GEORGIA CAPITAL

Georgia Capital PLC

2nd half and full year 2018 preliminary results

Name of authorised official of issuer responsible for making notification:
Nino Rekhviashvili, Head of Investor Relations and Funding

www.georgiacapital.ge

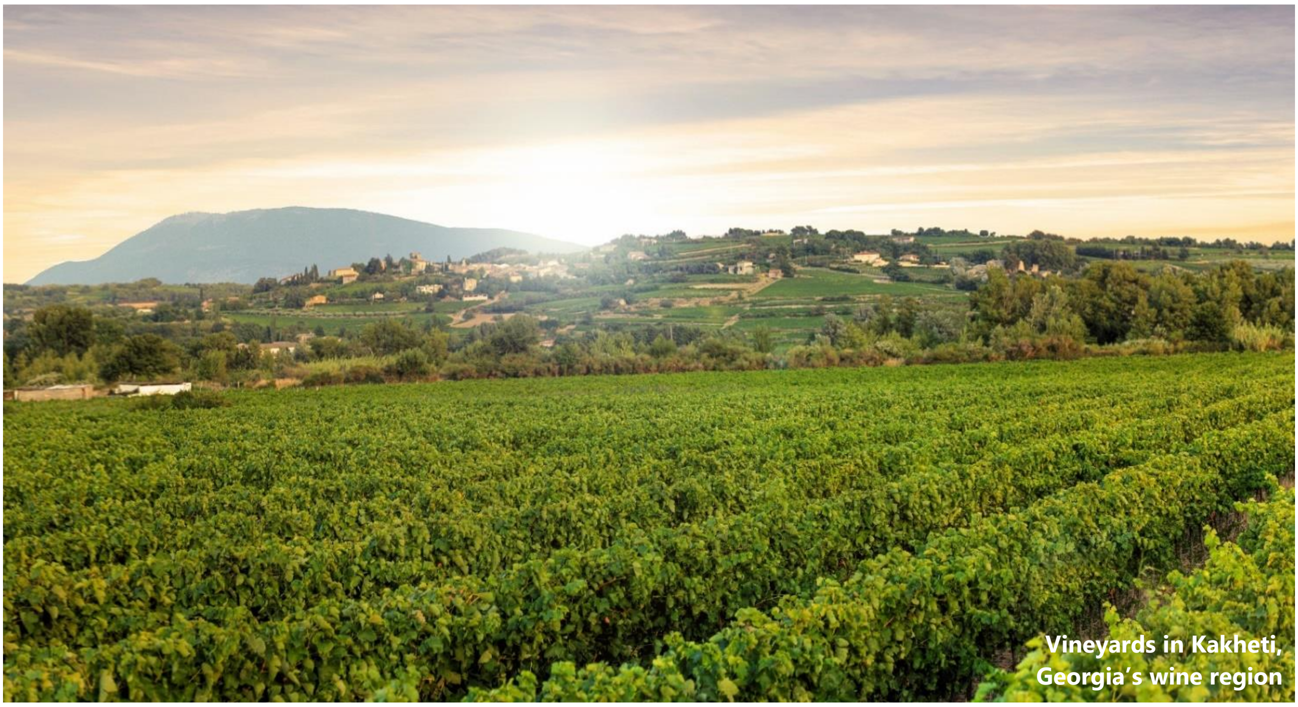
About Georgia Capital PLC

Georgia Capital PLC ("**Georgia Capital**" or **"the Group"** – LSE: **CGEO LN**) is a UK listed holding company of a diversified group of companies focused on investing in businesses in Georgia with holdings in industries that are expected to benefit from the continued strong growth and diversification of the Georgian economy. **The Group** seeks to create value by driving the development of high growth potential businesses in Georgia, aiming to consolidate fragmented or underdeveloped markets. We either acquire our businesses during their early development stage or establish them on a greenfield basis.

Georgia Capital currently has six private company holdings: (i) **a water utility business**, owned through **GGU**, (ii) **a renewable energy business**, owned through **GGU**; (iii) **a housing development business**, owned through **m^2** (iv) **a hospitality and commercial real estate business**, owned through **m^2**; (v) **a property and casualty insurance business**, owned through **Aldagi** and (vi) **a beverages business**, owned through **Georgia Beverages**, and two public company holdings (London Stock Exchange premium-listed Georgian companies): (i) **Georgia Healthcare Group PLC ("GHG")**, (57% equity stake), a UK incorporated holding company of the largest healthcare services provider in Georgia, which is also the largest pharmaceuticals retailer and wholesaler in the country; and (ii) **Bank of Georgia Group PLC ("BoG")**, (19.9% equity stake), a leading universal bank in Georgia.

Georgia Capital aims to deliver total shareholder returns of 10-times over 10-years[1]

10x = 10y



Vineyards in Kakheti, Georgia's wine region

[1] 29 May 2018, Georgia Capital's listing date on the London Stock Exchange is the starting point for 10-year return calculation.

Content

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 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 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.

Georgia Capital PLC announces the Group's second half 2018 and full year 2018 financial results. Throughout this document, "Georgia Capital" and the "Group" refer to Georgia Capital PLC and its portfolio companies as a whole, while "GCAP" refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts[2]. This announcement contains financial results presented on two different bases: under International Financial Reporting Standards ("IFRS") as adopted by the European Union and under an adjusted IFRS methodology[3]. The financial results are unaudited and derived from management accounts.

The information in this Announcement in respect of full year 2018 preliminary results, which was approved by the Board of Directors on 20 February 2019, does not constitute the Group's full financial statements. The financial statements for the year ended 31 December 2018 will be included in the Annual Report and Accounts to be published in April 2019 and filed with the Registrar of Companies in due course.

An investor/analyst conference call, organised by the Group, will be held on 21 February 2019, at 15:00 UK / 16:00 CET / 10:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

Dial-in numbers:
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[2] Georgia Capital PLC is our UK holding company whose principal subsidiary is JSC Georgia Capital, Georgian holding company for our operating businesses.
[3] The Group operates as a holding company of a diversified group of companies focused on investing in businesses in Georgia and its strategy is to acquire and develop and then exit portfolio companies - it is not in the business of managing or owning portfolio companies indefinitely. As such, and in order to provide transparency in our results in the most relevant and useful way for our investors, we have elected to also provide a set of management accounts that adjust the IFRS results to present Georgia Capital on a holding company basis ("management accounts"). Our discussion, therefore, focuses on the management accounts. Whereas, at each portfolio company level we present IFRS financial statements and our discussion focuses on IFRS results. A reconciliation of our holding company basis management accounts to the IFRS statements is provided on pages 36-38. The management accounts are an alternative performance measure ("APM"); the basis for their preparation is described on pages 10-18; they have not been audited or reviewed.

FINANCIAL HIGHLIGHTS

Double-digit revenue growth coupled with strong operating cash flow generation

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS[4]) (GEL'000)

Georgia Capital performance	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
GCAP net operating income	26,968	6,961	NMF	21,722	24.2%	48,690	13,603	NMF
Total attributable income of portfolio companies	111,074	39,830	NMF	76,791	44.6%	187,865	93,909	NMF
of which, income from listed businesses	56,795	9,067	NMF	55,774	1.8%	112,569	20,889	NMF
of which, income from private businesses	54,279	30,763	76.4%	21,017	NMF	75,296	73,020	3.1%
Net income	99,349	27,252	NMF	65,058	52.7%	164,407	70,473	NMF

Georgia Capital NAV overview	Dec-18	Dec-17	Change
Total portfolio value	1,883,374	1,850,861	1.8%
Net Asset Value (NAV)	1,688,221	1,840,447	-8.3%
Listed portfolio companies	977,827	933,481	4.8%
Private portfolio companies	905,547	917,380	-1.3%
Liquid assets & loans issued	605,130	264,546	NMF
Net debt	(196,915)	(7,733)	NMF
NAV per share, GEL	47.13	46.73	0.9%
NAV per share, GBP	13.88	13.35	4.0%

PERFORMANCE HIGHLIGHTS (IFRS) (GEL'000)

Group consolidated	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Revenue	666,699	586,256	13.7%	616,167	8.2%	1,282,866	1,127,170	13.8%
Gross profit	260,543	221,229	17.8%	226,132	15.2%	486,675	431,461	12.8%
Private, late stage, portfolio performance								
Revenue, Water Utility	79,295	74,419	6.6%	69,832	13.6%	149,127	135,000	10.5%
EBITDA[5], Water Utility	*46,127*	*41,474*	*11.2%*	*37,232*	*23.9%*	*83,359*	*72,573*	*14.9%*
Gross real estate profit, Housing Development	7,341	6,114	20.1%	7,594	-3.3%	14,935	8,313	79.7%
EBITDA, Housing Development	*3,714*	*1,207*	*NMF*	*5,163*	*-28.1%*	*8,877*	*21,970*	*-59.6%*
Earned premiums, net, P&C	36,039	33,284	8.3%	31,451	14.6%	67,490	62,770	7.5%
Adjusted net income, P&C[6]	*9,429*	*8,710*	*8.3%*	*8,305*	*13.5%*	*17,734*	*16,300*	*8.8%*
Private, early stage, portfolio performance								
EBITDA, Renewable Energy	(367)	(729)	49.7%	(403)	8.9%	(770)	(1,733)	55.6%
NOI, Hospitality & Commercial Real Estate	29,690	2,036	NMF	1,851	NMF	31,541	3,369	NMF
EBITDA, Beverages	(354)	1,763	NMF	(6,087)	94.2%	(6,441)	856	NMF
Listed portfolio performance								
EBITDA, GHG	69,643	56,994	22.2%	62,631	11.2%	132,274	108,148	22.3%
Adjusted net income, BoG[6]	236,248	201,060	17.5%	222,022	6.4%	458,270	373,822	22.6%

KEY POINTS

- Fair value NAV at GEL 1.7 billion vs book value NAV of GEL 1.5 billion, an uplift of 14%[7]
- Total portfolio value up 1.8% to GEL 1.9 billion and NAV per share up 0.9% to GEL 47.1 on the back of the contribution of the Bank of Georgia shares as part of the demerger (GEL 457 million addition)
- Absent the Bank of Georgia addition, NAV was down as emerging and frontier markets experienced valuation pressure
- GEL 188 million attributable income from portfolio companies for FY18
- GCAP stand-alone cash inflow of GEL 100 million in 2018 driven by GEL 72 million dividends received
- GEL 605 million dry powder available for deployment subject to 360^0 opportunity analysis
- GEL 25.8 million value created in Hospitality & Commercial from hotel revaluation
- Housing Development paid first-ever dividends of GEL 10 million
- BoG declared an annual dividend for 2018 of GEL 2.55 per share subject to AGM approval, representing a 30% payout ratio and a 4.5% increase over 2017 dividend per share

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[4] Please see the pages 10-18 where we describe the preparation methodology of our management accounts, thereby defining each management account highlight presented in the Georgia Capital highlights table above.
[5] EBITDA is an alternative performance measure (APM) and is defined on page 53 in the glossary.
[6] IFRS net incomes for P&C Insurance and BoG are adjusted to exclude the impact of non-recurring items and non-recurring deferred tax remeasurement charges.
[7] Please see page 41, where we provide our book value NAV comparison with Fair value NAV.

RETURN ON INVESTMENTS AT A GLANCE

We use the Management Account figures to calculate different returns on our portfolio companies. Internal Rate of Return (IRR) and Return on Investment (ROI) are metrics that help us evaluate the historical track record[8] of each listed and private portfolio company, respectively.[9]

IRR for listed portfolio companies is calculated based on a) historical contributions to the listed portfolio company, b) dividends received and c) market value of the portfolio company at 31 December 2018.

ROI for private portfolio companies is an annual return on net investment (gross investments less capital returns) calculated at each investment level. Inputs into the ROI calculation are as follows: (i) the numerator is an annual attributable income of the private portfolio company less allocated GCAP interest expense, and (ii) the denominator, is the net investment less allocated gross debt of GCAP.

Listed Portfolio Companies

Internal Rate of Return	Holding period (years)	31 December 2018
Listed portfolio companies		**39.8%**
GHG	6.1	41.9%
BoG	10.1	25.8%

Listed and Private Portfolio Companies

Return on Investment	Holding period (years)	2018
Listed portfolio companies		**215.1%**
GHG	6.1	38.5%
BoG[10]	10.1	1341.8%
Private portfolio companies, late stage		**84.5%**
Water Utility	2.8	52.7%
Housing Development	7.7	96.6%
P&C Insurance[11]	9.1	389.4%
Private portfolio companies, early stage		**-1.8%**
Renewable Energy	1.6	-12.6%
Hospitality & Commercial Real Estate	2.1	64.5%
Beverages	2.2	-57.4%
Total ROI		**37.9%**

[8] Returns and holding periods reflect historical investment activities, predating the demerger from BGEO Group.
[9] In addition to the above return on investments calculations, as part of our capital allocation and profitability measurement processes we also analyze both (i) return on allocated capital (ROAC) and (ii) either return on invested capital (ROIC) for our non-financial businesses or return on average equity (ROAE) for our financial businesses. See pages 22-35 and the discussions of the individual business units.
[10] Net investment amount is GEL 20 million since BoG is a stable dividend payer over the last seven years driving consistent decrease in net investment amount, while related attributable earnings are increasing.
[11] Net investment amount is negative GEL 14 million, as the investment amount was fully recovered through dividends received from P&C Insurance over the investment holding period.

CHAIRMAN AND CEO'S STATEMENT

2018 was the first year for Georgia Capital as an independent premium listed company on the London Stock Exchange, following the completion of our demerger from BGEO Group PLC on 29 May 2018. During 2018 we remained focused on developing and instutionalising our diverse set of businesses in Georgia, while also building on our **3C** foundations by improving access to **capital**, focusing on **cash** generation and developing **C level** talent. As discussed in our last trading update, we are now introducing management estimated fair values of our private portfolio businesses. These fair values, which form an integral part of our FY18 management NAV statement, have been estimated based on the valuation multiples of carefully selected listed peer companies in comparable frontier and emerging market countries.

Portfolio Valuation and Performance

Following the introduction of these fair values for our private portfolio companies, our portfolio value reached GEL 2 billion at 31 December 2018, a 1.8% y-o-y increase. NAV per share increased by 0.9% to GEL 47.1, while NAV stood at GEL 1.7 billion, down 8.3% y-o-y. Given negative stock market conditions during 4Q18, valuations of our listed and unlisted companies were unfavourably affected; however, the underlying business performances were outstanding with double-digit revenue growth and strong operating cash flow generation supporting increased earnings. This leads us to be confident that the intrinsic values of our portfolio companies have increased at a much higher level than their underlying valuations at 31 December 2018.

Turning to the management income statement, I am pleased to see the Group delivered GEL 164 million net income in 2018 reflecting strong performances across our portfolio companies. GCAP net operating income was GEL 49 million, driven by dividend receipts from portfolio companies and interest income from liquid funds and issued loans, part of which was offset by operating expenses. During our first incomplete year of operations, we collected GEL 100 million cash at the stand-alone GCAP level, of which GEL 72 million were dividends from portfolio companies and GEL 28 million were interest receipts.

Our portfolio companies continued to deliver strong results as attributable income from the listed portfolio companies increased to GEL 113 million, while attributable income from the private portfolio companies increased to GEL 75 million. At the same time, consolidated revenues of portfolio companies increased by 13.8% to GEL 1.3 billion in 2018. Let me touch on the performance of each portfolio company in more detail:

Georgia Healthcare Group successfully completed its substantial three-year business investment programme during 2018. This resulted in a record full-year EBITDA of GEL 132 million, an increase of 22.3% y-o-y. At the same time, revenues increased by 14% and management increased positive operating cash flow generation by 71% y-o-y. We are delighted with GHG's progress; their focus on generating significant free cash flow over the next few years; and their intention to gradually reduce business leverage and further improve returns on invested capital in the coming years.

Bank of Georgia's 2018 adjusted net income and adjusted ROAE were record-high at GEL 458 million and 26.1%, respectively, in 2018. We like BOG's focus on profitability, while also maintaining strong liquidity, high NPL coverage and improving cost to income ratios. We are also pleased with the Bank's improved capital adequacy ratios and increased dividend per share. In addition, we expect that BOG's strong franchise will allow its new CEO to successfully take advantage of significant growth opportunities in Georgia.

The **water utility** business, our largest private portfolio business, delivered GEL 83 million EBITDA, up 14.9% y-o-y, in 2018. The double-digit increase was driven by higher revenues from water sales and continued efficiency improvements, which were offset by lower than expected revenues from electricity sales. Record-low water intakes at Zhinvali reservoir resulted in lower electricity generation, which in turn led to a GEL 6 million revenue shortfall against management's expectations. The business management team continues to be well positioned to successfully deliver on their strategy to complete the existing capex programme and extract further efficiencies.

The **housing development** business continued its successful project execution and apartment sales reached 87% of on-going projects. Gross real estate profit was up 79.7% to GEL 14.9 million, excluding revaluation gains. Strong sales allowed the business to make its first-ever GEL 10 million dividend payment. The business has also recently received an approval from Tbilisi City Hall to develop its largest ever in-house affordable housing project in Digomi, Tbilisi, which will add around 168,000 sq.m. residential area to Housing Development's portfolio. The project will be developed in three stages, where phase I has already added 22,000 sq.m. to the company's inventory in 1Q19, a threefold increase over the 31 December 2018 level. Pre-sales started at the beginning of

February 2019 and, to date 6,614 sq.m. has either been sold or reserved, at an average price of US$ 1,025 per sq.m..

The **property & casualty insurance** business' net underwriting profit increased by 12.8% to GEL 32.2 million in 2018, supported by the introduction of compulsory border third-party liability insurance and implementation of efficient risk management practices. Recurring adjusted ROAE stood at 34.4%, which allowed the business to increase dividend payments by 43% y-o-y to GEL 10 million.

Within our early stage private businesses, the **renewable energy** business continued the construction of Mestiachala HPPs, which remains within its original budget and is on track to be commissioned in 1H19. We estimate approximately GEL 12-15 million EBITDA from Mestiachala HPPs in 2019. The business is also on track to launch the development of c. 100 MWs of wind power plants and c. 46 MWs of HPPs in 2019.

The **hospitality & commercial real estate** business is also delivering on its strategy and has targeted 1,000 operational rooms by the end of 2021. The business continued strong project execution and created GEL 27.6 million additional value in 4Q18, of which GEL 25.8 million was from revaluation of hotels and GEL 1.8 million from revaluation of commercial properties. The business also secured US$ 30 million funding for the development of pipeline hotels by tapping the local debt capital market in December 2018.

Finally, the **beverages** business underwent significant transformation in 2018 whilst achieving 36.8% y-o-y revenue growth. On one hand, the wine business significantly expanded its vineyard base by acquiring 350 hectares through the acquisition of the Kindzmarauli business and developed additional export markets, which resulted in a 31.8% increase in EBITDA to GEL 7.2 million. On the other hand, the beer business was adversely affected by delays in launching Heineken beer brands which contributed to an EBITDA loss of GEL 13.8 million. However, our state-of-the-art brewery successfully passed the latest on-site operational audit from Heineken in January 2019 and we remain on track for the commercial launch of Amstel in April, followed by the Heineken launch by the end of 1H19.

Capital allocation

During 2018 we allocated GEL 85 million of capital across our portfolio companies in order to make progress towards established business goals. We allocated GEL 5 million to our renewable energy business and GEL 32.9 million to the hospitality business for development of pipeline projects, while GEL 40.6 million went to Beverages for bolt-on acquisitions to increase its scale. We also added the Education business to our pipeline by investing GEL 6 million in land for high school development, where we expect to build a portfolio of affordable high schools to capitalise on our scale advantage in what is currently a very fragmented, private high school education market. We target investing GEL 140 million equity capital in Education and aim to reach 30,000 pupils by the end of 2025.

Our capital allocation decisions are aimed at maximising real economic benefits. Given that market price significantly undervalued the Group's economic value during 2018, we invested in the Georgia Capital portfolio through share buybacks. Since the launch of the buyback programme on 14 June 2018, we have bought back 1,251,829 shares and utilised US$ 17.9 million of our US$ 45 million buyback programme.

We manage our capital needs such that we do not depend on potentially premature liquidation of our listed portfolio companies. Our ability to capitalise on the benefits of better capital allocation constitutes a pathway towards improving returns and therefore we constantly look for favourable investment opportunities in Georgia, preferably within capital light service industries. The proceeds from the placement of our inaugural international US$ 300 million 6.125% corporate bonds due 2024 allow us to remain well-funded for our expected capital allocation outlook through 2022 and potential acquisitions at attractive valuations. Based on our capital allocation outlook through the end of 2022, as described on page 19, we currently plan to invest approximately GEL 413 million and expect to receive dividends of GEL 400 million, leading to net capital outflows of GEL 13 million. This investment need will be comfortably funded through the existing liquidity of Georgia Capital, which stood at GEL 605 million at 31 December 2018.

