

Georgia Capital PLC 1Q20 trading update

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS)

(GEL'000 except per share information)

Georgia Capital NAV overview	Mar-20	Dec-19	Change
NAV per share, GEL	30.18	46.84	-35.6%
<i>of which, listed businesses</i>	11.07	21.37	-48.2%
<i>of which, private businesses</i>	19.11	25.47	-25.0%
Net Asset Value (NAV)	1,137,336	1,753,868	-35.2%
Total portfolio value	1,799,778	2,253,083	-20.1%
Liquid assets and loans issued	305,987	363,773	-15.9%
Net debt	(659,596)	(493,565)	33.6%
Georgia Capital Performance	1Q20	1Q19	Change
Total portfolio value creation	(504,400)	137,497	NMF
<i>of which, listed businesses</i>	(367,747)	118,683	NMF
<i>of which, private businesses</i>	(136,653)	18,814	NMF
Investments	56,022	22,170	NMF
Dividend income	4,927	18,735	NMF
Cash flow from operations, portfolio companies ¹	92,265	36,060	NMF

KEY POINTS

- Strong operating cash flow generation in portfolio companies¹, up almost three times y-o-y to GEL 92.3 million in 1Q20
- NAV per share down 35.6% in 1Q20 mainly reflecting negative impact of COVID-19 on valuation multiples and GEL depreciation against USD by 14.5%
 - GEL 368 million decrease in the market value of listed assets (-21.0% impact on NAV per share)
 - GEL 137 million negative value creation in private portfolio (-7.8% impact on NAV per share)
 - Foreign exchange loss of GEL 92 million on GCAP net debt (-5.3% impact on NAV per share)
- Education business reclassified to early stage portfolio from pipeline, recognizing strong progress towards its targets
- COVID-19 outlook: limiting capital allocations and optimising opex across GCAP and private portfolio companies

Irakli Gilauri, Georgia Capital Chairman and CEO, commented:

"Georgia has, so far, managed to effectively deal with the COVID-19 pandemic. The Government of Georgia's (GoG) steps resulted in the lowest number of confirmed cases and deaths per capita in the region. At the same time, GoG has secured US\$ 3 billion in funding from international financial organizations for Georgia's public and private sectors, which is expected to be more than sufficient to fund the twin deficits. National Bank of Georgia eased capital requirements, introduced a \$400 million currency swap facility, sold \$120 million to provide FX liquidity and reduced the monetary policy rate by 50bps to 8.5%. International Monetary Fund (IMF) estimates Georgia's GDP growth to contract by 4% in 2020 and rebound to 4% growth in 2021. Strong pre-COVID-19 macroeconomic fundamentals were reflected in the country's 1Q20 GDP growth, which was positive at 1.5% y-o-y. The business activity is expected to start gradual recovery from April's low as GoG has initiated smooth easing of the lockdown restrictions. Georgia plans to open doors for domestic tourism from 15 June and international tourism from 1 July.

1Q20 NAV developments

The impact and magnitude of the COVID-19 is still very difficult to estimate. Most of our portfolio, however, is largely concentrated in structurally important, defensive sectors. Our NAV per share (GEL) was down 35.6% in 1Q20, mainly impacted by the depressed valuations of BOG and GHG (-21.0% impact on NAV per share). Despite solid operating performance in 1Q20, valuations also decreased across our private businesses (-7.8% impact on NAV per share). The NAV per share was further impacted by GEL depreciation against USD by 14.5%, resulting in foreign exchange loss of GEL 92 million on GCAP net debt (-5.3% impact on NAV per share).

Listed businesses

The market value of listed assets decreased by GEL 368 million, of which, GEL 233 million was driven by a 43.7% decrease in the BoG share price to GBP 9.15 and GEL 135 million - by a 36.6% decrease in the GHG share price to GBP 0.78. Despite the initial impact of the COVID-19, BoG's 1Q20 operating income grew 6.1% y-o-y, while the COVID-19 related upfront provision charge for the full economic cycle led to a net loss of GEL 99.9 million. GHG's 1Q20 revenues grew double-digits and cash flows from operating activities were up by 65% to GEL 43.2 million, with an EBITDA to cash conversion ratio of 119% (70% in 1Q19).

