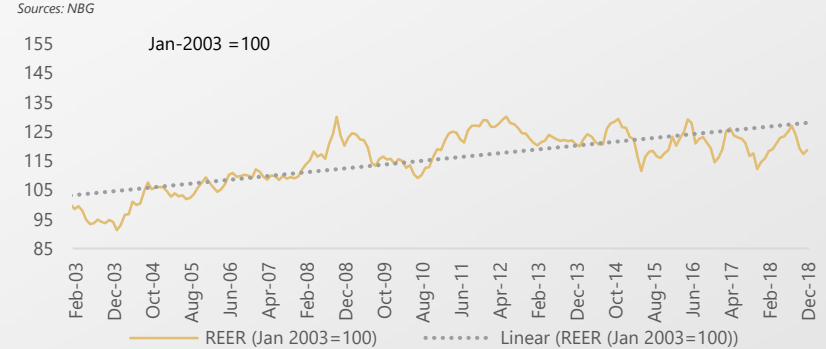
Central Bank's interventions



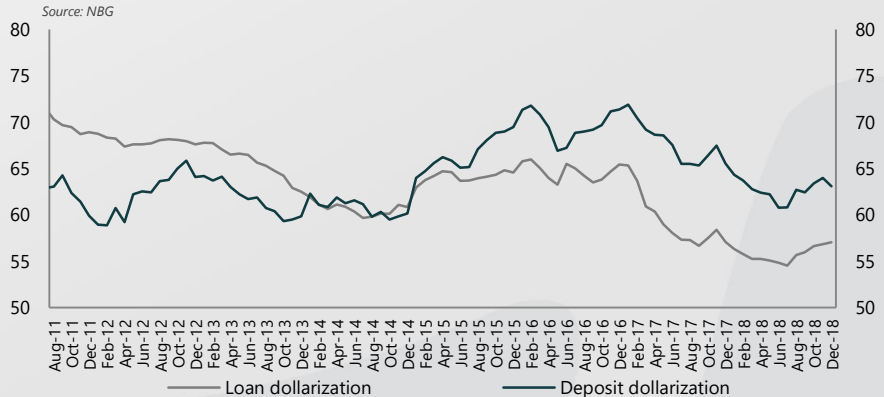
Bilateral exchange rate indices (Dec2012=100)



Real effective exchange rate (REER)



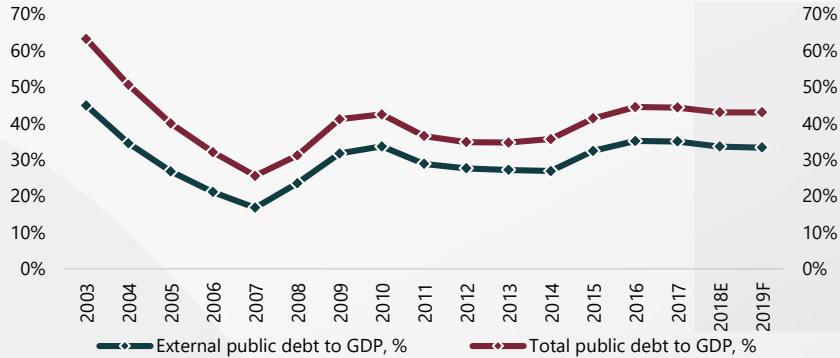
Dollarization ratios



Low public debt

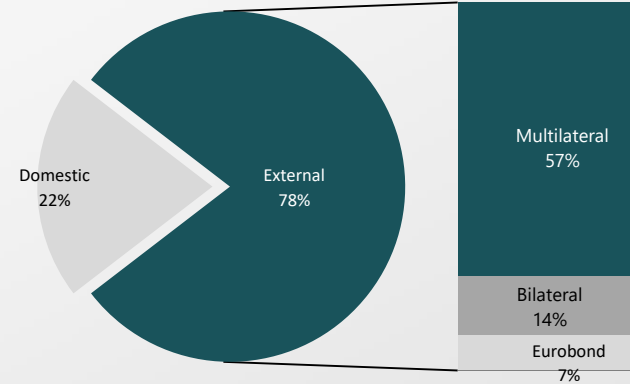
Public debt as % of GDP is capped at 60%