Macroeconomic environment

The Georgian economy continues to perform strongly as real GDP growth was an estimated 4.8% in 2018 on the back of strong external demand driven by double-digit growth in exports, remittances and tourism revenues. Inflation was well-contained at 2.6% in 2018, close to the targeted 3% level, while the Georgian Lari remained resilient to regional turbulence in Turkey and Russia and showed only 3.3% depreciation against the US Dollar in 2018. The current account deficit continued to shrink in 2018 and for the first time in Georgia's history, we had a current account surplus in 3Q18. The fiscal deficit is also expected to decrease to 2.3% of GDP in 2018 from 2.9% in 2017. As upward risks to inflation neutralised, the National Bank of Georgia started a gradual exit from its moderately tightened monetary policy and decreased its refinancing rate by 25 basis points in July 2018 and then again in January 2019 to 6.75%. The National Bank of Georgia also signaled that the refinancing rate will likely return to its neutral level of 5.5% to 6% over the next two years. We expect this trend to lead to lower local currency cost of funding and higher economic activity for our portfolio companies in the medium-term.

Outlook

Economic activity in Georgia continues to grow and our outlook remains positive for 2019. Asset prices have improved since the end of 2018, thereby increasing the value of our listed portfolio companies and NAV per share to GEL 1.1 billion and GEL 51.5 per share (an equivalent of GBP 15.0), respectively, as of the close of business on 20 February 2019. We expect continued strong cash flow generation across our late stage businesses, while within the early state portfolio we are on track to commission our first hydro power plant, open two new hotels in the Gudauri and Svaneti regions, fully launch our brewery and open all periodic vehicle inspection centres. We remain well positioned to take advantage of attractive opportunities with clear discipline, and to create sustainable long-term value for our shareholders.

Irakli Gilauri,

Chairman and CEO

20 February 2019

Management Accounts

Management monitors the Group's performance on a regular basis based on developments in a management account income statement and statement of Net Asset Value (NAV) prepared under the adjusted IFRS methodologies described in the relevant section below. The management accounts are an alternative performance measure ("APM"); they have not been audited or reviewed. A reconciliation of our management accounts to the IFRS statements is provided on pages 36-38.

Net Asset Value (NAV) Statement

Our Management Accounts include a Net Asset Value (NAV) statement which breaks down NAV into its components and follows the changes therein, providing management with a snapshot of the Group's financial position at any given time. NAV statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Georgia Capital management closely monitors NAV in connection with capital allocation decisions. The following methodology underlies the presentation of the NAV for period end dates:

- *NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital*
- *Holdings in listed and private portfolio companies are valued for the purposes of NAV according to the following methodology:*
    - *Listed portfolio companies are carried at the period-end market values based on closing share prices on respective reputable stock exchanges*
    - *Private businesses are carried at fair value based on a valuation technique believed to be most appropriate to that investment as described below*
- *NAV per share represents total NAV divided by the number of outstanding shares at the end of the period under IFRS, i.e. issued shares less treasury shares. Treasury shares for these purposes are the sum of shares repurchased under our $45 million buyback programme and shares held by the management trust (unawarded and/or unvested).*

In addition to the investment return calculations, described above in this document, we also measure total return of each portfolio investment in numeric terms as follows: we aggregate a) change in beginning and ending fair values, b) gains from realized sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total investment return.

Private portfolio valuation overview

Prior to 31 December 2018, management NAV reflected private businesses at their IFRS book values, however, starting from FY18 results announcement we are disclosing NAV based on management's estimated fair values for the private businesses. While the estimated fair values do not necessarily reflect management's view of their intrinsic values, we believe they provide valuable insights based on how the stock markets value similar businesses. We estimate the fair values of our different private businesses as follows:

- *For businesses, where values are typically derived based on valuation multiples in public stock markets, we use different measures depending on the type of business and circumstances. In each case we apply multiples for relevant peers.*
    - *For businesses in non-financial industries, estimated fair values are generally based on Enterprise Value (EV)/EBITDA multiples (in exceptional cases, where EBITDA is negative and if deemed reasonable, an EV/Sales multiple is applied).*
    - *For businesses in the financial sector, estimated fair values are based on price to earnings (P/E) multiples.*

  The Group identifies peer group for each private portfolio company by taking into account similarities in aspects such as industry, business model, company size, economic and regulatory factors, growth prospects and risk profiles. Peers are selected from frontier and emerging market economies. When estimating the applicable multiple, certain peers can be more heavily weighted when their characteristics are closer to those of the portfolio company being valued than others. We generally focus on recurring last twelve months (LTM) earnings when evaluating the performance of our companies. From the estimated EV, period end net debt is deducted, and the remaining equity value is apportioned to Georgia Capital based on its ownership stake in the company. We use discounted cash flow (DCF) analysis to validate fair values derived by applying listed peer group multiples (in case of Water Utility, EV/EBITDA less maintenance capex multiple is also used for validation).*

- *For businesses where values are derived primarily from the underlying value of the assets, and such assets are carried at fair value (usually determined by independent international valuation companies) on their books and records, we consider the book value of the equity investment to be its fair value at the reporting date.*
- *For greenfield businesses, where the business operations have not been fully launched, we also believe that book value is an appropriate estimate of fair value.*
- *Finally, acquisitions within the previous 12 months are valued at the original investment amount adjusted for earnings or losses recorded following the acquisition.*

The table below summarizes fair valuation of our holdings in private portfolio companies excluding pipeline as at 31 December 2018:

Business	Valuation method	Fair value, GEL thousands	Multiple applied
Late stage portfolio		**628,326**	
Water Utility	EV/EBITDA (Based on LTM EBITDA)	431,017	8.8
Housing Development	NAV at reporting date	66,785	N/A
P&C Insurance	P/E (Based on LTM Net income)	130,524	7.4
Early stage portfolio		**271,288**	
Renewable Energy	At book value until power plant is operational. EV/ EBITDA (LTM) following the launch	61,182	N/A
Hospitality & Commercial Real Estate	NAV at reporting date	149,079	N/A
Beverages – wine	EV/EBITDA (Based on LTM EBITDA)	56,771	9.1
Beverages – beer	EV/Sales (Based on LTM sales) due to negative EBITDA	4,256	2.2

NAV STATEMENT

All businesses are supported by strong operating fundamentals, but equity market valuations remain under pressure from stock market conditions in emerging and frontier economies.

NAV Statement *GEL thousands unless otherwise noted*	Ownership %	Management Fair Value 31-Dec-18	 31-Dec-17	Change amount	Change %	Total return	Total return %
Listed portfolio companies		**977,827**	**933,481**	**44,346**	**4.8%**	**(637,781)**	**-38.9%**
GHG (75,118,503 shares)	57.0%	520,332	933,481	(413,149)	-44.3%	(413,148)	-44.3%
BoG (9,784,716 shares)	19.9%	457,495	-	457,495	NMF	(224,632)	-31.8%
Private portfolio companies		**905,547**	**917,380**	**(11,833)**	**-1.3%**	**(47,474)**	**-5.2%**
Late Stage		**628,326**	**715,270**	**(86,944)**	**-12.2%**	**(40,792)**	**-5.7%**
Water Utility	100.0%	431,017	498,181	(67,164)	-13.5%	(38,324)	-7.7%
Housing Development	100.0%	66,785	75,609	(8,824)	-11.7%	(1,512)	-2.0%
P&C Insurance	100.0%	130,524	141,480	(10,956)	-7.7%	(956)	-0.7%
Early Stage		**271,288**	**202,110**	**69,178**	**34.2%**	**(6,682)**	**-3.3%**
Renewable Energy	65.0%	61,182	51,511	9,671	18.8%	4,700	9.1%
Hospitality & Commercial	100.0%	149,079	78,142	70,937	90.8%	40,515	51.8%
Beverages	80.0%	61,027	72,457	(11,430)	-15.8%	(51,897)	-71.6%
Pipeline (at cost)		**5,933**	**-**	**5,933**	**NMF**	**(432)**	NMF
Education	100.0%	7,071	-	7,071	NMF		
Other	100.0%	(1,138)	-	(1,138)	NMF		
Total Portfolio Value		**1,883,374**	**1,850,861**	**32,513**	**1.8%**	**(685,688)**	**-26.8%**
Net Debt		**(196,915)**	**(7,733)**	**(189,182)**	**NMF**		
of which, Cash and Liquid Funds		299,650	264,546	35,104	13.3%		
of which, Loans Issued		305,480	-	305,480	NMF		
of which, Gross Debt		(802,045)	(272,279)	(529,766)	NMF		
Net Other Assets/ (Liabilities)		1,762	(2,681)	4,443	NMF		
Net Asset Value		**1,688,221**	**1,840,447**	**(152,226)**	**-8.3%**		
Shares outstanding		**35,816,947**	**39,384,712**	**(3,567,765)**	**-9.1%**		
Net Asset Value per share (GEL)		**47.13**	**46.73**	**0.40**	**0.9%**		
Net Asset Value per share (GBP)		**13.88**	**13.35**	**0.53**	**4.0%**		

NAV per share in GEL terms was up 0.9%, while total NAV decreased by 8.3% to GEL 1.7 billion at 31 December 2018 as a result of the following movements:

I. **Listed portfolio companies** - The value of *holdings in listed portfolio companies* increased with the contribution of 19.9% BoG equity stake, valued at GEL 457 million at 31 December 2018, into the Group's equity as part of the demerger from BGEO Group. At the same time, the market value of our 57% equity stake in GHG decreased by 44.3% y-o-y as a result of the weak market conditions.

   Despite delivering a very strong operating performance in 2018 (y-o-y full year EBITDA up by 22.3%), *GHG's share price* retreated from GBP 3.55 at 31 December 2017 to GBP 2.04 at 31 December 2018 resulting in a GEL 413 million reduction in the market value of the Group's holding. We did not sell any GHG shares during 2018 as we believe that the stock price was highly undervalued.

   Following the demerger completion, the *BoG share price* closed at GBP 18.64 on 29 May 2018, its first trading day. The share price retreated in 2H18 and closed at GBP 13.77 on 31 December 2018 even though the bank delivered a strong 26%+ ROAE. As a result, the market value of 19.9% equity stake in BOG decreased by GEL 249 million during 2018. In July 2018, Georgia Capital received GEL 23.9 million dividend payment from BoG and as a result, net market value change after dividends amounted to negative GEL 225 million in 2018.

II. **Private portfolio companies -** The *private portfolio companies* continued to perform strongly in 2018, however, valuations were unfavourably affected by negative trends in emerging and frontier markets. Late stage businesses delivered negative 5.7% investment return, despite of the record-high GEL 49 million dividend inflows to GCAP on the back of their strong trading performances.

   The early stage portfolio companies continued development to the next levels of their greenfield lifecycles, delivering negative 3.3% return mainly as a result of the underperformance of the beer business, which incurred a GEL 14 million EBITDA loss in 2018 and resulted in GEL 48.4 million mark down in its fair value in 2018. The hospitality and commercial real estate business demonstrated outstanding performance by earning 51.8% investment return driven by GEL 27.6 million revaluation gains from hotels and commercial properties.

The table below summarizes total returns across our listed and private portfolio companies:

Business	31-Dec-17 Fair value	Fair value change	31-Dec-18 Fair value	Capital allocations	Inter-business capital reallocation[12]	Dividend inflows	Total return	Comment on Fair value
Listed portfolio companies	**1,639,483**	**(661,656)**	**977,827**	**-**	**-**	**23,875**	**(637,781)**	
GHG	933,481	(413,149)	520,332	-	-	-	(413,149)	
BoG[12]	706,002	(248,507)	457,495	-	-	23,875	(224,632)	
Private portfolio companies	**917,380**	**(17,766)**	**899,614**	**(78,338)**	**-**	**48,629**	**(47,475)**	
Late stage	**715,270**	**(86,944)**	**628,326**	**-**	**(2,477)**	**48,629**	**(40,792)**	
Water Utility	498,181	(67,164)	431,017	-	-	28,840	(38,324)	Note a
Housing Development[13]	75,609	(8,824)	66,785	-	(2,477)	9,789	(1,512)	*Note b*
P&C Insurance	141,480	(10,956)	130,524	-	-	10,000	(956)	*Note c*
Early stage	**202,110**	**69,178**	**271,288**	**(78,338)**	**2,477**	**-**	**(6,683)**	
Renewable Energy	51,511	9,671	61,182	(4,971)	-	-	4,700	*Note d*
Hospitality & Commercial[13]	78,142	70,937	149,079	(32,899)	2,477	-	40,515	*Note e*
Beverages	72,457	(11,430)	61,027	(40,468)	-	-	(51,898)	*Note f*
of which, wine	34,520	22,251	56,771	(25,754)	-	-	(3,503)	
of which, beer	37,937	(33,681)	4,256	(14,714)	-	-	(48,395)	
Pipeline	**-**	**5,933**	**5,933**	**(6,365)**	**-**	**-**	**(432)**	
Total	**2,556,863**	**(673,489)**	**1,883,374**	**(84,703)**	**-**	**72,504**	**(685,688)**	

a) The 15% increase in Water Utility's EBITDA created approximately GEL 102 million value, however, this was more than offset by multiple contraction from 9.4 to 8.8 (GEL 48 million decrease) and net debt widening of GEL 121 million. As a result, fair value decreased by GEL 67 million in 2018.

b) Housing Development's fair value was down by GEL 8.8 million mainly on the back of net capital distribution of GEL 7.3 million. FY18 net profit was at break-even level, amounting to GEL 0.4 million, due to slow down in sales momentum driven by low levels of inventory.

c) For P&C Insurance the 8.8% increase in net income adjusted for demerger related non-recurring items created a GEL 12 million value, however it was offset by multiple contraction from 8.7 to 7.4 (GEL 23 million decrease), leading to an overall fair value decrease by GEL 11 million.

d) The GEL 9.7 million increase in the fair value for Renewable Energy was mainly driven by GEL 5 million capital allocation from Georgia Capital and by positive impact from exchange rate movements, as the company assets are denominated in US Dollars.

e) Fair value of Hospitality & Commercial increased by GEL 70.9 million on the back of GEL 27.6 million revaluation gains recorded on hotels and commercial properties and GEL 32.9 million capital allocation from Georgia Capital in 2018.

f) Fair value decrease of GEL 11.4 million of Beverages was largely driven by beer business underperformance, where GEL 14 million EBITDA loss in 2018 triggered a mark down of the beverage business value by GEL 48.4 million. The decrease in value was partially offset by the wine business, where the GEL 25.8 million increase in fair value was related to the capital allocations from Georgia Capital for the acquisition of Kindzmarauli.

III. **Net debt** – The GEL 189.2 million increase in net debt resulted from:

a. Increase of GEL 529.8 million in *Gross Debt (debt securities issued and borrowings)*. Georgia Capital issued US$ 300 million 6.125% six-year Eurobonds due 2024 in March 2018 and raised US$ 291 million (GEL 716 million) net proceeds, of which GEL 270 million was used to repay borrowing from the Group's previous parent company, BGEO Group. The outstanding balance of debt securities issued at 31 December 2018 was GEL 802 million.

[12] Pro-forma beginning balance of BoG represents the contribution of BoG's 19.9% equity stake, valued at GEL 706 million at the date of the contribution, into Georgia Capital's equity by its former parent company BGEO as part of the demerger. BGEO Group PLC is the predecessor of BoG.

[13] GEL 2.5 million capital reallocation from the hospitality & commercial real estate business to the housing development business.

b. *Loans issued* in the amount of GEL 305 million during 2018, primarily relate to three facilities: (i) a GEL 104.6 million (US$ 39.1 million) loan to the hospitality & commercial real estate business for on-going development, construction and growth of the hotel pipeline (ii) a GEL 46.1 million (US$ 17.2 million) to the housing development business to refinance some of the existing borrowings and (iii) a GEL 133.8 million (US$ 50 million) loan issued to the BoG holding company as part of the demerger, maturing in March 2020. The loans are issued at market terms and interest income from loans issued amounted to GEL 24.6 million in 2018, significantly up from GEL 0.2 million in 2017.

c. The increase of GEL 35 million in *cash and liquid funds*, amounting to GEL 299.7 million at 31 December 2018, is primarily driven by the proceeds from the milestone US$ 300 million 6-year bond issuance. In line with its risk management practices, the Group actively monitors the allocation of its liquid resources and its commitment to maintain at least US$ 50 million liquid funds. At 31 December 2018, cash and liquid funds were allocated as follows:

	31 December 2018	**31 December 2017**	**Change**
Cash at bank	142,284	219,400	-35.1%
Internationally listed debt securities	129,295	24,136	NMF
Locally listed debt securities	28,071	21,010	33.6%
Total Cash and liquid funds	**299,650**	**264,546**	**13.3%**

Internationally listed debt securities include Eurobonds issued by Georgian corporates (GEL 102 million) and sovereign Georgian Eurobonds (GEL 27 million). Locally listed debt securities are local bonds issued by Georgian corporates, which are listed and traded on the Georgian Stock Exchange. Interest income from cash and liquid funds amounted to GEL 15.0 million in 2018, up from GEL 1.2 million in 2017.

d. During 2018 Georgia Capital deployed cash for share buybacks of GEL 87.4 million, of which management trust purchases were GEL 42.6 million and GEL 44.8 million was bought back as part of the US$45 million share buyback programme.

Income Statement (Management accounts)

Management views Georgia Capital's income statement as a two-fold document that reflects performance of the stand-alone GCAP as well as the performance of each portfolio company. The management P&L is an aggregation of the bottom lines of the attributable stand-alone IFRS P&Ls of listed and private portfolio companies together with GCAP's stand-alone P&L. For details on the methodology underling the preparation of management account income statement, please refer to page 52.

INCOME STATEMENT (Management accounts)

GEL thousands unless otherwise noted	2H18	2H17	Change y-o-y	1H18	Change h-o-h	FY18	FY17	Change y-o-y
Dividend income	41,164	17,500	NMF	31,340	31.3%	72,504	35,000	NMF
Interest income	24,845	1,109	NMF	14,741	68.5%	39,586	1,380	NMF
Interest expense	(25,632)	(7,056)	NMF	(19,079)	34.3%	(44,711)	(16,266)	NMF
GCAP gross operating income	**40,377**	**11,553**	**NMF**	**27,002**	**49.5%**	**67,379**	**20,114**	**NMF**
Operating expenses	(13,409)	(4,592)	NMF	(5,280)	NMF	(18,689)	(6,511)	NMF
GCAP net operating income (1)	**26,968**	**6,961**	**NMF**	**21,722**	**24.2%**	**48,690**	**13,603**	**NMF**
Attributable income of listed portfolio companies	**56,795**	**9,067**	**NMF**	**55,774**	**1.8%**	**112,569**	**20,889**	**NMF**
of which, GHG PLC	9,782	9,067	7.9%	11,591	-15.6%	21,373	20,889	2.3%
of which, BoG PLC[14]	47,013	-	NMF	44,183	6.4%	91,196	-	NMF
Attributable income of private portfolio companies	**54,279**	**30,763**	**76.4%**	**21,017**	**NMF**	**75,296**	**73,020**	**3.1%**
Late stage	**36,719**	**32,389**	**13.4%**	**31,442**	**16.8%**	**68,161**	**77,387**	**-11.9%**
of which, Water Utility	25,742	23,391	10.1%	17,893	43.9%	43,635	39,156	11.4%
of which, Housing Development	2,031	1,067	90.3%	4,898	-58.5%	6,929	22,140	-68.7%
of which, P&C Insurance	8,946	7,931	12.8%	8,651	3.4%	17,597	16,091	9.4%
Early stage	**18,998**	**(1,626)**	**NMF**	**(10,425)**	**NMF**	**8,573**	**(4,367)**	**NMF**
of which, Renewable Energy	(314)	847	NMF	(331)	-5.1%	(645)	(838)	-23.0%
of which, Hospitality and Commercial	28,021	1,765	NMF	787	NMF	28,808	3,090	NMF
of which, Beverages	(8,709)	(4,238)	NMF	(10,881)	-20.0%	(19,590)	(6,619)	NMF
Pipeline	**(1,438)**	**-**	NMF	**-**	NMF	**(1,438)**	**-**	NMF
Total portfolio company attributable income (2)	**111,074**	**39,830**	**NMF**	**76,791**	**44.6%**	**187,865**	**93,909**	**NMF**
Income before tax, provision and adjustment (1)+(2)	**138,042**	**46,791**	**NMF**	**98,513**	**40.1%**	**236,555**	**107,512**	**NMF**
Adjustment for dividend income accrual	(41,164)	(17,500)	NMF	(31,340)	31.3%	(72,504)	(35,000)	NMF
Provision	2,471	(2,039)	NMF	(2,115)	NMF	356	(2,039)	NMF
Income tax	-	-	NMF	-	NMF	-	-	NMF
Net Income	**99,349**	**27,252**	**NMF**	**65,058**	**52.7%**	**164,407**	**70,473**	**NMF**
Net foreign currency (loss) gain	(32,588)	1,879	NMF	1,652	NMF	(30,936)	1,362	NMF
Non-recurring expense	(5,950)	(1,525)	NMF	(49,970)	-88.1%	(55,920)	(3,745)	NMF
Realized gain from sale of portfolio company shares	-	-	NMF	-	NMF	-	90,275	NMF
Total comprehensive income	**60,811**	**27,606**	**NMF**	**16,740**	**NMF**	**77,551**	**158,365**	**-51.0%**

Georgia Capital generated *Gross operating income* of GEL 40.4 million in 2H18 (up 49.5% h-o-h and up by GEL 28.8 million y-o-y) and GEL 67.4 million in 2018 (up by GEL 47.3 million). Gross operating income was up both y-o-y and h-o-h on the back of strong dividend inflows. The housing development business paid the first-ever dividend of GEL 9.8 million to GCAP. The y-o-y increase in gross operating income in 2H18 and in 2018 also reflects the addition of the 19.9% BoG equity stake to the listed portfolio companies, which paid GEL 23.9 million dividend in July 2018. Excluding the positive impact of dividends received from BoG, 2018 dividend income was up by 38.9% y-o-y. Dividend income is accrued based on paid, declared or expected dividend stream from portfolio companies during the calendar year. The following table summarises the dividend income breakdown:

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Water Utility	14,440	14,000	3.1%	14,400	0.3%	28,840	28,000	3.0%
BoG	11,935	-	NMF	11,940	NMF	23,875	-	NMF

[14] 1H18 attributable income from BoG was restated for the change in IFRS 9 write-off policy in accordance with BoG 4Q18 & FY18 results release. For details please refer to https://www.bankofgeorgiagroup.com/storage/earnings/Bank%20of%20Georgia%20Group%20PLC%204Q18%20and%20FY18%20Results.pdf

P&C Insurance	5,000	3,500	42.9%	5,000	NMF	10,000	7,000	42.9%
Housing Development	9,789	-	NMF	-	NMF	9,789	-	NMF
Total dividend income	**41,164**	**17,500**	**NMF**	**31,340**	**31.3%**	**72,504**	**35,000**	**NMF**

The significant increase in both *Interest income* and *Interest expense* in 2H18 and 2018 was driven by the issuance of the inaugural US$ 300 million bonds and investment of related proceeds into investment securities and loans issued. Georgia Capital earned an average yield of 7.7% on the liquid assets and issued loans, of which 9.8% was earned on the loans issued and 5.1% on the liquid funds. The coupon on the $300 million bond is 6.125%.