Private businesses

The GEL 137 million decrease in the value of our private assets primarily reflects contractions in the multiples across the peer group companies that drive most of the valuations. Decrease in the value of private business excluding multiple change and

¹ Operating cash flow from portfolio companies with controlling stakes: private businesses and GHG. 1Q20 results of GHG are available at: www.ghg.com.ge

FX was GEL 63 million, of which, GEL 56 million was related to the hospitality business. At 31 March 2020, we consistently applied our multiple-based valuation methodology and as such, the valuations reflect impact of market volatility, even though the underlying operating performances were solid across the board. In these unprecedented times, I am pleased to report the strong cash flow generation of our portfolio companies, in the seasonally quiet first quarter, was up almost three times y-o-y to GEL 92.3 million in 1Q20.

Capital allocations and liquidity

Before the COVID-19 outbreak, we allocated GEL 56 million capital across our private portfolio in 1Q20, of which, GEL 38.7 million was for the buyout of the minority shareholder in Renewable Energy. In 1Q20 Renewable Energy already paid GEL 5 million dividend, reflecting the strong performance of recently acquired Qartli Wind farm. Following the 1Q20 capital allocations, our liquidity remained high at GEL 306 million at 31 March 2020.

Going forward

Looking ahead, we believe that our businesses that are most exposed to a slow re-opening are hospitality, auto service and possibly beer, but the range of possible outcomes remains wide and these uncertainties call us to be very disciplined and attentive to developments across our portfolio. Our portfolio companies are optimising opex expenditures and capital investments with the key focus on preserving cash. Similarly, we have put on hold our capital allocations and expect to make only limited investments until the end of 2020. Having focused on financial discipline well before COVID-19, I believe that our companies entered this crisis well prepared and remain well positioned to emerge stronger. Average maturity of debt across our private portfolio was 4.6 years at 31 March 2020, while the GCAP US\$ 300 million Eurobonds mature in 2024. In short, we are focusing on cash accumulation and preservation to prepare for the good investment opportunities which I am confident will arise."

Private portfolio companies

Late stage portfolio

Water Utility

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	31,199	33,233	-6.1%
<i>of which, water supply</i>	29,030	28,910	0.4%
<i>of which, energy</i>	458	2,368	-80.7%
EBITDA	15,442	17,334	-10.9%
Cash flow from operations	23,462	19,874	18.1%

1Q20 revenues from water supply to corporates and individuals remained largely flat, while extraordinarily lower precipitation related water inflows to Zhinvali HPP led to an 80.7% reduction in energy revenues. The result was a 10.9% decrease in Water Utility's 1Q20 EBITDA. Water Utility's EBITDA to cash conversion ratio continued to be strong at 100%+ in both periods. Approximately GEL 1.8 million connection fees were collected in cash in 1Q20, while only GEL 0.9 million were recognized in revenues under IFRS. Additionally, the business collected GEL 3.4 million cash in 1Q20 for electricity sales in prior period, resulting in the 18.1% growth in 1Q20 operating cash flow. Net debt was up 6.5% from GEL 352.4 million at 31-Dec-19 to GEL 375.4 million at 31-Mar-20, primarily reflecting local currency depreciation. As part of the COVID-19 anti-crisis plan, the Government is subsidising utility bills for more than one million households during the first three months (Mar-May) of the pandemic.

Housing Development

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Gross real estate profit	6,277	1,553	NMF
<i>of which, apartment sales</i>	3,604	472	NMF
<i>of which, construction management</i>	2,809	1,032	NMF
EBITDA	2,381	(1,558)	NMF
Cash flow from operations	10,679	(14,822)	NMF

Despite COVID-19, Housing Development sold apartments totalling 5,741 sq.m. with US\$ 5.2 million sales value in the on-going first two phases of our Digomi project. This represents approximately 45% sales progress for these two phases, where revenue recognition from the second phase started in February under IFRS. Following the COVID-19 outbreak, the business introduced one-off 20%-25% discounts for all-cash sales and during March sold 54 apartments with US\$ 2.5 million sales value, of which, 77% was collected in cash. As a result of strong sales, operating cash flow rebounded to GEL 10.7 million in 1Q20, and is expected to further increase on the back of cost optimisation strategies.

1Q20 gross real estate profit from construction management more than doubled, with the growth driven mainly by two new third-party projects. All existing construction projects were on track and in progress in 1Q20 despite the COVID-19 outbreak.