Source: MOF



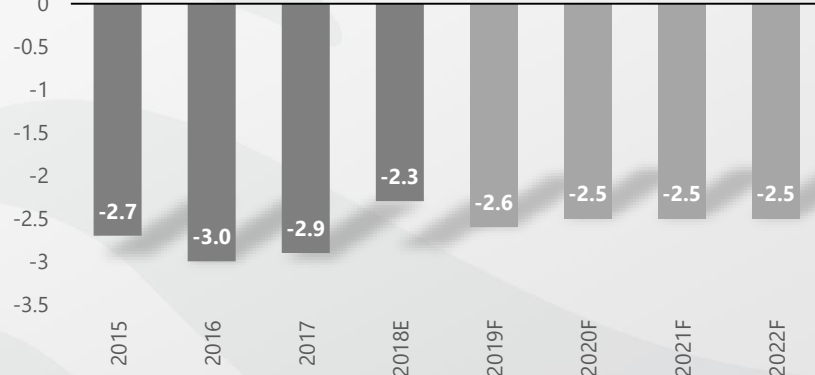
Breakdown of public debt

Source: MOF, as of December 2018



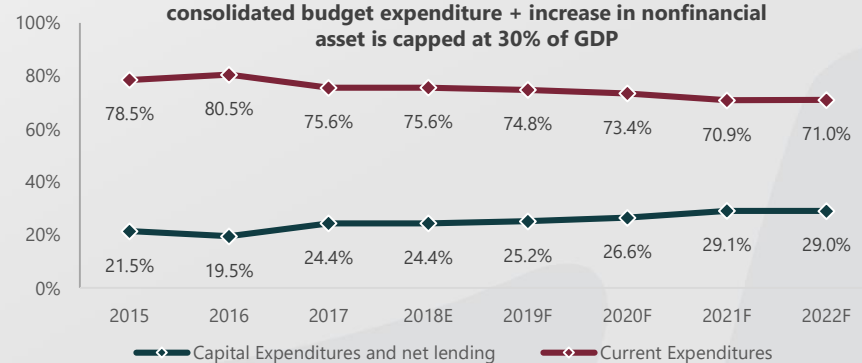
Modified Fiscal deficit (IMF programme)

Source: MOF



Current vs Capital Expenditure

Source: MOF



Growth-oriented government reforms (2018-2020)

1 Structural Reforms

- **Small government concept**
 - Optimization of government units and decrease bureaucracy expenses to get small, efficient and flexible government
 - Compensation of employees as a% of GDP will decrease and remain close to 3.9% of GDP
- **Tax Reform**
 - Favorable tax rates for SME development
 - Special tax regimes for regional offices of multinational companies
 - Enhancing easiness of tax compliance
- **Capital Market Reform**
 - Boosting stock exchange activities
 - Developing of local bond market
- **Pension Reform**
 - Introduction of private pension system
- **PPP Reform**
 - Introduction of transparent and efficient PPP framework
- **Public Investment Management Framework**
 - Improved efficiency of state projects
- **Law of Georgia on Entrepreneurs**
 - New law will be drafted reflecting requirements of Association Agreement between EU and Georgia
- **Responsible Lending**
 - Regulatory actions to support responsible lending
 - Decrease household over indebtedness
- **Association Agreement Agenda**

2 Promoting Transit & Tourism Hub

- **Roads**
 - Plan to finish all spinal projects by 2020 – East-West Highway, other supporting infrastructure
- **Rail**
 - Baku – Tbilisi Kars new railroad line
 - Railway modernization and integration in international transport systems
- **Maritime**
 - Anaklia deep water Black Sea port
 - Strategic location
 - Capable of accommodating Panamax type cargo vessels
 - High capacity – up to 100 million tons turnover annually
 - **Up to USD 2.5 bln** for the project completion;

3 Education

- **General Education Reform**
 - Maximising quality of teaching in secondary schools
- **Fundamental Reform of Higher Education**
 - Based on the comprehensive research of the labour market needs
- **Improvement of Vocational Education**
 - Increase involvement of the private sector in the professional education