The components of GCAP's *Operating expenses* for both 2H18 and in 2018, are presented in the table below:

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Administrative expenses[15]	(4,854)	(861)	NMF	(862)	NMF	(5,717)	(1,056)	NMF
Management expenses - cash-based[16]	(3,555)	(35)	NMF	(1,777)	NMF	(5,331)	(76)	NMF
Management expenses - share-based[17]	(5,000)	(3,696)	35.3%	(2,641)	89.3%	(7,641)	(5,379)	42.1%
Total operating expenses	**(13,409)**	**(4,592)**	**NMF**	**(5,280)**	**NMF**	**(18,689)**	**(6,511)**	**NMF**

Following the demerger from the BGEO Group, administrative and management expenses are now fully borne by the Group, while prior to the demerger (before 29 May 2018) only a portion of the expenses were allocated to the Group. As a result, operating expenses are not directly comparable h-o-h and y-o-y. GCAP operating expenses have a targeted cap of 2% of Georgia Capital's market capitalisation. 2018 operating expenses were only 1.4% of market capitalisation at 31 December 2018 given the start-up year effect.

Total portfolio company attributable income increased from GEL 39.8 million in 2H17 to 76.8 million in 1H18 and to GEL 111.1 million in 2H18, while it doubled y-o-y from GEL 93.9 million to GEL 187.9 million in 2018. However, 2017 and 2018 are not directly comparable since BoG's attributable income is not reflected in 2017, while it added GEL 47.0 million in 2H18 and GEL 91.2 million in 2018. Excluding BoG attributable profit, portfolio company attributable income was up 60.8% y-o-y in 2H18. The 60.8% (GEL 24 million) y-o-y increase in 2H18 in total portfolio company attributable income excluding BoG was mainly driven by GEL 27.6 million revaluation gains from the hospitality & commercial real estate business, which were partly offset by different developments in the other private portfolio businesses discussed below. In addition, 1H17 was positively affected by a similar revaluation gain, and as a result, total portfolio company attributable income excluding BoG was up only 2.9% y-o-y in 2018.

GHG's attributable income was up 7.9% y-o-y in 2H18 and up 2.3% y-o-y in 2018. The 2.3% y-o-y growth in 2018 reflects the impact of the sell down of a 7% equity stake by Georgia Capital in May 2017, which reduced the portion of attributable net income on y-o-y basis. Had we not reduced our stake in GHG, related attributable income would have increased by 8.3%. GHG's attributable income decreased by 15.6% h-o-h in 2H18 due to net foreign currency losses, while *GHG continued to deliver on its strategic priorities leading to 22.2% y-o-y and 11.2% h-o-h growth in EBITDA to GEL 69.6 million during the second half of 2018*. GHG achieved a record full year EBITDA of GEL 132.3 million (up 22.3% y-o-y), as GHG has started to capture benefits from major investments in 2016 and 2017. GHG's strong performance also resulted in 13.9% adjusted ROIC for roll-outs in 2018 (up 110bps y-o-y). The performance of GHG, in which we continue to hold a 57% stake, is discussed in more details on pages 34 to 35.

Attributable income of BoG was GEL 47.0 million during the second half of 2018 and GEL 91.2 million on a full-year basis driven by its strong performance across corporate and retail businesses as business momentum continues to accelerate in Georgia, while cost of risk remained well-contained at 1.6% in 2018 down from 2.2% in 2017. BoG successfully delivered on its strategy, with adjusted ROAE of 26.1% in 2018, well above the targeted through-the-cycle ROAE of 20%+. On 9 July 2018, BoG declared a dividend in respect of 2017 year of GEL 2.44 per ordinary share (c.30% payout ratio), which was paid to its ordinary shareholders on 31 July 2018. The Group received a GBP 7.4 million (GEL 23.9 million) dividend payment from BoG. In 4Q18 & FY18 earnings release BoG

[15]Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[16]Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[17]Share-based management expenses are share salary and share bonus expenses of management.

recommended an annual dividend for 2018 of GEL 2.55 per share subject to shareholders approval. This represents a payout ratio of 30% and a 4.5% increase over last year's dividend. GCAP is expected to receive a GEL 25 million dividend inflow from BoG in 2019. Please refer to Bank of Georgia Group's 4Q18 & FY18 earnings release for further details at http://bankofgeorgiagroup.com/.

Attributable income from private portfolio companies in 2H18 increased significantly both y-o-y and h-o-h, while it increased by a more modest 3.1% y-o-y to GEL 75.3 million in 2018.

Late stage portfolio companies demonstrated positive performance in their recurring businesses in 2018. In the housing development business, excluding the GEL 21 million commercial property revaluation gains in 1H17 attributable income was up in 2018, even though the overall sales momentum in 2018 was hurt by low inventory levels due to the delay in the process of receiving new construction permits; Attributable income from the water utility business was up by double digits despite extraordinarily lower precipitation related water inflows to Zhinvali HPP. P&C insurance made steady progress. The 11.9% y-o-y decline in the attributable income from private late stage businesses in 2018 is entirely attributable to the absence of the revaluation gains in Housing Development.

Early stage businesses continued development to the next levels of their greenfield lifecycle and related attributable income was GEL 19.0 million in 2H18 (up from negative GEL 1.6 million in 2H17 and up from negative GEL 10.4 million in 1H18) and GEL 8.6 million in 2018, which was driven by GEL 27.6 million revaluation gain booked in 2H18 on two under construction and one operational hotel and on rent-generating assets within the hospitality & commercial real estate business. The revaluation gain was partially offset by the beverages business, which recorded GEL 19.2 million loss in 2H18 and GEL 29.2 million loss on stand-alone basis in 2018 due to the delays in introduction of branded beers from the Heineken portfolio.

The performance of each private portfolio company is discussed on pages 22 to 35.

Net income of GEL 99.3 million in 2H18 and GEL 164.4 million in 2018 reflects the elimination of the dividend accrual from the GCAP attributable income of portfolio companies to avoid double-counting and a provision on our mezzanine loans to portfolio companies.

The Group's *total comprehensive income* is then driven by net foreign currency loss/(gain), non-recurring expense and realized gains from the sale of portfolio company shares. *Other comprehensive income* decreased from GEL 87.9 million in 2017 to GEL 86.9 million loss in 2018. The following table summarises the breakdown of other comprehensive income components:

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Net foreign currency (loss) gain	(32,588)	1,879	NMF	1,652	NMF	(30,936)	1,362	NMF
Non-recurring expense	(5,950)	(1,525)	NMF	(49,970)	-88.1%	(55,920)	(3,745)	NMF
Realized gain from sale portfolio company shares	-	-	NMF	-	NMF	-	90,275	NMF
Other comprehensive income	**(38,538)**	**354**	**NMF**	**(48,318)**	**-20.2%**	**(86,856)**	**87,892**	**NMF**

The Group incurred net foreign currency loss of GEL 30.9 million in 2018 from USD/GEL and EUR/GEL exchange rate volatility at GCAP level and across its Water Utility and Beverages businesses. GCAP's GEL 24.8 million net foreign currency loss in 2018 was mostly related to USD/GEL exchange rate volatility, since GCAP has accounting short foreign currency position in US Dollars amounting to c. US$ 97.5 million (GEL 261 million) at 31 December 2018.

Non-recurring expenses in 2018 of GEL 55.9 million are not comparable to the GEL 3.7 million figure in 2017. 2018 Non-recurring expenses largely relate to the demerger from BGEO Group, which triggered recognition of fees for services received in connection with the demerger and acceleration of share-based compensation expenses for accounting purposes. GCAP's GEL 23.4 million non-recurring expense was entirely related to the demerger. The following table summarises the breakdown of non-recurring expenses:

	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
GCAP	119	-	NMF	(23,568)	NMF	(23,449)	-	NMF
Listed portfolio companies	(2,362)	(884)	NMF	(14,760)	-84.0%	(17,122)	(2,995)	NMF
Private portfolio companies	(3,708)	(641)	NMF	(11,641)	-68.1%	(15,349)	(750)	NMF
Total non-recurring expenses	**(5,950)**	**(1,525)**	**NMF**	**(49,970)**	**-88.1%**	**(55,920)**	**(3,745)**	**NMF**

The realised gain from sale of portfolio company shares of GEL 90 million in 1H17 resulted from the sale of 9.5 million shares of GHG (7.2%) by Georgia Capital in May 2017 for US$ 40 million cash proceeds, which decreased its stake in GHG to 57%. Georgia Capital did not sell any shares of its portfolio companies during 2018.

In line with the European Securities and Markets Authority ("ESMA") guidelines about the use of alternative performance measures (APMs) in the preliminary announcement, we discuss below the reconciliation of net income under management accounts with IFRS consolidated results.

FY18 net income under IFRS consolidated income statement was GEL 16.9 million as compared to net income under management accounts of GEL 164.4 million. The following items explain the drivers of differences between the two metrics:

a) *BOG attributable income* – IFRS consolidated financial statements include dividends declared and paid by BOG of GEL 23.9 million, while net income under management accounts include consolidation of attributable 19.9% of BOG's net profit of GEL 91 million, adjusted to exclude the impact of non-recurring items.
b) *Revaluation of Hotels* - revaluation gain of GEL 25.8 million is recorded within Hospitality & Commercial Real Estate business net income within management accounts, while under IFRS consolidated income statement hotels are carried at cost and no revaluation gains or losses are recognized.
c) *Non-recurring items and FX gains and losses* - GEL 31 million loss from foreign currency movements and GEL 56 million non-recurring expenses are reflected under IFRS consolidated income statement before arriving to net income, while under management accounts they are included below net income line and within other comprehensive income.

Apart from the items noted above, the income statement under management accounts mainly mirrors IFRS consolidated income statement and the performance of the underlying businesses as described above. IFRS results of each portfolio business together with management commentary are discussed on pages 22 to 35. A detailed reconciliation of our management income statement to the IFRS consolidated income statement is provided on page 36.

CAPITAL ALLOCATION HIGHLIGHTS

We continue to follow the capital allocation projections announced in our 1H18 earnings release. During 2018, actual net capital deployed was GEL 12.1 million, lower by GEL 52 million than our estimate at June 30, 2018. This was mainly driven by additional GEL 10 million dividend inflows from Housing development and GEL 40 million less capital allocation needs at early stage and pipeline businesses, which we expect to be instead deployed in 2019, i.e. increase previously projected 2019 capital allocations. The table below, which represents capital allocation projections for the existing portfolio businesses and the pipeline businesses, summarizes capital allocation outlook as of 31 December 2018. The table does not forecast potential capital deployments in acquisitions or potential capital inflows from exits from current portfolio businesses.

Capital Allocation (GEL, millions)		2018A	2019E	2020E	2021E	2022E	Total in 2019-2022
Listed	BoG	(23.9)	(25)	(27)	(29)	(31)	**(112)**
	GHG	-	-	-	-	-	**-**
Late stage	Water Utility	(28.8)	(30)	(32)	(34)	(35)	**(131)**
	Housing Development	(9.8)	(10)	(15)	(20)	(25)	**(70)**
	P&C insurance	(10.0)	(12)	(15)	(18)	(22)	**(67)**
Early stage	Renewable Energy	5.0	74	53	70	(20)	**177**
	Hospitality & Commercial	32.9	30	9	-	-	**39**
	Beverages	40.6	27	10	-	-	**37**
Pipeline	Education	6.1	70	42	28	-	**140**
Total		**12.1**	**124**	**25**	**(3)**	**(133)**	**13**

Capital allocation overview in 2018

In 2018 Georgia Capital received GEL 72.5 million in dividends, of which GEL 23.9 million was from BoG in 3Q18 and GEL 48.6 million from private late stage portfolio businesses: P&C insurance - GEL 10 million in 1H18, Water Utility - GEL 28.8 million in 4Q18 and Housing Development - GEL 9.8 million in 4Q18. During 2018 Georgia Capital invested GEL 84.6 million across its early stage businesses and new business lines, of which GEL 78.5 was capital for early stage portfolio companies. The capital was used primarily for bolt-on acquisitions to increase scale and accelerate progress to value creation goals. The following capital allocation decisions were made during 2018:

- GEL 5.0 million was allocated to renewables, of which GEL 4 million was used for the development of hydro power plants (Zoti HPP and Bakhvi HPP) and the remaining amount was used for the development of wind power plants;
- GEL 32.9 million was allocated to the hospitality business for the development of existing hotels and the acquisition of a land plot for hotel and office space development;
- GEL 40.6 million was allocated to Beverages, of which, GEL 25.2 million and GEL 7.8 million were used for the acquisitions of Kindzmarauli and Black Lion, respectively. Additionally, GEL 6.8 million was used to finance the operating deficit of the beer business;
- GEL 6.1 million was allocated to the Education business to acquire land for a high school development.

Capital allocation outlook through 2019-2022

Listed portfolio companies

BoG is a stable dividend payer with outstanding track record and significant growth momentum and strong profitability. We expect that BoG will maintain its dividend payout ratio within targeted 25-40% range. Over the last seven years, BoG has consistently paid out dividends at Compound Annual Growth Rate (CAGR) of 39% over the same period. Therefore, we estimate that dividend receipts from BoG will increase approximately by 7% annually and will deliver approximately GEL 112 million dividends in total to Georgia Capital through the end of 2022.

GHG, as the largest integrated player in healthcare ecosystem, is well-placed to benefit from significant new growth opportunities ahead in areas such as medical tourism, outpatient business where there is high growth in domestic demand, and related services like the provision of dental services, aesthetics, lab diagnostic etc. As GHG exited its capex heavy period, management expects to deliver improved return on capital invested and to generate substantially increased free cash flows. This reflects a combination of both expected double-digit compound annual growth in revenues and reduced investment requirements over the next few years. As GHG continues to mature, we expect it to adopt a capital return policy. Until GHG adopts such policy, we conservatively estimate no dividend income from GHG through the end of 2022.

Private portfolio companies: Late Stage

Water Utility is a stable dividend paying business with no additional equity capital or material debt capital needs. The water utility business paid GEL 29 million dividend in 2018 and we forecast approximately 5% CAGR in the water utility business dividend growth through the end of 2022 driven by higher energy efficiency, a key driver of future dividend growth potential, and overall growth in water consumption as the economy continues to grow. We estimate GEL 131 million dividend cash flow from Water Utility through the end of 2022.

Housing Development paid its first dividend of GEL 10 million in 2018 on the back of previously accumulated cash flows from successfully executed residential projects and confirmed outlook as a result of construction permits received at year-end. We had not estimated dividend inflows from Housing Development in 2018. As the business matures and continues transition into a real estate asset manager business model, we expect it to continue returning money through a combination of dividends and capital returns. Given the strong platform and brand name, Housing Development is well-placed to benefit from the continued growth in demand for private housing as the country's wealth grows. The housing development business does not have any additional equity capital needs through the end of 2022 as it has developed a leading real estate developer platform in Georgia. Housing Development mostly finances its projects through pre-sales. Debt capital needs are specific to individual projects and could appear for short-term periods only. Given the Housing Development's strong project pipeline and outstanding project execution skills, we estimate dividend inflow to remain at the same level of GEL 10 million in 2019, followed by an annual payout increase of GEL 5 million going forward, or GEL 70 million through the end of 2022.

Property & Casualty Insurance is yet another business with strong dividend payout track record and potential for growth as the insurance market remains highly underpenetrated in Georgia. Aldagi paid a GEL 7 million dividend in 2017, which grew by 43% to GEL 10 million in 2018 on the back of a strong growth in the bottom line. Given the business' strong track record and high growth potential we have estimated GEL 12 million dividend payout in 2019, which is expected to grow to GEL 22 million in 2022. Property & Casualty Insurance does not have needs for any additional equity capital or debt capital.

Private portfolio companies: Early Stage

Renewable Energy (65% ownership) has a medium-term target of 500MW operating power generation capacity, including the existing 152MW HPP of the water utility business. Energy consumption is forecasted to increase at least by 5% CAGR over the next fifteen years, driven by economic growth. The business currently has a 410MW pipeline in place, where it estimates GEL 177 million equity capital needs from Georgia Capital (i.e. 65% of the total equity capital needs) and GEL 968 million debt capital needs through 2022 based on the targeted average 70%:30% debt to equity leverage ratio.

Hospitality & Commercial Real Estate capital needs are estimated based on the 1,000 hotel room target on the back of projected double-digit growth in tourist inflows over the coming years. The business currently has 152 operational hotel rooms and 969 hotel rooms in its pipeline. In order to reach 1,000 fully operational hotel rooms within three years, the hospitality business needs a further GEL 39 million equity capital injection and GEL 186 million in debt capital. We target a 70%:30% debt to equity leverage ratio at hotels.

Beverages. The wine business is targeting 1,000 hectares of vineyards from the current 436 hectares to support the growing demand from export markets for Georgian wine. The beer business has launched the beer factory and is in process of launching additional beer brands to increase the product offering to tap the expected growth in low beer consumption levels of 27.5 liters per capita. As a result, the beverages business requires approximately GEL 37 million equity capital and GEL 67 million debt capital to finance its planned growth through 2020 and beyond.

Private portfolio companies: Pipeline Stage

Education. We have identified education as an attractive fragmented service industry with high growth potential driven by increased demand for quality education and low government spending. We expect to deploy GEL 140 million in equity capital, while the business will raise GEL 120 million in debt capital. Capital deployment will happen gradually over the next four to five years and by 2025 we expect the business to reach 30,000 pupils and to become the largest chain of affordable schools in Georgia.

Overall, based on the estimated dividend inflows, which do not include any dividend inflows from GHG, *we continue to expect to collect sufficient cash inflows through the end of 2022 to accommodate the equity capital needs of early stage and pipeline stage portfolio companies during the same period.* 2019 is a net equity capital investment year for Georgia Capital, followed by relatively neutral 2020 and 2021, while in 2022 we expect net equity capital returns from portfolio companies. Based on this outlook, and together with the available GEL 605 million funds at GCAP (liquid funds and issued loans) at 31 December 2018, we remain well-positioned to support the value creation across our private portfolio businesses and take advantage of new opportunities meeting our stringent acquisition criteria as and when they arise.

RETURN ON ALLOCATED CAPITAL

We use the Management Account figures to calculate Return on Allocated Capital (ROAC), a metric that provides us with a visibility into returns on current management values for each portfolio company.

ROAC is an annual return on allocated capital as of 31 December 2018 and calculated at each private investment level. Inputs into the ROAC calculation are as follows: (i) the numerator is an annual attributable income of the private portfolio company, less allocated GCAP interest expense, and (ii) the denominator is the management estimated fair value, as included in the NAV statement, less allocated gross debt of GCAP.

Listed Portfolio Companies

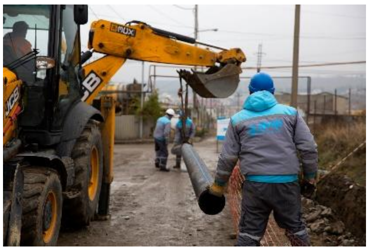
Internal Rate of Return	Holding period (years)	31 December 2018
Listed portfolio companies		**39.8%**
GHG	6.1	41.9%
BoG	10.1	25.8%

Private Businesses

Return on Allocated Capital	Holding period (years)	2018
Private portfolio companies, late stage		**13.4%**
Water Utility	2.8	*12.3%*
Housing Development	7.7	*12.7%*
P&C Insurance	9.1	*17.2%*
Private portfolio companies, early stage		**2.0%**
Renewable Energy	1.6	*-4.2%*
Hospitality & Commercial real estate	2.1	*25.9%*
Beverages	2.2	*-50.0%*

1. Water Utility

(100% ownership)



Business description

Our Water Utility is a natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c. 33,000 legal entities. Water Utility also operates hydro power plants with total installed capacity of 152 MW.