P&C Insurance

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Earned premiums, net	17,484	17,412	0.4%
Net income	3,277	4,266	-23.2%
Cash flow from operations	9,006	8,455	6.5%

1Q20 revenue remained flat, while loss ratio increased by 10 ppts to 48.7% primarily due to increased claims in the credit life insurance portfolio. Although the expense ratio remained stable at 38.8%, 1Q20 operating expenses were up 15.1% to GEL 4.6 million, not yet reflecting the cost optimisation initiatives starting from March 2020 in light of the COVID-19. As a result, net income was down 23.2% and ROAE was 20.5% in 1Q20 (29.7% in 1Q19). The business continued to focus on the untapped retail market, where only 7% of registered vehicles are insured.

Early stage portfolio

Renewable Energy

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	6,639	-	NMF
EBITDA	4,542	(188)	NMF
Cash flow from operations	6,907	(101)	NMF

1Q20 results reflect strong performance of high-quality renewable assets, acquired in 4Q19. Qartli wind farm contributed GEL 3.9 million to 1Q20 EBITDA on the back of 23.4 GWh generation, up 9.2% y-o-y. The 21MW Hydrolea HPPs, where 9MW Akhmeta HPP is temporarily offline due to rehabilitation works, added GEL 1.1 million to 1Q20 EBITDA. 1Q20 operating cash flow includes GEL 5.0 million proceeds for business interruption ("BI") reimbursement for 2019 revenues from 50MW Mestiachala HPPs. The remaining GEL 5.0 million BI reimbursement for 2019 revenues is expected to be received in 2Q20. The 30MW Mestiachala HPP resumed operations in 2019, while the restoration works continue on the 20MW Mestiachala HPP. The full restoration costs are expected to be mostly covered from the insurance proceeds.

Hospitality & Commercial Real Estate

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	5,324	2,780	91.5%
<i>of which, hospitality</i>	<i>2,180</i>	<i>934</i>	<i>NMF</i>
<i>of which, commercial real estate</i>	<i>3,083</i>	<i>1,838</i>	<i>67.7%</i>
Net Operating Income (NOI)	178	1,002	-82.2%
Cash flow from operations	24	1,095	-97.8%

Commercial real estate revenues increased by 67.7% primarily due to the 73% y-o-y portfolio expansion to GEL 151 million (US\$ 46 million) at 31 March 2020, supported by high occupancy levels. During the period, Georgia Capital allocated GEL 31 million commercial space in the completed residential projects valued at c. 10% yield in US\$ terms. The occupancy level and gross income yield stood at 91.6% (83.5% in 1Q19) and 9.8% (9.0% in 1Q19), respectively. Within the hospitality business, "Gudaure Lodge" hotel was launched in December 2019. However, in light of the COVID-19 outbreak, operations at the existing two hotels were suspended since mid-March and both hotels are rented to the government for quarantine, covering the costs of current operations. At the same time, constructions of new hotels were put on hold. As part of the COVID-19 anti-crisis plan to support the hospitality sector, the Government subsidises 80% of interest payments on the bank loans for the next six months since May, hotels are fully exempt from property taxes in 2020 and the income tax payments are postponed until the end of 2020.

Beverages

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	21,651	17,518	23.6%
<i>of which, wine business</i>	<i>6,912</i>	<i>7,904</i>	<i>-12.6%</i>
<i>of which, beer business</i>	<i>7,341</i>	<i>5,794</i>	<i>26.7%</i>
EBITDA	(1,481)	(2,739)	45.9%
<i>of which, wine business</i>	<i>338</i>	<i>1,176</i>	<i>-71.3%</i>
<i>of which, beer business</i>	<i>(1,689)</i>	<i>(3,052)</i>	<i>44.7%</i>
Cash flow from operations, wine business	2,573	1,514	70.0%
Cash flow from operations, beer business	(1,549)	(6,243)	75.2%

The wine operating cash flow grew 70.0% to GEL 2.6 million in 1Q20, while EBITDA decreased 71.3% largely due to the timing of orders, which were shifted to and will be recognized in revenues in 2Q20 (vs 1Q19). Absent the timing difference, export wine sales and average sales price per bottle were flat at 0.8 million bottles and at US\$2.8, respectively. Export market

sales accounted for 90% of the 1Q20 revenue and following the COVID-19 outbreak, the business has not observed negative impact on the expected wine export sales volumes.