Water Utility is **100% owned** through GGU.

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[1]	148.5	113.6	30.7%
Maintenance capex[1]	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%

Key performance metrics

Net investment	157.4
2018 dividend	28.8
ROIC[2]	10.3%

(1) Capex figures are stated including VAT.
(2) Please see definition on page 53.

Capital Outlook through 2022

Capital needs[3]	**70.8**
of which, equity	-
of which, debt	70.8

(3) Gross capital needs, excluding dividend distribution.

(4) Please refer to page 38 for the reconciliation of FY18 stand-alone Water Utility net income to the attributable income from Water Utility as reported under the management account income statement on page 15.

Investment rationale

- Natural monopoly in Tbilisi and surrounding district
- Utilities sector represents 3% of total Georgian economic output with c. 8.2% CAGR (2006-2017)
- Stable regulatory environment with fair return on investment
- Stable cash collection rates

Value creation potential

- EU harmonization reforms in progress in utilities sector in accordance with Georgia's undertaking under the Association Agreement with the EU, expected to drive water tariffs up
- High GDP growth combined with rapid tourism growth drive high demand from corporates
- Energy market deregulation expected to positively affect electricity sales price
- Upside opportunity from pursuing cost efficiencies by targeting decrease in self-consumption of electricity in order to free up energy for third party electricity sales
- Growing dividend payment capacity

Value realisation outlook

IPO together with the renewable energy business

2H18 and FY18 performance

Positive operating leverage supports EBITDA margin expansion in 2018

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Revenue	**79,295**	**74,419**	**6.6%**	**69,832**	**13.6%**	**149,127**	**135,000**	**10.5%**
Water supply	70,062	63,924	9.6%	61,752	13.5%	131,814	118,904	10.9%
Energy	4,330	6,661	-35.0%	4,722	-8.3%	9,052	9,755	-7.2%
Other	4,903	3,834	27.9%	3,358	46.0%	8,261	6,341	30.3%
Operating expenses	**(31,157)**	**(32,395)**	**-3.8%**	**(29,578)**	**5.3%**	**(60,735)**	**(60,752)**	**-0.03%**
Provision for doubtful trade receivables	(2,011)	(550)	NMF	(3,022)	-33.5%	(5,033)	(1,675)	NMF
EBITDA	**46,127**	**41,474**	**11.2%**	**37,232**	**23.9%**	**83,359**	**72,573**	**14.9%**
EBITDA margin	58.2%	55.7%		53.3%		55.9%	53.8%	
Depreciation and amortization	(13,308)	(10,393)	28.0%	(12,085)	10.1%	(25,393)	(20,213)	25.6%
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
Net profit[4]	**15,745**	**21,951**	**-28.3%**	**16,800**	**-6.3%**	**32,545**	**37,401**	**-13.0%**

CASH FLOW HIGHLIGHTS	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Cash flow from operating activities before maintenance capex	**50,998**	**41,049**	**24.2%**	**30,592**	**66.7%**	**81,590**	**70,150**	**16.3%**
Maintenance capex	(10,096)	(9,002)	12.2%	(12,444)	-18.9%	(22,540)	(23,203)	-2.9%
Cash flow from operating activities	**40,902**	**32,047**	**27.6%**	**18,148**	**NMF**	**59,050**	**46,947**	**25.8%**
Cash flow used in investing activities	**(61,182)**	**(74,486)**	**-17.9%**	**(63,910)**	**-4.3%**	**(125,092)**	**(105,024)**	**19.1%**
Development capex	(71,383)	(77,810)	-8.3%	(77,070)	-7.4%	(148,453)	(113,605)	30.7%
Cash flow from financing activities	**2,572**	**69,477**	**-96.3%**	**16,728**	**-84.6%**	**19,300**	**88,163**	**-78.1%**
Net Proceeds from borrowings	43,663	110,226	-60.4%	27,225	60.4%	70,888	134,179	-47.2%
Dividends paid out	(28,840)	(28,244)	2.1%	-	NMF	(28,840)	(28,244)	2.1%
Cash ending balance	**13,713**	**61,963**	**-77.9%**	**30,475**	**-55.0%**	**13,713**	**61,963**	**-77.9%**

BALANCE SHEET HIGHLIGHTS	Dec-18	Dec-17	Change
Total assets	**639,267**	**567,936**	**12.6%**
Property, plant and equipment	586,207	441,556	32.8%
Trades and other receivables	19,657	23,738	-17.2%
Cash balance	13,713	61,963	-77.9%
Total liabilities	**368,781**	**300,150**	**22.9%**
Total equity	**270,486**	**267,786**	**1.0%**

INCOME STATEMENT HIGHLIGHTS

The Water Utility's 2H18 revenues were up 6.6% y-o-y and 13.6% h-o-h, and FY18 revenues were up 10.5% over 2017 on the back of the strong performance of the water supply business.

Revenue from water supply to legal entities and individuals (2H18 up 9.6% y-o-y and 13.5% h-o-h and FY18 up 10.9% over 2017) benefitted from increases for both legal entities and individuals. Revenue from water supply to legal entities increased 7.3% y-o-y to GEL 92.2 million in 2018 reflecting strong business activity across various industries, while an 18.8% h-o-h increase to GEL 50.1 million was also positively affected by seasonality in water consumption. Revenue from Water supply to individuals increased 20.2% y-o-y to GEL 39.6 million in 2018. Most of the increase is attributable to the increased residential tariff effective from 1 January 2018. New connections, which more than doubled from 2,347 in 2017 to 5,015 in 2018, also contributed to the increase in water supply revenues.

2H18 energy revenue was down 35.0% y-o-y and 8.3% h-o-h and FY18 revenue was down 7.2% over 2017. The decrease in revenues from electricity power sales is attributable to extraordinarily lower than average precipitation related water inflows to Zhinvali HPP, partly offset by significant savings in the Water Utility's self-consumption of electricity, which decreased by 21.0% to 116,703 thousand kwh in 2H18 and by 18.4% to 237,145 thousand kwh in 2018. 2H18 other income was up 27.9% y-o-y and 46.0% h-o-h and FY18 other income was up 30.3% over 2017. The increase mainly reflects higher number of fines charged on illegal connections amounting to GEL 0.6 million in 2H18 and GEL 1.7 million in 2018.

2H18 operating expenses were down 3.8% y-o-y and up 5.3% h-o-h and FY18 operating expenses were flat. This reflects the efficient cost management and continued rehabilitation works, resulting in significant cost savings in infrastructure assets maintenance expenses and raw materials. Overall, in 2018 operating leverage was positive at 10.5 percentage points.

The increase in the provision for doubtful trade receivables to GEL 5.0 million in 2018 was primarily driven by the adoption of IFRS 9. IFRS 9 introduced a forward-looking expected credit loss (ECL) approach effective from 1 January 2018, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach, compared with the previous incurred-loss impairment approach for financial instruments under IAS 39. Provision for doubtful trade receivables was down 33.5% h-o-h due to seasonally high collection rates in the second half of the year.

The strong increase in water supply revenues coupled with the efficient cost management led to 11.2% y-o-y increase in EBITDA to GEL 46.1 million and to 14.9% y-o-y increase to GEL 83.4 million, respectively in 2H18 and in 2018.

Net interest expense was up 15.5% y-o-y in 2018 due to increased leverage obtained through international financial institutions and local banks to finance capital expenditures and refinance more expensive and short-term funding. Net non-recurring expenses increased in 2018 due to the acceleration of share-based payment expense recognition following Georgia Capital's demerger from BGEO Group in May 2018. Foreign exchange losses in 2018 reflect the accounting impact from Georgian Lari's depreciation against the Euro as part of GGU's outstanding borrowings are denominated in Euros and GGU recorded losses in 2018 on its unhedged short position of GEL 131 million in Euros at 31 December 2018.

As a result, Water Utility profit was GEL 15.7 million in 2H18 (down 28.3% y-o-y and down 6.3% h-o-h) and GEL 32.5 million in 2018, down 13.0% y-o-y.

BALANCE SHEET HIGHLIGHTS

The 32.8% increase in property, plant and equipment in 2018, was primarily due to development works on Water Utility infrastructure carried out during the year in order to upgrade the network. Additionally, GEL 45.6 million of the increase in FY18 is driven by rehabilitation works at the Gardabani wastewater treatment plant, which went through a major rehabilitation after c. 30 years of operation, and since July 2018 has been fully functional, servicing the whole population in Tbilisi and surrounding area. Total capex for Gardabani wastewater treatment plant rehabilitation was in line with the estimated GEL 60 million.

2017 and 2018 were capital-intensive years for the water utility business. Efficiency programs, such as upgrade of water and wastewater network, purchase of heavy machinery and metering of residential and commercial customers, will have a dual effect of reducing own electricity consumption and increasing third party electricity sales. Additionally, regulated CAPEX is included in Regulated Asset Base, used by the regulator to calculate fair return on investment. For the regulatory period 2018-2020, such return on investment (referred to as WACC in the tariff-setting methodology) is set at 15.99% (up from 13.54% in 2017). Capital expenditure level is expected to decrease in 2019 and gradually reach long-term run-rate level of c. GEL 52-70 million by 2022. The table below summarizes capex forecast through 2022:

GEL millions	**2018A**	**2019F**	**2020F**	**2021F**	**2022F**
Maintenance capex	23	23	23	23	22
Development capex	148	65-75	45-58	35-50	30-48
Total capital expenditures, including VAT	**171**	**88-98**	**68-81**	**58-73**	**52-70**

The increase in total liabilities is due to increased borrowings obtained from international financial institutions and local banks at the end of 2017 to support capital expenditures for development of water supply network. During 2017, GGU secured long-term financing of EUR 81.5 million from international financial institutions (IFIs) for efficiency-related capital expenditure purposes, namely from European Investment Bank (EIB), The Netherlands Development Finance Company (FMO) and German Investment Corporation (DEG) at the GWP level (GGU's principal utility subsidiary). The borrowings were largely utilized in 2017 and the remaining undrawn balance of EUR 8.6 was drawn down during 1H18 from the IFI financing. Additionally, c. GEL 48 million was obtained from local banks during 2018 to support intensive capital expenditures.

CASH FLOW HIGHLIGHTS

GGU has an outstanding water supply receivable collection rate within the 95-99% range. During 2H18 and FY18, the collection rates for legal entities and households were 99% and 94%, respectively. Although the Georgian water utility sector historically had low receivables collection rates, as a result of GGU's arrangement with electricity suppliers since 2011, GGU's collection rates remain very strong at approximately 96%. As part of the arrangement non-paying water customers are disconnected from the electricity network and in return, electricity suppliers receive flat monetary compensation from GGU. Operating cash flow was up 16.3% y-o-y in 2018 as a result of the growth in revenues and positive operating leverage.

In 2H18, the water utility business distributed dividends in amount of GEL 28.8 million (up 3.0% y-o-y) to Georgia Capital.

2019 OUTLOOK

The water utility business's outlook for 2019 is positive as management expects further continued growth in revenues from water supply with limited increase in operating expenses, while continuing to reduce self-consumption of electricity and increasing third party electricity sales. Electricity market deregulation, currently expected to be fully enacted from 1 May 2019, is anticipated to positively impact revenue stream from electricity sales. The business plans to gradually decrease volume of capital expenditures after completing two years of accelerated capex program and maintain the increasing trend of dividend distribution.

2. Housing Development

(100% ownership)

Business description

Our housing development business is a leading real estate developer on the US$ 1.1 billion Georgian real estate market with three business lines: (a) a residential development arm targeting mainly mass market customers by offering affordable, high quality and comfortable housing; (b) a construction arm, engaging in construction contracts for other businesses as well as third-parties; and (c) franchise platform for development of third-party land plots with fee sharing arrangements.

Housing Development is **100% owned** through m^2.

GEL millions, unless otherwise noted

Key highlights	**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%

Key performance metrics	
Net investment	18.7
2018 dividend	10.0
ROIC[3]	4.1%

(3) Please see definition on page 53.

Capital Outlook through 2022	
Capital needs[4]	**31.3**
of which, equity	-
of which, debt	31.3

(4) Gross capital needs, excluding dividend distribution.

(5) Please refer to page 38 for the reconciliation of FY18 stand-alone Housing Development net income to the attributable income from Housing Development as reported under the management account income statement on page 15.

Investment rationale

- Shortage of housing from Soviet era combined with Georgian tradition of multiple generations living under one roof, average household size is significantly higher at 3.3 compared to Eastern or Western Europe
- Most of the housing stock dates back to Soviet era and is amortised
- In line with the economic growth, urbanization level is expected to increase from the current low level

Value creation potential

Asset light strategy

- Unlock land value by developing housing projects
- Development of third-party land – franchise m^2 brand name. Undisputed market leading platform of at least 2,500 apartments[1] to be delivered in 4-5 years
- Earn construction management fees from third-party projects and bring construction works in-house

Value realisation outlook

Cash out by transformation into real estate asset manager

2H18 and FY18 performance

Solid GEL 10 million first-ever dividend payout following successful project execution

INCOME STATEMENT HIGHLIGHTS	**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 services	4,254	-	NMF	1,080	NMF	5,334	-	NMF
Gross Real Estate Profit	**7,341**	**6,114**	**20.1%**	**7,594**	**-3.3%**	**14,935**	**8,313**	**79.7%**
Revaluation of commercial property[2]	3,213	(199)	NMF	2,311	39.0%	5,524	21,586	-74.4%
Operating expenses	**(6,840)**	**(4,708)**	**45.3%**	**(4,742)**	**44.2%**	**(11,582)**	**(7,929)**	**46.1%**
EBITDA	**3,714**	**1,207**	**NMF**	**5,163**	**-28.1%**	**8,877**	**21,970**	**-59.6%**
Profit[5]	**362**	**(406)**	**NMF**	**37**	**NMF**	**399**	**20,527**	**-98.1%**
CASH FLOW HIGHLIGHTS								
Net cash flows from operating activities	7,970	18,395	-56.7%	(18,124)	NMF	(10,154)	18,657	NMF
Net cash flows used in investing activities	(6,530)	(4,166)	56.7%	(7,161)	-8.8%	(13,691)	(9,292)	47.3%
Net cash flows from financing activities	(5,646)	(51,056)	-88.9%	22,241	NMF	16,595	(77,899)	NMF
Net proceeds from borrowings	-	*(15,801)*	*NMF*	*(850)*	*NMF*	*(850)*	*2,513*	*NMF*
Cash, ending balance	**10,467**	**20,059**	**-47.8%**	**13,844**	**-24.4%**	**10,467**	**20,059**	**-47.8%**

BALANCE SHEET HIGHLIGHTS	**Dec-18**	**Dec-17**	**Change**
Total assets	250,992	245,652	2.2%
Land bank	8,722	58,373	-85.1%
Inventories	105,307	59,199	77.9%
Total liabilities	182,950	168,977	8.3%
Total equity	68,042	76,675	-11.3%

(1) 2,500 apartments relate to the signed Tbilisi Airport Highway deal.
(2) Value created on commercial property.

The Housing Development gross profit from apartment sales fluctuates with the cycle of projects and strength of demand in the market for affordable housing. 2H18 gross profit was down 48.4% y-o-y and 52.5% h-o-h, while FY18 gross profit was up 17.5% y-o-y. Market conditions remain strong and the FY18 y-o-y increase was driven by strong project execution. In 2H18 Housing Development has successfully completed two affordable residential projects located in the centre of Tbilisi. It reached total sales progress of 87% in on-going projects and managed to sell down large part of its inventory at higher per ticket prices due to the sales closer to full completion stage. Average price per square meter was up 24% in 2018 over 2017 and up 22% in 2H18 y-o-y. The development of apartment sales in the relevant periods are shown in the table below:

	2H18	**1H18**	**2H17**	**FY18**	**FY17**
Sq.m. sold	7,859	8,013	28,749	15,872	45,621
# of apartments sold	*65*	*81*	*396*	*146*	*629*
Total Sales value (US$)	10,991,971	11,349,941	31,449,207	22,341,912	49,118,065
Sales value of apartments (US$)	10,243,425	10,408,741	30,813,788	20,652,166	47,965,669
Average price per sq.m.	**1,303**	**1,299**	**1,072**	**1,301**	**1,051**

While in the process of receiving the new permits, Housing Development has not started new projects in 2018 and sales momentum was negatively affected by low levels of inventory. Inventory levels will increase by approximately 3,000 apartments over the next few years, since in November Tbilisi City Municipality Council approved the masterplan brief on Housing Development's largest ever in-house affordable housing project. The Digomi project will be developed in three stages and the construction and development of 168,000 sq.m. residential and 84,000 sq.m. commercial spaces will continue for approximately four years. Housing Development started pre-sales for stage one from February 2019, where the total sellable area is approximately 22,000 sq.m.. As of 19 February 2019, 3,176 sq.m. with US$ 3.3 million sales value has already been pre-sold and 3,437 sq.m. has been booked.

During 2018, housing gain from revaluation of commercial property in the amount of GEL 5.5 million was recorded on the apartments intended for lease out and on commercial spaces under development in our three major projects as compared to GEL 21.6 million in 2017. In 2017 revaluation was performed for commercial spaces under development in the above mentioned three major projects after reaching a construction progress threshold.

During 2H18 the construction segment achieved robust performance and gross profit was GEL 4.3 million, almost four times h-o-h result. Construction fees were mainly generated from two third-party construction agreements in addition to in-house development projects: (i) the shell and core construction of a new shopping mall located in Tbilisi's Saburtalo district and (ii) fit-out works for Radisson Tsinandali in Kakheti region. Gross profit from construction services was GEL 5.3 million in 2018, which was 79% driven by third-party projects.

Operating expenses were GEL 6.8 million in 2H18 (up 45.3% y-o-y and up 44.2% h-o-h) and GEL 11.6 million in 2018 (up 46.1% y-o-y). The y-o-y increase reflects increased administrative expenses within the construction arm in line with the business ramp up, while bringing construction works in-house will result in cost and project development efficiencies. The h-o-h increase is mainly driven by seasonally higher marketing and advertising expenses at the end of year.

Housing Development recorded profit of GEL 0.4 million for both 2H18 and FY18 reflects mainly the impact of non-recurring expenses. Non-recurring expenses amounted GEL 6.2 million in 2018 and were mainly driven by acceleration of share-based expense recognition as a result of the Group's demerger from BGEO Group in May and by expenses related to the construction of a college for vocational education in Western Georgia, which was officially opened in 2H18. The college, with a total project cost of GEL 3 million, offers 11 short-term vocational courses to more than 600 construction specialist/workers annually and most of the graduates are expected to be employed within the construction arm. Before net non-recurring items, 2018 Housing Development profit was GEL 2.1 million in the second half and GEL 6.6 million for the full year.

Housing Development currently has a land bank with a value of GEL 8.7 million, which decreased significantly y-o-y as a result of masterplan brief approval for Digomi land (respective land was transferred from investment property to inventory). Land bank is expected to decrease further over the coming years, in line with its asset light strategy, as Housing Development plans to develop third-party land plots under franchise agreements going forward.

Cash flow highlights

The Housing Development business continued to deploy cash for on-going project developments, while low levels of inventory negatively affected sales, which decreased from US$ 49.1 million sales value in 2017 to US$ 22.3 million in 2018 as noted above. Operating cash flow was, therefore, negative GEL 10.2 million in 2018, down from GEL 18.7 million in 2017.

In December 2018, Housing Development distributed GEL 10.0 million dividends. The first ever dividend payment was made on the back of accumulated cash inflows from successfully executed projects.

2019 OUTLOOK

During 2019, Housing Development expects to complete the construction of two ongoing residential projects and kick off the development of its largest housing project in Digomi, which will drive revenue growth and gross margin expansion on the back of expected scale efficiencies. Further, the business aims to complete the design stage and in 4Q19 start pre-sales of its largest-ever franchise project on a third-party land plot located in Tbilisi airport highway in a densely populated suburban area.

3. Property & Casualty Insurance

(100% ownership)

Business description

Our property and casualty Insurance (P&C Insurance) business is a leading player in the local P&C insurance market with a 32% market share based on gross premiums. P&C Insurance offers a wide range of insurance products to Georgian corporates and retail through five business lines: motor, property, credit life, liability and other insurance services.

P&C Insurance is **100% owned** through Aldagi.

GEL millions, unless otherwise noted

Key highlights	2018	2017	change
Earned premiums, net	67.5	62.7	7.5%
*Net income**	17.7	16.3	8.8%
Development Capex	-	-	N/A
Maintenance Capex	-	-	N/A
FCF	17.0	7.1	NMF
Cash from operations	20.9	12.7	65.1%
Net debt	-	-	NMF

* Net income is adjusted for non-recurring items

Key performance metrics	
Net investment	(13.9)
2018 Dividend	10.0
ROAE[1]	34.4%

(1) Adjusted for non-recurring items.

Capital Outlook through 2022	
Capital needs[2]	-
of which, equity	-
of which, debt	-

(2) Gross capital needs, excluding dividend distribution.

(3) Please refer to page 38 for the reconciliation of FY18 stand-alone P&C Insurance net income to the attributable income from P&C Insurance as reported under the management account income statement on page 15.

Investment rationale

- Significantly underpenetrated insurance market in Georgia
- Market leader with a powerful distribution network of point of sale and sales agents

Value creation potential

- Compulsory border TPL effective from 1 March 2018
- Local TPL expected to kick in from 1 July 2019 and provide access to untapped retail casco insurance market
- First mover advantage in underpenetrated SME segment
- Growing dividend payout capacity

Value realisation outlook

Trade sale or IPO

2H18 and FY18 performance

Double-digit growth in net underwriting profit driven by efficient risk management

Gel thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Earned premiums, net	36,039	33,284	8.3%	31,451	14.6%	67,490	62,770	7.5%
Insurance claims expenses, net	(13,245)	(13,555)	-2.3%	(12,503)	5.9%	(25,748)	(25,098)	2.6%
Acquisition costs, net	(5,712)	(5,506)	3.7%	(3,808)	50.0%	(9,520)	(9,100)	4.6%
Net underwriting profit	**17,082**	**14,223**	**20.1%**	**15,140**	**12.8%**	**32,222**	**28,572**	**12.8%**
Net investment profit	1,973	1,914	3.1%	2,015	-2.1%	3,988	3,490	14.3%
Operating profit	**10,587**	**9,556**	**10.8%**	**10,000**	**5.9%**	**20,587**	**19,067**	**8.0%**
Net non-recurring items	(23)	-	NMF	(629)	-96.3%	(652)	-	NMF
Pre-tax profit	**11,047**	**10,335**	**6.9%**	**9,025**	**22.4%**	**20,072**	**19,275**	**4.1%**
Income tax expense	(1,641)	(1,625)	1.0%	(1,349)	21.6%	(2,990)	(2,975)	0.5%
Net profit[3]	**9,406**	**8,710**	**8.0%**	**7,676**	**22.5%**	**17,082**	**16,300**	**4.8%**
CASH FLOW HIGHLIGHTS								
Net cash flows from operating activities	11,434	3,403	NMF	9,509	20.2%	20,943	12,684	65.1%
Net cash flows used in investing activities	(3,077)	(3,089)	-0.4%	(833)	NMF	(3,910)	(5,600)	-30.2%
Net cash flows from financing activities	-	-	NMF	(10,000)	-100.0%	(10,000)	(7,000)	42.9%
Cash, ending balance	**11,103**	**4,185**	**NMF**	**2,740**	**NMF**	**11,103**	**4,185**	**NMF**
BALANCE SHEET HIGHLIGHTS	**Dec-18**	**Dec-17**	**Change**					
Cash and liquid funds	38,967	34,335	13.5%					
Insurance premiums receivable, net	31,442	28,491	10.4%					
Pension fund assets	18,931	18,536	2.1%					
Total assets	**145,710**	**135,157**	**7.8%**					
Gross technical provision	45,664	50,271	-9.2%					
Pension benefit obligations	18,932	18,536	2.1%					
Total liabilities	**89,572**	**86,410**	**3.7%**					
Total equity	**56,138**	**48,747**	**15.2%**					

P&C Insurance recorded solid double digit increase in net underwriting profit for the full year in 2018 and in 2H18 driven by strong increases in net premiums earned.

Net premiums earned were up 7.5% y-o-y in FY18 and in 2H18 were up 14.6% h-o-h and 8.3% y-o-y. This was driven by multiple factors: (a) the termination of relationships with loss-making clients to improve the loss ratio and overall bottom line; (b) the introduction of insurance supervision fees from 1 January 2018; (c) restrictions applied by government to our Agro Insurance project (effective from 1 April 2018), limiting client eligibility; (d) net premiums earned from the new compulsory border third-party liability (TPL) insurance of GEL 3.6 million in 2H18 and GEL 5.2 million in 2018 and e) substantial increase in net premiums earned from credit unemployment insurance line which kicked in at the end of 2017, picking up in 2H18, with net revenue 2.4 times higher h-o-h in 2H18 to GEL 1.2 million and 7 times higher to GEL 1.6 million in 2018. Additionally, as part of the risk management exercise, Aldagi revisited its reinsurance policies and terminated a reinsurance treaty for credit life insurance products as of 1 January 2018 leading to net premiums earned from credit life insurance growing by 29.6% y-o-y in 2018.

Net insurance claims increased in 2018 only by 2.6% y-o-y and by 5.9% h-o-h in 2H18, where the increase was primarily limited by profitability of compulsory border TPL portfolio, reducing the loss ratio in motor business line from 62.2% to 55.0% y-o-y and from 57.9% to 52.4% h-o-h in 2H18. Overall, the loss ratio decreased by 1.8 percentage points, reaching 38.2% during 2018.

Net acquisition costs were GEL 9.5 million in 2018 (up 4.6% y-o-y) and GEL 5.7 million in 2H18 (up 50.0% h-o-h), due to on average higher commission rate on property insurance mainly driven by increased commission rate with a local financial institution. Furthermore, introduction of compulsory border TPL insurance starting from March 2018 increased acquisition costs by 1.2 million y-o-y, of which GEL 0.8 million was related to 2H18. Nevertheless, commission ratio decreased from 14.5% to 14.1% in FY18, mainly on the back of decrease in Agro insurance portfolio, which on average has a higher commission rate.

P&C Insurance's key performance ratios remained healthy during 2H18 and FY18 as noted below:

Key Ratios	2H18	2H17	1H18	FY18	FY17
Combined ratio	76.1%	77.0%	74.7%	75.5%	75.2%
Expense ratio	39.3%	36.3%	34.9%	37.3%	35.2%
Loss ratio	36.8%	40.7%	39.8%	38.2%	40.0%

The expense ratio increased by 4.4 percentage points since 1H18, reaching 39.3% in 2H18. This is due to higher personnel training costs incurred by the end of 2018, impairment charges due to termination of performance bond insurance contract and mandatory costs of participation in compulsory border TPL project.

Net investment profit increased to GEL 4.0 million in 2018 (up 14.3% y-o-y). Investment yield remained high at 10.0% in FY18 compared to 9.9% in FY17. The liquid assets portfolio increased by 13.5% y-o-y in 2018.

P&C Insurance's operating profit and net income reached GEL 20.6 million (up 8.0% y-o-y in 2018) and GEL 17.1 million (up 4.8% y-o-y in 2018), respectively, in 2018.

Balance sheet remains solid and well-capitalised

At 31 December 2018, total assets stood at GEL 145.9 million up 7.9% from 31 December 2017 driven by 13.5% increase in cash and liquid funds during the same period. Insurance receivables increased due to prolongation of commercial property contract with significant client in property insurance near the year-end. The increase in pension assets and pension liabilities was fully organic, resulting from business growth. Due to introduction of the new state pension regulation effective from 1 January 2019, pension assets and related liabilities are expected to substantially decrease starting from 2019. P&C Insurance's strong position is also evidenced by solvency ratio, which stood at 136% at 31 December 2018, well above than the required minimum of 100%, however down from 145% at 30 June 2018 due to stricter regulatory requirements. P&C insurance business expects to maintain its solvency ratio at minimum level of 130% over the coming years.

Cash flow highlights

Operating cash flow was up 65.1% y-o-y in FY18 on the back of efficient risk management, decreasing payments for claims, while insurance premiums received increased by 5%. Profitability of compulsory border TPL, having overall lower loss ratio, also drove operating cash flow up. Increased Interest inflows in line with liquid assets growth also positively contributed to the increase in operating cash flow.
P&C insurance business paid a GEL 10 million dividend in 2018, which grew by 43% from GEL 7 million in 2017.

2019 OUTLOOK

P&C Insurance expects insurance activity to increase during 2019 across retail and SME segments and has actively started to develop its marketing strategy towards entering these underpenetrated segments, expected to significantly increase revenue generation. Revenue growth may significantly accelerate subject to parliament approval of the mandatory third-party liability (TPL) insurance legislation, which has been submitted with a target launch date of 1 July 2019. The business also will continue to keep its focus on maintaining healthy combined ratio, below 75%, and benefit from border TPL growth.

4. Renewable Energy
(65% ownership)

Business description

Our renewable energy business is a platform for developing hydro power plants, wind power plants and solar power plants across Georgia.

Georgia Capital **owns 65%** in the energy business, with the remaining 35% owned by the Austrian company RP Global – an independent power producer with 30 years of experience of developing, building, owning and operating renewable power plants globally.

GEL millions, unless otherwise noted

Key highlights	2018	2017	change
Revenue	n/a	n/a	n/a
EBITDA	(0.8)	(1.7)	55.6%
Capex	68.3	76.6	-10.9%
FCF	n/a	n/a	n/a
Cash from operations	(0.7)	(1.5)	52.5%
Net debt	62.3	56.6	10.2%

Key performance metrics	
Net investment	56.6
2018 dividend	-
ROIC[1]	-0.9%

(1) Please see definition on page 53.

Capital Outlook through 2022	
Capital needs[2]	**1,240**
of which, our equity (65% stake)	177
of which, equity from minority	95
of which, debt	968

(2) Gross capital needs, excluding dividend distribution.

(3) Please refer to page 38 for the reconciliation of FY18 stand-alone Renewable Energy net loss to the attributable loss from Renewable Energy as reported under the management account income statement on page 15.

Investment rationale

- Underdeveloped energy market with potential for significant growth - Low per capita power usage
- Cheap to develop – up to US$ 1.5 million for 1MW hydro and up to US$ 1.4 million for wind development

Value creation potential

- Opportunity to establish a renewable energy platform with 500MW operating capacity over the medium-term (500MW target includes existing energy assets of the water utility business)
- Energy consumption has grown at 5.7% CAGR in last 10 years. We expect energy consumption to grow further at least by CAGR 5%, translating into doubling of the consumption over the next 10-15 years, while supply growth has been slower and electricity deficit is anticipated to continuously increase
- Stable dividend payment capacity in the medium term

Value realisation outlook

IPO together with the water utility business

2H18 and FY18 performance

On track to launch first hydro power plant in 1H19

Intensive construction works continued on Mestiachala HPPs during 2H18 with GEL 45.6 million capital expenditures spent on development, totaling GEL 63.9 million in 2018. The major part of the construction works is already completed, including concrete works, pipe fitting, substation construction and electrical equipment installation. The annual net generation capacity is projected at approximately 171GWh, with peak generation in August, when the market prices are higher compared to May-June period, when most of the HPPs in Georgia have peak generation. The project has a 15 year Government PPA in place with the price of US$ 55 per MWh during Sep-Apr period. The project cost is anticipated at c. US$ 1.2 million per MW.

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Revenue	**-**	**-**	**NMF**	**-**	**NMF**	**-**	**-**	**NMF**
Operating expenses	**(367)**	**(729)**	**49.7%**	**(403)**	**8.9%**	**(770)**	**(1,733)**	**55.6%**
EBITDA	**(367)**	**(729)**	**49.7%**	**(403)**	**8.9%**	**(770)**	**(1,733)**	**55.6%**
Net loss[3]	**(400)**	**(484)**	**17.4%**	**(416)**	**3.8%**	**(816)**	**(2,177)**	**62.5%**
Attributable to:								
– 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

CASH FLOW HIGHLIGHTS	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Cash flow from operating activities	**(327)**	**793**	**NMF**	**(369)**	**11.4%**	**(696)**	**(1,466)**	**52.5%**
Cash flow used in investing activities	**(42,693)**	**(46,653)**	**8.5%**	**(19,602)**	**NMF**	**(62,295)**	**(69,776)**	**10.7%**
Development capex	(47,693)	(65,912)	27.6%	(20,565)	NMF	(68,258)	(76,565)	10.8%
Cash flow from financing activities	**39,511**	**28,931**	**36.6%**	**23,717**	**66.6%**	**63,228**	**74,069**	**-14.6%**
Proceeds from borrowings	37,218	21,964	69.5%	18,276	NMF	55,494	57,268	-3.1%
Cash ending balance	**8,388**	**8,298**	**1.1%**	**11,351**	**-26.1%**	**8,388**	**8,298**	**1.1%**

BALANCE SHEET HIGHLIGHTS	Dec-18	Dec-17	Change
Total assets	**169,304**	**96,551**	**75.4%**
Property, plant and equipment	114,645	47,953	NMF
Cash balance	8,388	8,298	1.1%
Total liabilities	**75,145**	**69,920**	**7.5%**
Total debt[4]	70,711	64,848	9.0%
Total equity	**94,159**	**26,631**	**NMF**
Total equity attributable to the shareholders of the group	**61,203**	**16,505**	**NMF**

(4) Mezzanine loan from GCAP is classified as borrowing in stand-alone IFRS financial statements of renewable energy business, which in 2018 was converted to equity.

Renewable Energy financials reflect Mestiachala HPP being in its construction stage and other renewable energy projects being under development. The increase in property, plant and equipment compared to 31 December 2017 is primarily attributable to the construction of Mestiachala HPPs. The increase in total equity is primarily attributable to capital injections from the shareholders for development and construction of renewable projects. Overall the energy business is financing the projects with up to 30% equity contribution.

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. Currently, preparation works are underway to commence construction works on 46 MW Zoti HPPs in 2H19, located in Western part of Georgia, expected to have net generation of 164 MWhs, with c. 53% of generation covered by 15-year Government PPA (average US$ 51 per MWh during Sep-Apr period). In 2Q18 the company has applied for an MoU for yet another new project - 38 MW Racha HPPs. Cost per MW is anticipated to be at c. US$ 1.5m with the capacity factor estimated to be as high as c. 49%. 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. Subject to successful MoU prolongation, the project construction works are anticipated to start in the first half of 2020 with the planned commissioning in the first half of 2022. Based on the current feasibility study results, installed capacity of Bakhvi 2 HPP is anticipated to be 36 MWs, with annual net generation of c. 127 GWhs. Total cost per MW is projected to be c. US$ 1.3m.

Renewable Energy also continues on the development of wind projects, and wind farms near Tbilisi and Kaspi 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 negotiating with the Government regarding MoU and PPA terms and conditions, expecting to finalize the documentation in 1H19.

The table below summarizes the indicative pipeline of upcoming energy projects:

Renewable Energy projects pipeline as of 31 December 2018

Project	Target MWs	Construction commencement date	Commissioning date[18]	Target ROIC[19]	Net annual generation capacity (GWh)
Mestiachala HPPs	50	1H17	1H19	13.20%	171
Zoti HPPs	46	2H19	1H21	12.90%	164
Bakhvi 2 HPP	36	1H20	1H22	13.50%	127
Racha HPPs	38	1H21	1H23	14.70%	165
Wind Tbilisi	57	2H19	2H20	13.30%	179
Wind Kaspi	54	2H19	2H20	14.10%	215
Wind (Kutaisi, Plevi, Tkibuli)	99	1H21	1H22	12.50%	306
Solar	30	1H20	1H21	10.10%	64
Total	**410**				**1,391**

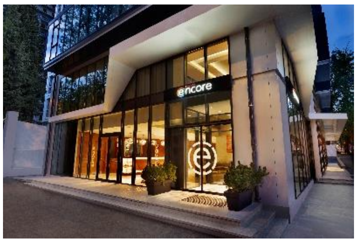
2019 OUTLOOK

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

[18] Target commissioning dates are indicative and subject to regulatory procedures.
.[19] Target return on invested capital is calculated based on average stabilized EBITDA divided by total invested capital.

5. Hospitality & Commercial Real Estate

(100% ownership)



Business description

Our hospitality & commercial real estate business is comprised of: (a) rent-earning commercial assets with targeted 10% yield and (b) hotel development business across Georgia with targeted 1,000 rooms.

The hotel development business has already confirmed 1,121 rooms, of which, 152 are operational and 969 are in pipeline.

Hospitality & Commercial Real Estate is **100% owned** through m^2.

GEL millions, unless otherwise noted

Key highlights	**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

Key performance metrics	
Net investment	107.0
2018 Dividend	-
ROIC[1]	16.4%

(1) Please see definition on page 53.

Capital Outlook through 2022	
Capital needs[2]	**225.1**
of which, GCAP equity	39.6
of which, debt	185.5

(2) Gross capital needs, excluding dividend distribution.

(4) Please refer to page 38 for the reconciliation of FY18 stand-alone Hospitality & Commercial Real Estate net income to the attributable income from Hospitality & Commercial Real Estate as reported under the management account income statement on page 15.

Investment rationale

- Record number of tourists visiting Georgia every year: 4.8 million visitors in 2018, up 16.9% y-o-y, 10.5% CAGR over the last 5 years; Tourism inflows up 18.4% y-o-y from US$ 2.7bln in 2017 to US$ 3.2bln in 2018, 13.2% CAGR over the last 5 years;

Value creation potential

- Grow portfolio of rent-earning assets through real estate developments and opportunistic acquisitions
- Reach more than 1,000 hotel rooms in the next 3 years. Currently approximately 1,121 rooms of which 152 are operational and c.969 are in pipeline.

Value realisation outlook

We aim to spin-off yielding properties as a listed REIT managed by m^2

2H18 and FY18 performance

A year of growth in Revenue, earnings, portfolio and pipeline

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	**2H18**	**2H17**	**Change**	**1H18**	**Change**	**FY18**	**FY17**	**Change**
Gross profit from operating leases	2,688	1,543	74.2%	1,900	41.5%	4,588	3,042	50.8%
Gross profit from hospitality services	1,488	-	NMF	457	NMF	1,945	-	NMF
Gross Real Estate Profit	**4,354**	**1,543**	**NMF**	**2,407**	**80.9%**	**6,761**	**3,042**	**NMF**
Revaluation of commercial property[3]	27,621	977	NMF	-	NMF	27,621	977	NMF
Operating expenses	**(2,285)**	**(484)**	**NMF**	**(556)**	**NMF**	**(2,841)**	**(650)**	**NMF**
Net operating income (NOI)	**29,690**	**2,036**	**NMF**	**1,851**	**NMF**	**31,541**	**3,369**	**NMF**
Profit (loss)[4]	**26,806**	**1,884**	**NMF**	**(410)**	**NMF**	**26,396**	**3,135**	**NMF**
CASH FLOW HIGHLIGHTS								
Net cash flows from operating activities	4,063	1,350	NMF	1,607	NMF	5,670	2,689	NMF
Net cash flows used in investing activities	(27,772)	(24,240)	14.6%	(51,672)	-46.3%	(79,444)	(32,483)	NMF
Net cash flows from financing activities	43,066	35,034	22.9%	44,669	-3.6%	87,735	40,372	NMF
Net Proceeds from borrowings	*2,557*	*12,810*	-80.0%	*73,840*	-96.5%	*76,397*	*12,696*	NMF
Cash, ending balance	**28,616**	**14,806**	**93.3%**	**9,210**	**NMF**	**28,616**	**14,806**	**93.3%**
BALANCE SHEET HIGHLIGHTS	**Dec-18**	**Dec-17**	**Change**					
Cash and cash equivalents	28,615	14,805	93.3%					
Investment property	225,343	56,770	NMF					
Land bank	37,459	14,529	NMF					
Commercial real estate	187,884	42,241	NMF					
Total assets	**294,833**	**130,022**	**NMF**					
Borrowings	104,557	14,749	NMF					
Total equity	**159,839**	**87,955**	**81.7%**					

(3) Value created on commercial property.

INCOME STATEMENT HIGHLIGHTS

Gross profit from operating leases in 2H18 increased 74.2% y-o-y and 41.5% h-o-h and was up 50.8% y-o-y in FY18 primarily due to the expansion of the commercial real estate portfolio, supported by high occupancy levels. The portfolio available for lease continues to be successfully leased with an occupancy rate and an average yield of 90.1% and 9.9% respectively in 2018, compared to 88.3% and 9.1% in 2017. The commercial real estate business obtains commercial space (ground floor) at residential developments from the housing development business and also acquires it opportunistically from third parties. Nearly 80% of the total commercial assets portfolio represents office and retail areas and another 20% residential and industrial spaces.

Our first hotel, Ramada Encore on Kazbegi ave. has completed its ninth full month of operations, generating GEL 1.9 million of gross profit with US$ 74.6 ADR and 44.4% occupancy rate and earning net operating profit margin of 37.8% since its launch in March 2018. Revenue acceleration was supported by a pick up in occupancy levels, averaging 51.7% in 2H18 vs. 33.3% in 1H18. The hotel has a capacity of 152 rooms and is catering to the needs of the rapidly growing market for budget travellers in Georgia.

In 2H18 Hospitality Business booked revaluation gain of GEL 25.8 million on two under construction and one operational hotel, while a revaluation gain of GEL 1.9 million was recorded on rent-generating assets. Management hires an independent, internationally recognized valuation company to determine the fair values of hotels after a predetermined construction progress threshold is reached.