The beer business benefited from full scale launch of new brands over the last twelve months. Improved product mix allowed the beer business to achieve 20% of market share in 1Q20 (12% in 1Q19), 26.7% growth in revenues and 44.7% improvement in EBITDA. Similarly, operating cash flow also improved by 75.2%. Following COVID-19 outbreak, the business has seen an uplift in beer sales through retail stores as consumers prepared to enjoy our products at home, though it is too early to determine the sustainability of this trend. The business may experience negative impact in the short term growth plans until HORECA sales channels are fully re-opened.

Education

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	7,708	5,861	31.5%
EBITDA	3,036	2,409	26.0%
Cash flow from operations	(177)	253	NMF

The education business EBITDA grew by 26% and EBITDA margin was 40% in 1Q20 (41% in 1Q19). In 1Q20, the EBITDA distribution across our three segments was: 77% from premium schools (BGA), 13% from mid-level school (Buckswood) and 10% from affordable school (Green School). The business growth reflects increase in average tuition fees in premium schools and organic growth in the number of learners across all three segments. School capacity utilisation increased as follows: up to 95.1% and 761 learners in BGA (91.4% and 731 learners in 1Q19), up to 90.1% and 685 learners in Buckswood (87.1% and 627 learners in 1Q19), up to 90.2% and 1,127 learners in Green School (81.7% and 1,021 learners in 1Q19). In light of the COVID-19, the schools are providing distance learning since the outbreak.

Pipeline portfolio

Auto Service (PTI, Amboli & Carfest)

<i>GEL thousands, unless otherwise noted</i>	1Q20	1Q19	Change
Revenue	8,213	1,781	NMF
Gross profit	2,021	733	NMF
EBITDA	49	(417)	NMF
Cash flow from operations	(1,852)	(192)	NMF

In 1Q20, the gross profit distribution across three segments was: 62% from PTI, 26% from Amboli and 12% from Carfest. However, as Amboli and Carfest are in the start-up phase, the PTI business was the main contributor of earnings at EBITDA level with GEL 0.3 million contribution. The PTI business serviced 68,995 cars in 1Q20 (up 44% y-o-y), resulting in approximately 34% market share (number of primary² car checks was 48,271 in 1Q20). During 1Q20 the gross profit margin in the PTI business improved to 47.8% (41.2% in 1Q19). The business in April and May has been negatively affected by the lockdown, including a suspension of the periodic testing requirement until 22nd of May.

Conference call

An investor/analyst conference call details, to be held on 19 May 2020 at 16:00 UK / 17:00 CET / 11:00 U.S Eastern Time, is available on the Group's website: <https://georgiacapital.ge/ir/news>. Dial-in numbers are as follows: +44 (0) 2071 928000 (international); 18669661396 (US); 08003767922 (UK) and Conference ID is 1991857.

² According to the local PTI regulation, primary checks are paid services, while secondary checks are free of charge.