BALANCE SHEET HIGHLIGHTS

At 31 December 2018, total assets of Hospitality & Commercial Real Estate were GEL 294.8 million (more than doubled from GEL 130.0 million at 31 December 2017) and was largely concentrated in investment property. In 2018 Commercial real estate increased more than four times compared to 31 December 2017 due to the commencement of construction of Ramada Melikishvili hotel, acquisition of under construction Gudauri hotel, completion of Ramada Encore Kazbegi Hotel and commercial portfolio expansion. Borrowings increased due to the funding of the on-going hotel developments and acquisition of a single commercial real estate asset, all of which was fully financed by Georgia Capital. In December 2018 Hospitality & Commercial Real Estate has initiated the process of placing US$ 30 million bonds into the local market backed by rental income stream from commercial properties. The bonds are being issued at par with a 3-year tenor and an annual coupon rate of 7.5%, payable quarterly. The Proceeds will be used to finance upcoming hotel developments.

The hospitality business continued to build ground for its targeted 1,000 hotel rooms portfolio, by investing GEL 19 million in an under construction hotel in Gudauri and a land plot in Telavi for hotel development. The business has three hotel projects under construction – a luxury hotel on Gergeti street in Tbilisi with an expected 100 rooms, Melikishvili Avenue hotel in Tbilisi with expected 125 rooms and hotel in the leading ski resort of the Caucasus region, Gudauri with an expected 121 rooms. Additionally, there are 6 hotels in a design stage: (a) a hotel in Telavi with expected 130 rooms, (b) a hotel in Kutaisi with expected 121 rooms (c) a hotel in Akhasheni village, Kakheti, in eastern part of Georgia well-known to tourists for wine destination with expected 60 rooms (d) a business style 4 star hotel in old Tbilisi with expected 120 rooms and e) two hotels in mountainous Svaneti region with expected 192 rooms in total. The total capital needs to complete the construction and development of the hotels in the current pipeline is estimated at GEL 247.5 million, summarized in the table below:

Hotel	Rooms	Current Stage	Target opening date[20]	Total Cost excl. VAT US$ '000	Target ROIC[21]
Ramada Encore Kazbegi, Tbilisi	152	Operational	Q1-2018	12,066	18.0%
Gudauri	121	Construction	Q2-2019	10,809	12.8%
Seti Square in Mestia, Svaneti	72	Design	Q4-2019	5,915	16.2%
Ramada Melikishvili, Tbilisi	125	Construction	Q1-2020	12,352	15.7%
Gergeti, Tbilisi	100	Construction	Q3-2020	23,473	13.7%
Ramada Kutaisi	121	Design	Q4-2020	9,535	17.5%
Mestia, Svaneti	120	Design	Q1-2021	10,096	15.8%
Telavi	130	Design	Q2-2021	12,735	13.4%
Javakhishvili, Tbilisi	120	Design	Q2-2021	14,144	13.8%
Kakheti Wine & Spa	60	Design	Q3-2021	7,500	17.3%
Total	**1,121**				

Cash flow highlights

The first operational Ramada Encore hotel added GEL 2.3 million to operating cash flow, which more than doubled from GEL 2.7 million in 2017 to GEL 5.7 million in 2018. As the hospitality & commercial real estate business progressed towards its targeted 1,000 hotel room portfolio in 2018, it continued to acquire under construction hotels and land plots for further development. Hospitality & Commercial Real estate targets 70%:30% debt to equity leverage ratio at hotels and during 2018 m^2 received a loan from Georgia Capital with an outstanding balance of GEL 104.6 million (US$ 39.1 million) at 31 December 2018. The loan proceeds will be used primarily for on-going development, construction and growth of the hotel pipeline.

2019 OUTLOOK

The hospitality business plans to commence the construction of a Ramada hotel in Kutaisi in 1Q19 - currently in the design stage, complete the design stage of Telavi and Kakheti - Wine & Spa hotels and commission hotels in Gudauri and Seti Square Svaneti in 2019.

[20] Target opening dates for hotels under design stage are subject to outcomes of design process and may be changed.
[21] Target return on invested capital per each hotel equals stabilized adjusted net operating income divided by total investment.

6. Beverages

(80% ownership)

Business description

Our Beverages combines three business lines: a wine business, a beer business and a distribution business. We produce and sell wine locally and export to 17 countries, while in our beer we have a 10-year exclusive license to produce Heineken brands in Georgia and sell them in the South Caucasus.

Georgia Capital **owns 80%** of Beverages.

GEL millions, unless otherwise noted

Key highlights	2018	2017	change
Revenue	76.2	55.7	36.8%
EBITDA	(6.4)	0.9	NMF
Dev. Capex	32.4	30.6	5.6%
Maint. Capex	0.4	-	NMF
FCF	(42.1)	(40.0)	-5.3%
Cash from operations	(13.8)	(9.8)	39.7%
Net debt	107.1	49.6	115.9%

Key performance metrics	
Net investment	116.0
2018 dividend	-
ROIC[1]	-11.4%

(1) Please see definition on page 53.

Capital Outlook through 2022	
Capital needs[2]	**104.0**
of which, equity	37.0
of which, debt	67.0

(2) Gross capital needs, excluding dividend distribution.

(3) Starting from 4Q18 distribution business represents separate business line after reorganization within the company, therefore results of distribution business line for comparative periods differ from the one presented in the previous announcements.

(4) Please refer to page 38 for the reconciliation of FY18 stand-alone Beverages net loss to the attributable loss from Beverages as reported under the management account income statement on page 15.

Investment rationale

- High growth sector, which has doubled during the last 5 years to GEL 1.9 billion market
- Beer consumption at one of the lowest levels in the wider region at 27.5 liters per capita
- 50% CAGR growth in soft drinks export over the last 3 years
- Georgia's favorable trade regimes (FTAs with EU and China) provide potential for export growth for beverages

Value creation potential

- Best-in-class distribution network platform
- 10-year exclusivity from Heineken to produce and sell beer in Georgia, Armenia and Azerbaijan
- Grow vineyard base to 1,000 hectares, from current 436 hectares, over the next three years

Value realization outlook

Trade sale either of the whole business or parts

2H18 and FY18 performance

Outstanding growth in revenues driven by strong performance in the wine business

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	2H18	2H17	change	1H18	change	FY18	FY17	change
Consolidated								
Revenue	45,747	38,152	19.9%	30,467	50.2%	76,214	55,730	36.8%
Gross profit	17,996	15,687	14.7%	11,258	59.9%	29,254	22,378	30.7%
EBITDA	(354)	1,763	NMF	(6,087)	-94.2%	(6,441)	856	NMF
Net loss[4]	(19,206)	(11,362)	69.0%	(9,967)	92.7%	(29,173)	(14,393)	NMF
Wine Business								
Revenue	19,495	12,455	56.5%	9,857	97.8%	29,352	20,427	43.7%
Gross profit	9,359	6,360	47.2%	4,683	99.9%	14,042	10,063	39.5%
Gross profit Margin	48.0%	51.1%		47.5%		47.8%	49.3%	
Operating expenses	(3,835)	(2,416)	58.7%	(3,056)	25.5%	(6,891)	(4,636)	48.6%
EBITDA	5,524	3,944	40.1%	1,627	NMF	7,151	5,427	31.8%
Net profit	(94)	3,104	NMF	3	NMF	(91)	4,137	NMF
Beer Business								
Revenue	16,057	15,426	4.1%	13,251	21.2%	29,308	17,927	63.5%
Gross profit	5,639	6,249	-9.8%	4,448	26.8%	10,087	6,956	45.0%
Gross profit Margin	35.1%	40.5%		33.6%		34.4%	38.8%	
Operating expenses	(11,809)	(8,973)	31.6%	(12,032)	-1.9%	(23,841)	(12,489)	90.9%
EBITDA	(6,170)	(2,724)	NMF	(7,584)	-18.6%	(13,754)	(5,533)	NMF
Net loss	(19,011)	(15,216)	24.9%	(9,464)	NMF	(28,475)	(19,507)	46.0%
Distribution Business[3]								
Revenue	15,257	14,089	8.3%	9,639	58.3%	24,896	24,413	2.0%
Gross profit	3,168	3,029	4.6%	2,084	52.0%	5,252	5,166	1.7%
Gross profit Margin	20.8%	21.5%		21.6%		21.1%	21.2%	
Operating expenses	(2,819)	(2,550)	10.5%	(1,808)	55.9%	(4,627)	(4,438)	4.3%
EBITDA	349	479	-27.1%	276	26.4%	625	728	-14.1%
Net loss	(30)	524	NMF	(167)	-82.0%	(197)	308	NMF

In 2018 Georgia Capital continued to invest in the beverages business, successfully acquiring 100% equity stakes in the leading Georgian craft beer producer, Black Lion LLC (total consideration of US$ 3.2 million) in February 2018 and in the prominent winery Kindzmarauli Marani LLC (total consideration of US$ 9.5 million). Through the acquisition of Kindzmarauli, which added 350 hectares of vineyards, bringing the total vineyard base to 436 hectares, our wine business is now a top three winery in Georgia in terms of the vineyard base. Therefore, management expects to minimize reliance on purchased grapes in the coming years and as a result, manage gross profit margin levels.

Beverages revenue in 2H18 was up 19.9% y-o-y and 50.2% h-o-h and for 2018 was up 36.8%. The increase was driven by revenues generated from the beer & lemonade business line and by mostly organic growth in the wine business supported by the country's strong export markets growing at 13% y-o-y in 2018 reaching record high 86.2 million wine bottle export sales. In line with the market growth, our wine bottle sales also increased significantly by 22% from c. 3.5 million bottles in 2017 to 4.3 million in 2018.

Topline growth was also supported by the GEL 2.9 million revaluation gain on grapes recorded in December 2018, driven by our increased vineyard base through the Kindzmarauli acquisition. Beverages achieved a well-diversified revenue mix in 2018: wine (41%); distribution (21%) and beer & lemonade (38%).

The wine business maintained a solid gross profit margin of 48% in 2018, compared to 49% in 2017, despite discontinuation of the Government subsidy on grapes, which adversely affected grape purchase prices for the business and therefore, the cost of goods sold. Wine EBITDA increased by 31.8% y-o-y.

Beer EBITDA was negative GEL 6.2 million in 2H18 and negative GEL 13.8 million in 2018, compared to negative GEL 2.7 million in 2H17 and negative GEL 7.6 million in 1H18. During 2017, the beer business actively invested in beer facilities to accommodate the launch of its beer & lemonade businesses, however, the launch of key Heineken brands was delayed, thereby negatively impacting the 2018 performance. Based on the updated timeline, Heineken and Amstel production are expected to commence in 1H19. Starting from 2H18 Beverages has strengthened its beer business with a new CEO and COO and new management decreased the negative EBITDA contribution by 18.6% h-o-h in 2H18 on the back of efficient cost management. Our beer business is actively working on export markets and first batch of lemonade was exported in Russia in December 2018.

2019 OUTLOOK

The wine business expects to maintain high double-digit revenue growth on strategic export markets, while diversifying the export revenue streams. At the same time the wine business plans to invest in improving the quality processes, renewing production facilities and acquiring additional vineyards to further increase production capacity and reduce cost of goods sold. On the back of improvement in the quality processes, the business is expected to enter the premium wine segment, thereby diversifying its current product mix.

The beer business plans to achieve 20% volume market share in beer by the end of 2019, by launching the Heineken brands in 1H19, improving product mix, launching new brands, enhancing the distribution platform and targeted marketing.

GHG

(57% ownership)

GEORGIA HEALTHCARE GROUP

Business description

GHG is the largest integrated player in the fast-growing healthcare ecosystem in Georgia, which has an aggregated value of GEL 3.5 billion. GHG is comprised of three different business lines: healthcare services business (consisting of hospitals and clinics), pharmacy and distribution business and medical insurance business. GHG's shares are listed on the London Stock Exchange. GHG's results are available at ghg.com.ge

Georgia Capital owns 57.0% of GHG at 31 December 2018 (31 December 2017: 57.0%).

GEL millions, unless otherwise noted

Key highlights	2018	2017	change
Revenue	849.9	747.8	13.7%
EBITDA	132.3	108.1	22.3%
Development Capex	52.6	79.7	-34.1%
Maintenance Capex	11.1	9.6	15.5%
FCF	(12.7)	25.6	NMF
Cash from operations	99.6	58.2	71.0%
Net debt	342.4	296.9	15.3%

Key performance metrics	
Net investment	128,9
2018 dividend	-
ROIC[1]	11.0%
ROIC adjusted[2]	13.9%

(1) Please see definition on page 53.

(2) Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase.

(3) Please refer to page 38 for the reconciliation of FY18 stand-alone GHG net income to the attributable income from GHG as reported under the management account income statement on page 15.

Investment rationale

- Very low base: healthcare services spending per capita only US$ 325
- Growing market: healthcare spending growth estimated at 8% CAGR 2018-2021

Value creation potential

- High-growth potential driven by opportunity to develop medical tourism and Polyclinics (outpatient clinics)
- Only integrated player in the region with significant cost advantage in scale and synergies
- Well positioned to take advantage of the expected long term macroeconomic and structural growth drivers

Value realisation outlook

Monetisation of the existing stake through sales

2H18 and FY18 performance

The completion of significant investment programme now beginning to be reflected in business performance, delivering GEL 132 million FY18 EBITDA

GEL thousands, unless otherwise noted	2H18	2H17	Change	1H18	Change	FY18	FY17	Change
Consolidated								
Revenue	430,437	376,702	14.3%	419,480	2.6%	849,917	747,750	13.7%
EBITDA	69,643	56,993	22.2%	62,631	11.2%	132,274	108,148	22.3%
Net Profit[3]	24,849	21,698	14.5%	28,390	-12.5%	53,239	45,940	15.9%
Of which, attributable to the shareholders of the company	*16,245*	*14,046*	*15.7%*	*18,189*	*-10.7%*	*34,434*	*29,050*	*18.5%*
Healthcare services business								
Revenue	154,574	132,448	16.7%	151,024	2.4%	305,598	265,396	15.1%
EBITDA	38,654	34,957	10.6%	37,354	3.5%	76,008	70,071	8.5%
EBITDA margin *(%)*	25.0%	26.4%		24.7%		24.9%	26.4%	
Net Profit	7,254	12,239	-40.7%	8,879	-18.3%	16,133	27,360	-41.0%
Pharmacy and distribution business								
Revenue	264,387	227,974	16.0%	254,191	4.0%	518,578	450,315	15.2%
EBITDA	27,654	21,247	30.2%	24,561	12.6%	52,215	38,854	34.4%
EBITDA margin *(%)*	10.5%	9.3%		9.7%		10.1%	8.6%	
Net Profit	14,891	9,484	57.0%	19,266	-22.7%	34,157	21,182	61.3%
Medical insurance business								
Net insurance premiums earned	28,107	26,335	6.7%	27,005	4.1%	55,112	53,710	2.6%
EBITDA	3,335	789	NMF	716	NMF	4,051	(436)	NMF
Net Profit/ (Loss)	2,704	(25)	NMF	245	NMF	2,949	(2,602)	NMF

CASH FLOW HIGHLIGHTS	FY18	FY17	Change
Net cash flow from operating activities	99,580	58,239	71.0%
EBITDA to cash conversion	*75%*	*54%*	*+21ppts*
Net cash used in investing activities	(85,347)	(128,748)	-33.7%
Net cash flow from financing activities	(26,917)	96,647	NMF
Cash and cash equivalents, beginning	48,840	23,239	110.2%
Cash and cash equivalents, ending	36,154	48,840	-26.0%

GHG delivered double-digit y-o-y growth in consolidated revenues both for the full year and for 2H18, driven by double-digit growth in healthcare services and pharmacy and distribution businesses revenues. The y-o-y healthcare revenue growth was largely driven by a successful ramp-up of the newly launched hospitals. Tbilisi Referral Hospital contributed GEL 17.7 million to 2018 revenues, reaching 46.5% occupancy rate in 4Q18 and Regional Hospital's occupancy rate was 32.7% in 4Q18, adding GEL 21.0 million to 2018 revenues. By the end of 2018 GHG entered into the Georgian dental market by launching dental clinics within the Group's polyclinics, aiming to consolidate this highly fragmented market, with an estimated annual market size of GEL 100 million, where no single player in Georgia has previously been able to establish a scalable business.

During 2018, GHG continued to focus on extracting operating efficiencies and synergies across the business lines. The gross margin in the pharmacy and distribution business continued to improve 100 bps y-o-y in 2018, mainly as a result of ongoing negotiations with manufacturers for price discounts. GHG is the largest purchaser of pharmaceuticals in Georgia. The healthcare services business gross margin remained strong at around 41.9% in 2018, despite the flagship hospitals roll-out phase and the impact of the Government's changes to Universal Healthcare Programme (UHC) effective from May 2017. As a result of new initiatives that the medical insurance business implemented since 2Q18, its loss ratio improved significantly 690 bps y-o-y in 2018. Insurance business has significantly improved claims retention rates within the Group, total claims retained within the Group was up 690 bps y-o-y and total claims retained on outpatient services was also up 1,120 bps y-o-y in 2018.

Healthcare services EBITDA margin was 25.0% in 2H18 and 24.9% in 2018, compared to 26.4% in both 2H17 and 2017, reflecting the planned significant investment and roll-out phase of newly launched hospitals and polyclinics. The EBITDA margin for referral hospitals and community clinics was 25.7% in FY18 (27.2% in FY17). Excluding the dilutive effect of roll-outs, the EBITDA margin was towards targeted level, 28.7% in FY18. The pharmacy and distribution business delivered outstanding performance and on the back of extracted procurement synergies posted record high EBITDA margin above 10% in both 2H18 (10.5%) and 2018 (10.1%), substantially exceeding its "more than 8%" medium term target. The medical insurance business made a solid contribution of GEL 3.3 million in 2H18 and GEL 4.1 million in 2018 to GHG's EBITDA, after improved operational efficiency over the last 18 months.

Cash flow highlights

Net cash flows from operating activities was up 71.0% y-o-y in 2018 to GEL 99.6 million on the back of strong EBITDA performance and a substantially improved EBITDA to cash conversion ratio. After a number of hospital openings in 2018, benefits of the major investment programme started to materilise and was reflected in the reduced working capital needs. As a result, EBITDA to cash conversion ratio improved considerably, reaching 75.3%, which is expected to further improve going forward.

In FY18 GHG spent a total of GEL 63.7 million on capital expenditures ("capex"), of which maintenance capex was GEL 11.1 million. With the opening of the Mega Laboratory ("Mega Lab"), GHG has now completed its three-year intensive capital expenditure phase. 2018 was the final year of the major investment programme and investment volume slowed (development capex outflow down 34.1% y-o-y) as the projects completed. With the improved operational cash flow and declining investment volume, the Group has stabilised the needs for new borrowings. Net outflow from financing activities amounted to GEL 26.9 million, which reflects only marginal excess of new funding over the repaid borrowings during the year and interest payments.

Please refer to GHG's announcement for more details at
http://ghg.com.ge/uploads/files/GHG%20PLC%204Q%20and%20FY%202018%20Results.pdf

Reconciliation of adjusted IFRS measures to consolidated IFRS figures

GEL thousands, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial	Beverages	Other	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
Income statement reconciliation for FY18												
Income before income taxes, provisions and adjustments	21,373	91,196	43,635	6,929	17,597	(645)	28,808	(19,590)	(1,438)	48,690	-	236,555
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	-	(72,504)	-	(72,504)
Provision	-	-	-	-	-	-	-	-	-	356	-	356
Net Income (Management accounts)	**21,373**	**91,196**	**43,635**	**6,929**	**17,597**	**(645)**	**28,808**	**(19,590)**	**(1,438)**	**(23,458)**	**-**	**164,407**
Non-recurring expense	(1,276)	(15,846)	(6,121)	(6,224)	(652)	375	(1,333)	(1,418)	24	(23,449)	-	(55,920)
Net foreign currency (loss) / gain	-	-	(4,969)	(486)	137	(261)	(1,083)	(1,462)	88	(22,900)	-	(30,936)
Reversal of BoGG attributable earning	-	(75,350)	-	-	-	-	-	-	-	-	-	(75,350)
Adjustment for BOGG dividend income	-	-	-	-	-	-	-	-	-	23,875	-	23,875
Profit attributable to non-controlling shareholders	33,138	-	-	-	-	(285)	3	(6,446)	-	-	-	26,410
Reversal of hotel revaluations for Group reporting purposes	-	-	-	-	-	-	-	-	-	-	(27,061)	(27,061)
Reversal of FX gain on preferred stock issued by m^2	-	-	-	-	-	-	-	-	-	-	(1,894)	(1,894)
Other	-	-	-	-	-	-	-	-	-	-	(6,619)	(6,619)
Profit for the period (IFRS Consolidated)	**53,235**	**-**	**32,545**	**219**	**17,082**	**(816)**	**26,395**	**(28,916)**	**(1,326)**	**(45,932)**	**(35,575)**	**16,911**

GEL thousands, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial	Beverages	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
Income statement reconciliation for FY17											
Income before income taxes, provisions and adjustments	20,890	-	39,156	22,140	16,091	(838)	3,090	(6,619)	13,602	-	107,512
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	(35,000)	-	(35,000)
Provision	-	-	-	-	-	-	-	-	(2,039)	-	(2,039)
Net Income (Management accounts)	**20,890**	**-**	**39,156**	**22,140**	**16,091**	**(838)**	**3,090**	**(6,619)**	**(23,437)**	**-**	**70,473**
Non-recurring expense	(2,995)	-	(1,136)	(127)	-	8	(2)	507	-	-	(3,745)
Net foreign currency (loss) / gain	-	-	(482)	41	209	(741)	-	(5,172)	7,508	-	1,363
Profit attributable to non-controlling shareholders	27,955	-	-	-	-	141	-	(3,957)	-	-	24,139
Realized gain from sale portfolio company shares	-	-	-	-	-	-	-	-	90,275	(90,275)	-
Other	-	-	-	-	-	-	-	-	-	2,039	2,039
Profit for the period (IFRS Consolidated)	**45,850**	**-**	**37,538**	**22,054**	**16,300**	**(1,430)**	**3,088**	**(15,241)**	**74,346**	**(88,236)**	**94,269**

GEL thousands, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial	Beverages	Other	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
	Balance sheet reconciliation, 31 December 2018											
Adjusted Values	**520,332**	**457,495**	**431,017**	**66,785**	**130,524**	**61,182**	**149,079**	**61,027**	**5,933**	**(195,154)**	**-**	**1,688,220**
Fair Value Adjustment of private companies	-	-	(160,531)	-	(71,949)	-	1,894	22,344	-	-	-	(208,242)
Reallocation from/to corporate center	-	-	-	-	(2,341)	-	-	(39,289)	-	20,777	20,853	-
Substitution of GHG's market value by book value attributable to shareholders of GCAP	(224,643)	-	-	-	-	-	-	-	-	-	-	(224,643)
Reversal of Hotel revaluations for Group reporting purposes	-	-	-	-	-	-	-	-	-	-	(27,061)	(27,061)
Provision of interest accrued on preferred stock	-	-	-	-	-	-	-	-	-	-	1,103	1,103
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	-	(9,246)	(9,246)
m^2 long-term share-based compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	-	(5,297)	(5,297)
Transfer of Market value of 19.9% in BOG to Corporate Center	-	(457,495)	-	-	-	-	-	-	-	457,495	-	-
Foreign currency revaluation adjustment for Preferred stock	-	-	-	-	-	-	(1,894)	-	-	-	-	(1,894)
Reversal of goodwill recognized on acquisition of non-controlling stake in Kindzamarauli	-	-	-	-	-	-	-	-	-	-	(7,022)	(7,022)
Other	-	-	-	-	-	-	-	-	-	-	(4,103)	(4,103)
Total equity attributable to shareholders of Georgia Capital (IFRS)	**295,689**	**-**	**270,486**	**66,785**	**56,234**	**61,182**	**149,079**	**44,082**	**5,933**	**283,118**	**(30,773)**	**1,201,815**

GEL thousands, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial	Beverages	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
	Balance sheet reconciliation, 31 December 2017										
Adjusted Values	**933,481**	**-**	**498,181**	**75,609**	**141,480**	**51,511**	**78,142**	**72,457**	**(10,414)**	**-**	**1,840,447**
Fair Value Adjustment of private companies	-	-	(230,258)	-	(90,287)	-	-	(8,820)	(6)	6	(329,365)
Reallocation from/to corporate center	-	-	-	-	(2,341)	(34,221)	-	(6,128)	34,221	8,469	-
Substitution of GHG's market value by Book value attributable to shareholders of GCAP	(650,976)	-	-	-	-	-	-	-	-	-	(650,976)
Provision of interest accrued on preferred stock	-	-	-	-	-	-	-	-	-	2,039	2,039
Deduction of GCAP's shares held by portfolio companies	-	-	-	-	-	-	-	-	-	(2,751)	(2,751)
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	(9,283)	(9,283)
m^2 long-term share-based compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	(2,317)	(2,317)
Other	-	-	-	-	-	-	-	-	-	(3,131)	(3,131)
Total equity attributable to shareholders of Georgia Capital (IFRS)	**282,505**	**-**	**267,923**	**75,609**	**48,852**	**17,290**	**78,142**	**57,509**	**23,801**	**(6,968)**	**844,663**

Reconciliation of stand-alone IFRS net income to Management Account Income Statement

	Stand-alone IFRS income statement				*Management accounts*
	Net income (loss) (1)	**Net foreign currency loss (gain)** (2)	**Net non-recurring expense (gain)** (3)	**Net adjusted earnings of portfolio companies** (4) = (1)+(2)+(3)	**Attributable income to GCAP**[22]
GCAP	(69,803)	22,896	23,449	(23,458)	(23,458)
Attributable income of listed portfolio companies	**431,881**	**-**	**81,815**	**513,696**	**112,569**
of which, BoG PLC	378,642	-	79,628	458,270	91,196
of which, GHG PLC	53,239	-	2,187	55,426	21,373
Attributable income of private portfolio companies	**45,107**	**7,426**	**16,599**	**69,132**	**75,296**
Late stage	**50,026**	**5,139**	**12,996**	**68,161**	**68,161**
of which, Water Utility	32,545	4,970	6,120	43,635	43,635
of which, Housing Development	399	306	6,224	6,929	6,929
of which, P&C Insurance	17,082	(137)	652	17,597	17,597
Early stage	**(3,593)**	**2,375**	**3,626**	**2,408**	**8,573**
of which, Renewable Energy	(816)	(577)	401	(992)	(645)
of which, Hospitality and Commercial	26,396	1,073	1,339	28,808	28,808
of which, Beverages	(29,173)	1,879	1,886	(25,408)	(19,590)
Pipeline	**(1,326)**	**(88)**	**(23)**	**(1,437)**	**(1,438)**
Total net income	**407,185**	**30,322**	**121,863**	**559,370**	**164,407**

[22] Net adjusted earnings of portfolio companies multiplied by effective ownership stake of GCAP.

Detailed financial information

CONSOLIDATED IFRS INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H18**	**2H17**	**change**	**1H18**	**Change**	**2018**	**2017**	**Change**
Revenue	666,699	586,256	13.7%	616,167	8.2%	1,282,866	1,127,170	13.8%
Cost of sales	(406,156)	(365,027)	11.3%	(390,035)	4.1%	(796,191)	(695,709)	14.4%
Gross profit	**260,543**	**221,229**	**17.8%**	**226,132**	**15.2%**	**486,675**	**431,461**	**12.8%**
Operating expenses	**(146,170)**	**(110,779)**	**31.9%**	**(122,814)**	**19.0%**	**(268,984)**	**(213,340)**	**26.1%**
EBITDA	**114,373**	**110,450**	**3.6%**	**103,318**	**10.7%**	**217,691**	**218,121**	**-0.2%**
Share in profit of associates	247	165	49.7%	-	NMF	247	376	-34.3%
Dividend income	23,875	-	NMF	-	NMF	23,875	-	NMF
Depreciation and amortisation	(39,237)	(29,774)	31.8%	(34,918)	12.4%	(74,155)	(54,031)	37.2%
Net foreign currency (loss)/ gain	(42,332)	(7,992)	NMF	4,786	NMF	(37,546)	(6,737)	NMF
Interest income	12,573	5,115	NMF	10,702	17.5%	23,275	8,909	NMF
Interest expense	(48,382)	(31,369)	54.2%	(43,237)	14.9%	(91,619)	(60,903)	50.4%
Net operating income before non-recurring items	**21,117**	**46,595**	**-54.7%**	**40,651**	**-48.1%**	**61,768**	**105,735**	**-41.6%**
Net non-recurring items	(4,421)	(1,960)	NMF	(36,830)	-88.0%	(41,251)	(5,330)	NMF
Profit before income tax expense	**16,696**	**44,635**	**-62.6%**	**3,821**	**NMF**	**20,517**	**100,405**	**-79.6%**
Income tax expense	(2,140)	(4,193)	-49.0%	(1,466)	46.0%	(3,606)	(6,136)	-41.2%
Profit for the period	**14,556**	**40,442**	**-64.0%**	**2,355**	**NMF**	**16,911**	**94,269**	**-82.1%**
Total profit / (loss) attributable to:								
– shareholders of Georgia Capital PLC	3,648	29,634	-87.7%	(13,144)	NMF	(9,496)	70,125	NMF
– non-controlling interests	10,908	10,808	0.9%	15,499	-29.6%	26,407	24,144	9.4%
– basic and diluted earnings per share	0.09	0.94	-90.4%	(0.35)	NMF	(0.26)	2.34	NMF

CONSOLIDATED IFRS STATEMENT OF CASH FLOW			
GEL thousands, unless otherwise noted	**2018**	**2017**	**Change**
Net Cash flow from operating activities	**163,502**	**155,024**	**5.5%**
Net cash flows used in investing activities	**(590,182)**	**(428,494)**	**37.7%**
Net cash from financing activities	**296,946**	**522,340**	**-43.2%**
Effect of exchange rates changes on cash and cash equivalents	(8,417)	(12,657)	-33.5%
Net (decrease) increase in cash and cash equivalents	**(138,151)**	**236,213**	**NMF**
Cash and cash equivalents, beginning of the year	346,241	158,868	NMF
Cash and cash equivalents of disposal group held for sale beginning of the year	48,840	-	NMF
Cash and cash equivalents of disposal group held for sale, end of the year	-	48,840	NMF
Cash and cash equivalents, end of the year	**256,930**	**346,241**	**-25.8%**

CONSOLIDATED BALANCE SHEET

GEL thousands, unless otherwise noted	**Dec-18**	**Dec-17**	**Change**
Cash and cash equivalents	256,930	346,241	-25.8%
Amounts due from credit institutions	40,299	38,141	5.7%
Debt securities owned	71,824	31,907	NMF
Equity investments at fair value	457,495	1,153	NMF
Accounts receivable	170,228	35,337	NMF
Insurance premiums receivable	57,801	30,855	87.3%
Inventories	278,615	80,110	NMF
Investment properties	151,232	159,989	-5.5%
Prepayments	117,909	87,760	34.4%
Income tax assets	2,405	1,374	75.0%
Property and equipment	1,671,917	657,635	NMF
Goodwill	142,095	21,935	NMF
Intangible assets	51,634	5,457	NMF
Other assets	251,462	69,870	NMF
Assets of disposal group held for sale	-	1,148,584	NMF
Total assets	**3,721,846**	**2,716,348**	**37.0%**
Accounts payable	143,114	42,987	NMF
Insurance contracts liabilities	68,207	46,403	47.0%
Income tax liabilities	1,119	860	30.1%
Deferred income	62,059	73,066	-15.1%
Borrowings	764,355	650,734	17.5%
Debt securities issued	916,401	77,835	NMF
Other liabilities	235,771	63,206	NMF
Liabilities of disposal group held for sale	-	619,029	NMF
Total liabilities	**2,191,026**	**1,574,120**	**39.2%**
Total equity attributable to shareholders of Georgia Capital PLC	**1,201,815**	**844,663**	**42.3%**
Non-controlling interests	329,005	297,565	10.6%
Total equity	**1,530,820**	**1,142,228**	**34.0%**
Total liabilities and equity	**3,721,846**	**2,716,348**	**37.0%**

Fair value NAV comparison with book value NAV

Georgia Capital	Number of Shares	Ownership %	Fair value	Book value	Change amount	Change (%)
GEL thousands unless otherwise noted			**31-Dec-18**	**31-Dec-18**		
Listed portfolio companies			**977,827**	**977,827**	**-**	**0.0%**
Georgia Healthcare Group PLC	75,118,503	57.0%	520,332	520,332	-	0.0%
Bank of Georgia Group PLC	9,784,716	19.9%	457,495	457,495	-	0.0%
Private portfolio companies			**905,547**	**697,305**	**208,242**	**29.9%**
Late Stage			**628,326**	**395,846**	**232,480**	**58.7%**
Water Utility		100.0%	431,017	270,486	160,531	59.3%
Housing Development		100.0%	66,785	66,785	-	0.0%
P&C Insurance		100.0%	130,524	58,575	71,949	NMF
Early Stage			**271,288**	**295,526**	**(24,238)**	**-8.2%**
Renewable Energy		65.0%	61,182	61,182	-	0.0%
Hospitality and Commercial		100.0%	149,079	150,973	(1,894)	-1.3%
Beverage		80.0%	61,027	83,371	(22,344)	-26.8%
Pipeline (at cost)			**5,933**	**5,933**	**-**	**0.0%**
Education			7,071	7,071	-	0.0%
Other		100.0%	(1,138)	(1,138)	-	0.0%
Total Portfolio Value			**1,883,374**	**1,675,132**	**208,242**	**12.4%**
Net Debt			**(196,915)**	**(196,915)**	**-**	**0.0%**
of which, Cash and liquid funds			299,650	299,650	-	0.0%
of which, Loans issued			305,480	305,480	-	0.0%
of which, Gross Debt			(802,045)	(802,045)	-	0.0%
Net other assets/ (liabilities)			1,762	1,762	-	0.0%
Net Asset Value			**1,688,221**	**1,479,979**	**208,242**	**14.1%**
Shares outstanding			**35,816,947**	**35,816,947**	**-**	**0.0%**
Net Asset Value per share (GEL)			**47.13**	**41.32**	**5.81**	**14.1%**
Net Asset Value per share (GBP)			**13.88**	**12.17**	**1.71**	**14.1%**

GCAP CASH FLOW HIGHLIGHTS

Gel thousands unless otherwise noted	2H18	2H17	Change y-o-y	1H18	Change h-o-h	FY18	FY17	Change y-o-y
Dividends received	62,446	28,000	NMF	10,000	NMF	72,446	28,000	NMF
Interest received	17,484	1,267	NMF	10,426	67.7%	27,909	1,457	NMF
Interest paid	(24,053)	-	NMF	(21,785)	10.4%	(45,838)	-	NMF
Cash outflow from Operations before operating expenses	**55,877**	**29,267**	**90.9%**	**(1,359)**	**NMF**	**54,517**	**29,457**	**85.1%**
GCAP operating expenses	(7,726)	(884)	NMF	(2,787)	NMF	(10,513)	(1,129)	NMF
Cash outflow from operations	**48,151**	**28,383**	**69.6%**	**(4,147)**	**NMF**	**44,004**	**28,328**	**55.3%**
Investments in portfolio companies	(8,217)	(16,738)	-50.9%	(19,700)	-58.3%	(27,917)	(28,196)	-1.0%
Loans Issued	(25,467)	-	NMF	(249,635)	-89.8%	(275,102)	(7,000)	NMF
Investments in preferred stock of portfolio companies	(38,102)	-	NMF	(19,029)	NMF	(57,131)	-	NMF
Proceeds from sale of shares in portfolio companies	-	-	NMF	-	NMF	-	108,780	NMF
Purchase of PPE	(924)	-	NMF	-	NMF	(924)	-	NMF
Cash outflow on investing activities	**(72,710)**	**(16,738)**	**NMF**	**(288,364)**	**-74.8%**	**(361,074)**	**73,584**	**NMF**
Share buybacks	(37,834)	-	NMF	(49,580)	-23.7%	(87,414)	-	NMF
Cash outflow on buybacks	**(37,834)**	**-**	**NMF**	**(49,580)**	**-23.7%**	**(87,414)**	**-**	**NMF**
Increase in capital	-	44,826	NMF	-	NMF	-	47,075	NMF
Proceeds from debt securities issued	-	-	NMF	715,729	-100.0%	715,729	-	NMF
Repayment of borrowings from former parent company	-	(11,636)	NMF	(248,295)	-100.0%	(248,295)	(19,617)	NMF
Proceeds from borrowings	-	119,030	NMF	-	NMF	-	125,330	NMF
Cash inflow from financing activities	**-**	**152,220**	**NMF**	**467,434**	**-100.0%**	**467,434**	**152,788**	**NMF**
Demerger related outflows	(8,352)	-	NMF	(24,245)	-65.6%	(32,597)	-	NMF
Fx Effect & Fair valuation	18,393	7,185	NMF	(13,642)	NMF	4,751	6,606	-28.1%
Net cash flow	**(52,352)**	**171,050**	**NMF**	**87,456**	**NMF**	**35,104**	**261,306**	**-86.6%**
Beginning cash and liquid funds	352,002	93,496	NMF	264,546	33.1%	264,546	3,240	NMF
Ending cash and liquid funds	299,650	264,546	13.3%	352,002	-14.9%	299,650	264,546	13.3%

Private portfolio companies – IFRS Accounts

INCOME STATEMENT				**Water Utility**				
GEL thousands, unless otherwise noted	**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%
Revenue	**79,295**	**74,419**	**6.6%**	**69,832**	**13.6%**	**149,127**	**135,000**	**10.5%**
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%
Operating expenses	**(31,157)**	**(32,395)**	**-3.8%**	**(29,578)**	**5.3%**	**(60,735)**	**(60,752)**	**0.0%**
Provisions for doubtful trade receivables	(2,011)	(550)	NMF	(3,022)	-33.5%	(5,033)	(1,675)	NMF
EBITDA	**46,127**	**41,474**	**11.2%**	**37,232**	**23.9%**	**83,359**	**72,573**	**14.9%**
EBITDA Margin	*58%*	*56%*		*53%*		*56%*	*54%*	
Depreciation and amortization	(13,308)	(10,393)	28.0%	(12,085)	10.1%	(25,393)	(20,213)	25.6%
EBIT	**32,819**	**31,081**	**5.6%**	**25,147**	**30.5%**	**57,966**	**52,360**	**10.7%**
EBIT Margin	*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
EBT	**15,745**	**22,495**	**-30.0%**	**16,800**	**-6.3%**	**32,545**	**38,335**	**-15.1%**
Profit	**15,745**	**21,951**	**-28.3%**	**16,800**	**-6.3%**	**32,545**	**37,401**	**-13.0%**

STATEMENT OF CASH FLOW				**Water Utility**				
GEL thousands, unless otherwise noted	**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%
Cash flow from operating activities before maintenance capex	**50,998**	**41,049**	**24.2%**	**30,592**	**66.7%**	**81,590**	**70,150**	**16.3%**
Maintenance capex	(10,096)	(9,002)	12.2%	(12,444)	-18.9%	(22,540)	(23,203)	-2.9%
Operating cash flow	**40,902**	**32,047**	**27.6%**	**18,148**	**NMF**	**59,050**	**46,947**	**25.8%**
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
Total cash used in investing activities	**(61,182)**	**(74,486)**	**-17.9%**	**(63,910)**	**-4.3%**	**(125,092)**	**(105,024)**	**19.1%**
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%
Total cash flow from financing activities	**2,572**	**69,477**	**-96.3%**	**16,728**	**-84.6%**	**19,300**	**88,163**	**-78.1%**
Effect of exchange rates changes on cash	946	4,746	-80.1%	(2,454)	NMF	(1,508)	4,365	NMF
Total cash (outflow)/inflow	**(16,762)**	**31,784**	**NMF**	**(31,488)**	**-46.8%**	**(48,250)**	**34,451**	**NMF**
Cash, beginning balance	30,475	30,179	1.0%	61,963	-50.8%	61,963	27,512	NMF
Cash, ending balance	**13,713**	**61,963**	**-77.9%**	**30,475**	**-55.0%**	**13,713**	**61,963**	**-77.9%**

Private portfolio companies – IFRS Accounts (cont'd)

BALANCE SHEET	**Water Utility**		
GEL thousands, unless otherwise noted	**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%
Total current assets	**40,831**	**101,663**	**-59.8%**
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%
Total non-current assets	**598,436**	**466,273**	**28.3%**
Total assets	**639,267**	**567,936**	**12.6%**
Current borrowings	20,170	1,341	NMF
Trade and other payables	24,287	32,778	-25.9%
Other current liabilities	1,356	541	NMF
Total current liabilities	**45,813**	**34,660**	**32.2%**
Long term borrowings	300,076	246,015	22.0%
Deferred income	22,869	19,475	17.4%
Total non-current liabilities	**322,968**	**265,490**	**21.6%**
Total liabilities	**368,781**	**300,150**	**22.9%**
Total equity	**270,486**	**267,786**	**1.0%**
Total liabilities and equity	**639,267**	**567,936**	**12.6%**

INCOME STATEMENT	**Housing Development**							
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%
Gross Real Estate Profit	**7,341**	**6,114**	**20.1%**	**7,594**	**-3.3%**	**14,935**	**8,313**	**79.7%**
Revaluation of commercial property	3,213	(199)	NMF	2,311	39.0%	5,524	21,586	-74.4%
Operating expenses	**(6,840)**	**(4,708)**	**45.3%**	**(4,742)**	**44.2%**	**(11,582)**	**(7,929)**	**46.1%**
EBITDA	**3,714**	**1,207**	**NMF**	**5,163**	**-28.1%**	**8,877**	**21,970**	**-59.6%**
Profit before non-recurring items	**2,143**	**1,340**	**59.9%**	**4,480**	**-52.2%**	**6,623**	**22,162**	**-70.1%**
Net non-recurring items	(1,781)	(237)	NMF	(4,443)	-59.9%	(6,224)	(126)	NMF
Profit	**362**	**(406)**	**NMF**	**37**	**NMF**	**399**	**20,527**	**-98.1%**