APPENDIX A: 1Q20 NAV STATEMENT

<i>GEL '000, unless otherwise noted</i>	Dec-19	1. Value creation	2a. Investments	2b. Buybacks	2c. Dividends	3. Operating expenses	4. Liquidity/ FX/Other	Mar-20	Change %
Listed Portfolio Companies									
<i>GHG</i>	430,079	(134,624)	-	-	-	-	-	295,455	-31.3%
<i>BoG</i>	597,735	(233,123)	-	-	-	-	-	364,612	-39.0%
Total Listed Portfolio Value	1,027,814	(367,747)	-	-	-	-	-	660,067	-35.8%
<i>Listed Portfolio value change %</i>		<i>-35.8%</i>	-	-	-	-	-	<i>-35.8%</i>	
Private Portfolio Companies									
Late Stage	692,746	(79,658)	235	-	-	-	-	613,323	-11.5%
<i>Water Utility</i>	483,970	(51,904)	235	-	-	-	-	432,301	-10.7%
<i>Housing Development</i>	43,853	(3,932)	-	-	-	-	-	39,921	-9.0%
<i>P&C Insurance</i>	164,923	(23,822)	-	-	-	-	-	141,101	-14.4%
Early Stage	495,827	(40,505)	50,523	-	(4,927)	-	-	500,918	1.0%
<i>Renewable Energy</i>	106,800	4,927	44,350	-	(4,927)	-	-	151,150	41.5%
<i>Hospitality & Commercial RE</i>	245,558	(28,072)	1,137	-	-	-	-	218,623	-11.0%
<i>Beverages</i>	87,119	(17,360)	5,036	-	-	-	-	74,795	-14.1%
<i>Education</i>	56,350	-	-	-	-	-	-	56,350	0.0%
Pipeline	36,696	(16,490)	5,264	-	-	-	-	25,470	-30.6%
<i>Auto Service</i>	25,757	(14,905)	4,200	-	-	-	-	15,052	-41.6%
<i>Digital Services</i>	8,790	-	-	-	-	-	-	8,790	0.0%
<i>Other</i>	2,149	(1,585)	1,064	-	-	-	-	1,628	-24.2%
Total Private Portfolio Value	1,225,269	(136,653)	56,022	-	(4,927)	-	-	1,139,711	-7.0%
<i>Private Portfolio value change %</i>		<i>-11.2%</i>	<i>4.6%</i>	-	<i>-0.4%</i>	-	-	<i>-7.0%</i>	
Total Portfolio Value (1)	2,253,083	(504,400)	56,022	-	(4,927)	-	-	1,799,778	-20.1%
<i>Total Portfolio value change %</i>		<i>-22.4%</i>	<i>2.5%</i>	-	<i>-0.2%</i>	-	-	<i>-20.1%</i>	
Net Debt (2)	(493,565)	-	(56,022)	(5,746)	4,927	(4,378)	(104,812)	(659,596)	33.6%
<i>of which, Cash and liquid funds</i>	211,889	-	(56,022)	(5,746)	4,927	(4,378)	19,439	170,109	-19.7%
<i>of which, Loans issued</i>	151,884	-	-	-	-	-	(16,006)	135,878	-10.5%
<i>of which, Gross Debt</i>	(857,338)	-	-	-	-	-	(108,245)	(965,583)	12.6%
Net other assets/ (liabilities) (3)	(5,650)	-	-	-	-	(3,631)	6,435	(2,846)	-49.6%
<i>of which, share-based comp.</i>	-	-	-	-	-	(3,631)	3,631	-	NMF
Net Asset Value (1)+(2)+(3)	1,753,868	(504,400)	-	(5,746)	-	(8,009)	(98,377)	1,137,336	-35.2%
<i>NAV change %</i>		<i>-28.8%</i>	-	<i>-0.3%</i>	-	<i>-0.5%</i>	<i>-5.6%</i>	<i>-35.2%</i>	
Shares outstanding	37,441,971	-	-	244,085	-	-	-	37,686,056	0.7%
Net Asset Value per share	46.84	(13.47)	-	(0.46)	-	(0.21)	(2.52)	30.18	-35.6%
<i>NAV per share change %</i>		<i>-28.8%</i>	<i>0.0%</i>	<i>-1.0%</i>	<i>0.0%</i>	<i>-0.5%</i>	<i>-5.4%</i>	<i>-35.6%</i>	
NAV per share, Listed portfolio	21.37							11.07	-48.2%
NAV per share, Private portfolio	25.47							19.11	-25.0%

About Georgia Capital PLC

Georgia Capital PLC ("Georgia Capital" or "the Group" – LSE: CGEO LN) is a platform for buying, building and developing businesses in Georgia. The Group seeks to create value by driving the development of high growth potential businesses in Georgia, aiming to consolidate fragmented or underdeveloped markets. We either acquire our businesses during their early development stage or establish them on a greenfield basis.

The financial information is unaudited and is presented based on Georgia Capital's management accounts in order to provide transparency in our results in the most relevant and useful way for our investors. The quarterly trading update presents the financial position of the Group at the quarter end, together with highlights of material transactions or other events that occurred during the quarter.

Forward looking statements

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important risks, uncertainties and factors could cause actual results to differ materially from those expressed or implied in forward-looking statements, which could include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained in our past and future filings and reports and also the 'Principal Risks and Uncertainties' and Emerging Risks included in Georgia Capital PLC's Annual Report and Accounts 2019. 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.