Private portfolio companies – IFRS Accounts (cont'd)

STATEMENT OF CASH FLOW	Housing Development							
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
Net cash flows from operating activities	**7,970**	**18,395**	**-56.7%**	**(18,124)**	**NMF**	**(10,154)**	**18,657**	**NMF**
Capital expenditure on investment property and PPE	(6,530)	(4,166)	56.7%	(7,161)	-8.8%	(13,691)	(9,292)	47.3%
Net cash flows used in investing activities	**(6,530)**	**(4,166)**	**56.7%**	**(7,161)**	**-8.8%**	**(13,691)**	**(9,292)**	**47.3%**
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
Net cash flows from financing activities	**(5,646)**	**(51,056)**	**-88.9%**	**22,241**	**NMF**	**16,595**	**(77,899)**	**NMF**
Exchange (losses)/gains on cash equivalents	829	6,163	-86.5%	(3,171)	NMF	(2,342)	(374)	NMF
Total cash outflow	**(3,377)**	**(30,664)**	**-89.0%**	**(6,215)**	**-45.7%**	**(9,592)**	**(68,908)**	**-86.1%**
Cash, beginning balance	**13,844**	**50,723**	**-72.7%**	**20,059**	**-31.0%**	**20,059**	**88,967**	**-77.5%**
Cash, ending balance	**10,467**	**20,059**	**-47.8%**	**13,844**	**-24.4%**	**10,467**	**20,059**	**-47.8%**

BALANCE SHEET	Housing Development		
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%
Total assets	**250,992**	**245,652**	**2.2%**
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
Total liabilities	**182,950**	**168,977**	**8.3%**
Total equity	**68,042**	**76,675**	**-11.3%**
Total liabilities and equity	**250,992**	**245,652**	**2.2%**

Private portfolio companies – IFRS Accounts (cont'd)

INCOME STATEMENT				**P&C Insurance**				
GEL thousands, unless otherwise noted	**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%
Earned premiums, net	**36,039**	**33,284**	**8.3%**	**31,451**	**14.6%**	**67,490**	**62,770**	**7.5%**
Insurance claims expenses, gross	(14,534)	(21,540)	-32.5%	(13,982)	3.9%	(28,516)	(40,652)	-29.9%
Insurance claims expenses, net	**(13,245)**	**(13,555)**	**-2.3%**	**(12,503)**	**5.9%**	**(25,748)**	**(25,098)**	**2.6%**
Acquisition costs, net	(5,712)	(5,506)	3.7%	(3,808)	50.0%	(9,520)	(9,100)	4.6%
Net underwriting profit	**17,082**	**14,223**	**20.1%**	**15,140**	**12.8%**	**32,222**	**28,572**	**12.8%**
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%
Net investment profit	**1,973**	**1,914**	**3.1%**	**2,015**	**-2.1%**	**3,988**	**3,490**	**14.3%**
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%
Operating profit	**10,587**	**9,556**	**10.8%**	**10,000**	**5.9%**	**20,587**	**19,067**	**8.0%**
Foreign exchange loss	483	779	-38.0%	(346)	NMF	137	208	-34.1%
Non-recurring costs	(23)	-	NMF	(629)	-96.3%	(652)	-	NMF
Pre-tax profit	**11,047**	**10,335**	**6.9%**	**9,025**	**22.4%**	**20,072**	**19,275**	**4.1%**
Income tax expense	(1,641)	(1,625)	1.0%	(1,349)	21.6%	(2,990)	(2,975)	0.5%
Net profit	**9,406**	**8,710**	**8.0%**	**7,676**	**22.5%**	**17,082**	**16,300**	**4.8%**

CASH FLOW STATEMENT				**P&C Insurance**				
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%
Net cash flows from operating activities	**11,434**	**3,403**	**NMF**	**9,509**	**20.2%**	**20,943**	**12,684**	**65.1%**
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	NMF	(237)	NMF	(11)	(2,443)	NMF
Net cash flows from used in investing activities	**(3,077)**	**(3,089)**	**-0.4%**	**(833)**	**NMF**	**(3,910)**	**(5,600)**	**-30.2%**
Dividend Paid	-	-	NMF	(10,000)	-100.0%	(10,000)	(7,000)	42.9%
Proceeds from borrowings	-	-	NMF	-	NMF	-	-	NMF
Net cash flows from financing activities	**-**	**-**	**NMF**	**(10,000)**	**-100.0%**	**(10,000)**	**(7,000)**	**42.9%**
Effect of exchange rates changes on cash and cash equivalents	6	(29)	NMF	(121)	NMF	(115)	(248)	-53.6%
Total cash inflow/(outflow)	**8,363**	**285**	**NMF**	**(1,445)**	**NMF**	**6,918**	**(164)**	**NMF**
Cash and cash equivalents, beginning	**2,740**	**3,900**	**-29.7%**	**4,185**	**-34.5%**	**4,185**	**4,349**	**-3.8%**
Cash and cash equivalents, ending	**11,103**	**4,185**	**NMF**	**2,740**	**NMF**	**11,103**	**4,185**	**NMF**

Private portfolio companies – IFRS Accounts (cont'd)

BALANCE SHEET	P&C Insurance		
GEL thousands, unless otherwise noted	**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
Total assets	**145,710**	**135,157**	**7.8%**
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%
Total liabilities	**89,572**	**86,410**	**3.7%**
Total equity	**56,138**	**48,747**	**15.2%**
Total liabilities and equity	**145,710**	**135,157**	**7.8%**

INCOME STATEMENT	Renewable Energy							
GEL thousands, unless otherwise noted	**2H18**	**2H17**	**Change**	**1H18**	**Change**	**FY18**	**FY17**	**Change**
Total Revenue	-	-	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%
Total Operating Expenses	**(367)**	**(729)**	**-49.7%**	**(403)**	**-8.9%**	**(770)**	**(1,733)**	**-55.6%**
EBITDA	**(367)**	**(729)**	**-49.7%**	**(403)**	**-8.9%**	**(770)**	**(1,733)**	**-55.6%**
EBIT	**(558)**	**(862)**	**-35.3%**	**(564)**	**-1.1%**	**(1,122)**	**(1,938)**	**-42.1%**
Net interest expense	84	265	-68.3%	46	82.6%	130	54	NMF
Non-recurring expenses	239	(196)	NMF	338	-29.3%	577	(196)	NMF
Foreign exchange (losses) gains	(165)	309	NMF	(236)	-30.1%	(401)	(97)	NMF
Profit before income tax	**(400)**	**(484)**	**-17.4%**	**(416)**	**-3.8%**	**(816)**	**(2,177)**	**-62.5%**
Net Profit	**(400)**	**(484)**	**-17.4%**	**(416)**	**-3.8%**	**(816)**	**(2,177)**	**-62.5%**
Attributable to:								
– 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	Renewable Energy		
GEL thousands, unless otherwise noted	**Dec-18**	**Dec-17**	**Change**
Total current assets	**11,895**	**15,555**	**-23.5%**
Property, plant and equipment	114,645	47,953	NMF
Other non-current assets	42,764	33,043	29.4%
Total non-current assets	**157,409**	**80,996**	**94.3%**
Total assets	**169,304**	**96,551**	**75.4%**
Total current liabilities	**6,658**	**6,284**	**6.0%**
Long term borrowings	66,458	62,357	6.6%
Other non-current liabilities	2,029	1,279	58.6%
Total non-current liabilities	**68,487**	**63,636**	**7.6%**
Total liabilities	**75,145**	**69,920**	**7.5%**
Total equity attributable to shareholders of the Group	**61,203**	**16,505**	**NMF**
Non-controlling interest	32,956	10,126	NMF
Total equity	**94,159**	**26,631**	**NMF**
Total liabilities and equity	**169,304**	**96,551**	**75.4%**

Private portfolio companies – IFRS Accounts (cont'd)

CASH FLOW STATEMENT			Renewable Energy					
GEL thousands, unless otherwise noted	**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%
Cash flow from operating activities	**(327)**	**793**	**NMF**	**(369)**	**-11.4%**	**(696)**	**(1,466)**	**-52.5%**
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
Total cash flow used in investing activities	**(42,693)**	**(46,653)**	**-8.5%**	**(19,602)**	**NMF**	**(62,295)**	**(69,776)**	**-10.7%**
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%
Total cash flow used in financing activities	**39,511**	**28,931**	**36.6%**	**23,717**	**66.6%**	**63,228**	**74,069**	**-14.6%**
Exchange (losses)/gains on cash equivalents	546	1,198	-54.4%	(693)	NMF	(147)	604	NMF
Total cash inflow/(outflow)	**(2,963)**	**(15,731)**	**-81.2%**	**3,053**	**NMF**	**90**	**3,431**	**-97.4%**
Cash, beginning balance	11,351	24,029	-52.8%	8,298	36.8%	8,298	4,867	70.5%
Cash, ending balance	**8,388**	**8,298**	**1.1%**	**11,351**	**-26.1%**	**8,388**	**8,298**	**1.1%**

INCOME STATEMENT			Hospitality & Commercial Real Estate					
GEL thousands, unless otherwise noted	**2H18**	**2H17**	**Change**	**1H18**	**Change**	**FY18**	**FY17**	**Change**
Gross profit from operating leases	**2,688**	**1,543**	**74.2%**	**1,900**	**41.5%**	**4,588**	**3,042**	**50.8%**
Gross profit from hospitality services	**1,488**	**-**	**NMF**	**457**	**NMF**	**1,945**	**-**	**NMF**
Other income	178	-	NMF	50	NMF	228	-	NMF
Gross Real Estate Profit	**4,354**	**1,543**	**NMF**	**2,407**	**80.9%**	**6,761**	**3,042**	**NMF**
Revaluation on commercial property	27,621	977	NMF	-	NMF	27,621	977	NMF
Operating expenses	**(2,285)**	**(484)**	**NMF**	**(556)**	**NMF**	**(2,841)**	**(650)**	**NMF**
NOI	**29,690**	**2,036**	**NMF**	**1,851**	**NMF**	**31,541**	**3,369**	**NMF**
Profit before non-recurring items	**26,958**	**1,938**	**NMF**	**777**	**NMF**	**27,735**	**3,183**	**NMF**
Net non-recurring items	(152)	(8)	NMF	(1,187)	-87.2%	(1,339)	(2)	NMF
Profit before income tax	**26,806**	**1,930**	**NMF**	**(410)**	**NMF**	**26,396**	**3,181**	**NMF**
Profit	**26,806**	**1,884**	**NMF**	**(410)**	**NMF**	**26,396**	**3,135**	**NMF**

Private portfolio companies – IFRS Accounts (cont'd)

CASH FLOW STATEMENT	Hospitality & Commercial Real Estate							
GEL thousands, unless otherwise noted	**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
Net cash flows from operating activities	**4,063**	**1,350**	**NMF**	**1,607**	**NMF**	**5,670**	**2,689**	**NMF**
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
Net cash flows used in investing activities	**(27,772)**	**(24,240)**	**14.6%**	**(51,672)**	**-46.3%**	**(79,444)**	**(32,483)**	**NMF**
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
Net cash flows from financing activities	**43,066**	**35,034**	**22.9%**	**44,669**	**-3.6%**	**87,735**	**40,372**	**NMF**
Effect of exchange rate changes on cash and cash equivalents	49	182	-73.1%	(200)	NMF	(151)	(15)	NMF
Total cash inflow/(outflow)	**19,406**	**12,326**	**57.4%**	**(5,596)**	**NMF**	**13,810**	**10,563**	**30.7%**
Cash, beginning balance	**9,210**	**2,480**	**NMF**	**14,806**	**-37.8%**	**14,806**	**4,243**	**NMF**
Cash, ending balance	**28,616**	**14,806**	**93.3%**	**9,210**	**NMF**	**28,616**	**14,806**	**93.3%**

BALANCE SHEET	Hospitality & Commercial Real Estate		
GEL thousands, unless otherwise noted	**Dec-18**	**Dec-17**	**change**
Cash and cash equivalents, bank placements	28,615	14,805	93.3%
Prepayments	15,713	3,436	NMF
Investment property	225,343	56,770	NMF
Land bank	37,459	14,529	NMF
Commercial real estate	187,884	42,241	NMF
Property and equipment	172	45,427	-99.6%
Other assets	24,990	9,584	NMF
Total assets	**294,833**	**130,022**	**NMF**
Borrowings	104,557	14,749	NMF
Debt securities issued	19,609	-	NMF
Other liabilities	10,828	27,318	-60.4%
Total liabilities	**134,994**	**42,067**	**NMF**
Total equity attributable to shareholders of the Group	**149,078**	**77,537**	**92.3%**
Non-controlling interest	10,761	10,418	3.3%
Total equity	**159,839**	**87,955**	**81.7%**
Total liabilities and equity	**294,833**	**130,022**	**NMF**

Private portfolio companies – IFRS Accounts (cont'd)

INCOME STATEMENT				**Beverages**				
GEL thousands; unless otherwise noted	**2H18**	**2H17**	**Change**	**1H18**	**Change**	**FY18**	**FY17**	**Change**
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%
Revenue	**45,747**	**38,152**	**19.9%**	**30,467**	**50.2%**	**76,214**	**55,730**	**36.8%**
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%
COGS	**(27,751)**	**(22,465)**	**23.5%**	**(19,209)**	**44.5%**	**(46,960)**	**(33,352)**	**40.8%**
Gross Profit	**17,996**	**15,687**	**14.7%**	**11,258**	**59.9%**	**29,254**	**22,378**	**30.7%**
Gross Profit Margin	***39.3%***	***41.1%***		***37.0%***		***38.4%***	***40.2%***	
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%
EBITDA	**(354)**	**1,763**	**NMF**	**(6,087)**	**94.2%**	**(6,441)**	**856**	**NMF**
wine EBITDA	*5,524*	*3,944*	*40.1%*	*1,627*	*NMF*	*7,151*	*5,427*	*31.8%*
beer EBITDA	*(6,170)*	*(2,724)*	*NMF*	*(7,584)*	*-18.6%*	*(13,754)*	*(5,533)*	*NMF*
distribution EBITDA	*349*	*479*	*-27.1%*	*276*	*26.4%*	*625*	*728*	*-14.1%*
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
Loss before income tax	**(19,206)**	**(11,362)**	**69.0%**	**(9,967)**	**92.7%**	**(29,173)**	**(14,393)**	**NMF**
Loss	**(19,206)**	**(11,362)**	**69.0%**	**(9,967)**	**92.7%**	**(29,173)**	**(14,393)**	**NMF**

BALANCE SHEET		**Beverages**	
GEL thousands, unless otherwise noted	**Dec-18**	**Dec-17**	**change**
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%
Total Assets	**203,948**	**163,448**	**24.8%**
Accounts Payable	18,021	14,335	25.7%
Borrowings	117,172	71,430	64.0%
Other Liabilities	6,728	1,776	NMF
Total Liabilities	**141,921**	**87,541**	**62.1%**
Total equity	**62,027**	**75,907**	**-18.3%**
TOTAL LIABILITIES AND EQUITY	**203,948**	**163,448**	**24.8%**

Private portfolio companies – IFRS Accounts (cont'd)

STATEMENT OF CASH FLOW				**Wine business**				
GEL thousands; unless otherwise noted	**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%
Net cash flows from operating activities	**(1,466)**	**(69)**	**NMF**	**1,564**	**NMF**	**98**	**1,584**	**-93.8%**
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
Net cash flows from used in investing activities	**(3,520)**	**(1,294)**	**NMF**	**(14,830)**	**-76.3%**	**(18,350)**	**(88)**	**NMF**
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
Net cash flows from financing activities	**9,327**	**3,497**	**NMF**	**13,921**	**-33.0%**	**23,248**	**(65)**	**NMF**
Effect of exchange rates changes on cash and cash equivalents	384	264	45.5%	(485)	NMF	(101)	(10)	NMF
Total cash inflow/(outflow)	**4,725**	**2,398**	**97.0%**	**170**	**NMF**	**4,895**	**1,421**	**NMF**
Cash and cash equivalents, beginning	**3,655**	**1,087**	**NMF**	**3,485**	**4.9%**	**3,485**	**2,064**	**68.8%**
Cash and cash equivalents, ending	**8,380**	**3,485**	**NMF**	**3,655**	**NMF**	**8,380**	**3,485**	**NMF**

STATEMENT OF CASH FLOW				**Beer business**				
GEL thousands; unless otherwise noted	**2H18**	**2H17**	**Change**	**1H18**	**Change**	**FY18**	**FY17**	**Change**
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
Net cash flows from operating activities	**(6,525)**	**3,062**	**NMF**	**(7,323)**	**-10.9%**	**(13,848)**	**(11,422)**	**21.2%**
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%
Net cash flows used in investing activities	**(6,193)**	**(10,326)**	**-40.0%**	**(3,850)**	**60.9%**	**(10,043)**	**(30,034)**	**-66.6%**
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%
Net cash flows from financing activities	**11,320**	**9,471**	**19.5%**	**1,507**	**NMF**	**12,827**	**54,641**	**-76.5%**
Effect of exchange rate difference from cash and cash equivalents	189	371	-49.2%	(883)	NMF	(694)	(199)	NMF
Total cash inflow/(outflow)	**(1,209)**	**2,578**	**NMF**	**(10,549)**	**-88.5%**	**(11,758)**	**12,986**	**NMF**
Cash and cash equivalents at beginning of period	**2,453**	**10,424**	**-76.5%**	**13,002**	**-81.1%**	**13,002**	**16**	**NMF**
Cash and cash equivalents at end of period	**1,244**	**13,002**	**-90.4%**	**2,453**	**-49.3%**	**1,244**	**13,002**	**-90.4%**

Appendices

Management income statement preparation methodology

The management P&L is an aggregation of the bottom lines of the attributable stand-alone IFRS P&Ls of listed and private portfolio companies together with GCAP's stand-alone P&L.

- *The top part of the income statement* (GCAP Operating Income) *represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on estimated annual dividend proceeds from portfolio companies to be collected during the year, b) interest income on liquid funds, mezzanine facilities issued and senior loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level. These amounts are derived from IFRS consolidated financial statements, note 6 on segment reporting under segment name of Corporate Center.*
- *Portfolio company attributable income represents attributable recurring IFRS net profits or losses of each portfolio company, i.e. stand-alone net profits adjusted to exclude minority interests and impact of non-recurring items and foreign exchange movements. We view portfolio company attributable income as a metric to measure the earning power of Georgia Capital's holdings, which itself reflects future dividend generation/distribution capacity of portfolio companies, indicating cash receipt prospects of Georgia Capital.*
- *Within the bottom part of the income statement, we reverse in 2018 the double counting impact of dividend accrual and recognize provisions for interest income items, where immediate collectability is uncertain on instruments such as mezzanine loans. Following these adjustments, we arrive at management net income for the period.*
- *Below the net income line, to arrive at total comprehensive income, we present i) gains or losses from foreign exchange movements across the Group excluding listed portfolio companies, ii) non-recurring items of both GCAP and related attributable shares of portfolio companies and iii) realized gains or losses from sales from GCAP's sales of equity interests in portfolio companies.*

Starting from the 2H18 & FY18 results announcement, we present total gains or losses from foreign exchange movements for private businesses and GCAP below net income line as part of other comprehensive income/loss. Due to their seasonally fluctuating nature, foreign exchange movements distort the earning power of the portfolio companies. Previously, within 1H18 results release, each private portfolio company attributable income was shown net of respective gains or losses from foreign exchange movements. Comparative periods were respectively amended.

Appendices (cont'd)

Glossary

1. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
2. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole
3. **NMF** – Not meaningful
4. **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
5. **LTM** – last twelve month
6. **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.
7. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
8. **IRR** - for listed portfolio companies is calculated based on a) historical contributions to the listed portfolio company less b) dividends received and c) market value of the portfolio company at 31 December 2018.
9. **ROI** - for private portfolio companies is an annual return on net investment (gross investments less capital returns) calculated at each investment level. Inputs into the ROI calculation are as follows: (i) the numerator is the annual attributable income of the private portfolio company less allocated GCAP interest expense, and (ii) the denominator, is the net investment less allocated gross debt of GCAP.
10. **ROAC** – is an annual return on allocated capital as of 31 December 2018 and calculated at each private investment level. Inputs into the ROAC calculation are as follows: (i) the numerator is the annual attributable income of the private portfolio company, less allocated GCAP interest expense, and (ii) the denominator is the management estimated fair value, as included in the NAV statement, less allocated gross debt of GCAP.
11. **Loss ratio** equals net insurance claims expense divided by net earned premiums
12. **Expense ratio** equals sum of acquisition costs and operating expenses divided by net earned premiums
13. **Combined ratio** equals sum of the loss ratio and the expense ratio
14. **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders of the business for the same period for BoGG and P&C Insurance;
15. **Net investment** - gross investments less capital returns
16. **EV** – enterprise value
17. **NOI** – net operating income
18. **EBITDA cash conversion ratio** equals Net cash flows from / (used in) operating activities before income tax divided by EBITDA
19. **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans.

COMPANY INFORMATION

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Share price information
Shareholders can access both the latest and historical prices via the website
www.georgiacapital.ge