

# TELIANI – BEVERAGES BUSINESS

Speaker: Shota Kobelia, CEO of Teliani

## BGEO Investor Day

22 November 2016

Tbilisi, Georgia



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<b>Teliani strategy</b>	<b>13</b>
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**Strong existing franchise**

**New business line**

1

2

3

**WINE**

**DISTRIBUTION**

**BEER**

**Leading wine producer**

**With wide distribution platform**

**Launching beer production**



- 3,5 million bottles sold annually
- 39% share in wine sales in Georgia
- GEL 20.5mln revenue in 9M 2016
- GEL 1.6mln EBITDA in 9M 2016
- 80% of sales from export

- 4,400 sales points
- Exporting to 26 countries, including all FSU, Poland, Sweden, Finland, USA, Canada, Brazil, China, Thailand, Singapore

- Launching beer production facility in Georgia
- 10 year exclusivity with Heineken to sell in Georgia, Armenia and Azerbaijan (17mln population)

BGEO owns 71.0%, Firebird owns 27% and remaining 2% is owned by numerous individuals, including the management (as part of ESOP)  
Teliani is listed on Georgian stock exchange.

## Teliani performance (9M16)

Gel,000 unless otherwise noted

### INCOME STATEMENT

	9M16	9M15	Change y-o-y
<b>Total Sales Revenue</b>	<b>20,447</b>	<b>19,860</b>	<b>3%</b>
Wine Revenue	10,455	10,584	-1%
Grappa Revenue	361	375	-4%
Brandy Revenue	44	138	-69%
Sparkling Wine Revenue	751	933	-19%
Revenue From Third Party Goods	8,835	7,829	13%
Other Operating Revenue	20	392	-95%
<b>Total Operating Revenue</b>	<b>20,466</b>	<b>20,252</b>	<b>1%</b>
<b>Total Cost of Goods Sold</b>	<b>10,927</b>	<b>9,792</b>	<b>12%</b>
<b>Gross Profit</b>	<b>9,520</b>	<b>10,068</b>	<b>-5%</b>
Gross Profit, Margin	46.6%	50.7%	(414) bps
Salary Expenses	2,578	2,693	-4%
Sales and Marketing Expenses - Export	1,185	982	21%
Sales and Marketing Expenses - Georgia	2,031	2,185	-7%
Other Operating Expenses	2,177	2,102	4%
<b>Total Operating Expenses</b>	<b>7,970</b>	<b>7,962</b>	<b>0%</b>
<b>EBITDA</b>	<b>1,569</b>	<b>2,498</b>	<b>-37%</b>
EBITDA, Margin	8%	13%	(491) bps
Depreciation&Amortization Expense	1,136	957	19%
Foreign Exchange Gain/(Loss), Net	1,780	(2,369)	NMF
Non-Recurring Income/(Expenses), Net	637	191	233%
Interest Expense	602	785	-23%
Income Tax Expense/(Benefit)	267	260	3%
<b>Net Income/(Loss)</b>	<b>1,981</b>	<b>(1,681)</b>	<b>NMF</b>
Net Income/(Loss), Margin	10%	-8%	1,816

## Teliani performance (9M16)

Gel,000 unless otherwise noted

	BALANCE SHEET			Change y-o-y	Change YTD
	30-Sep-16	30-Sep-15	31-Dec-15		
Cash And Cash Equivalents	7,621	3,191	3,425	139%	123%
Amounts due from financial institutions	3,081	2,366	2,375	30%	30%
Accounts Receivable	5,558	6,121	6,470	-9%	-14%
Inventory	9,031	11,650	10,761	-22%	-16%
Income Tax Assets	139	150	60	-8%	131%
Prepayments & Other Assets	3,959	3,480	2,577	14%	54%
<b>Total Current Assets</b>	<b>29,389</b>	<b>26,957</b>	<b>25,668</b>	<b>9%</b>	<b>14%</b>
Property And Equipment, Net	30,006	11,854	13,198	153%	127%
Intangible Assets, Net	108	108	124	0%	-13%
Deferred Tax Asset	34	72	340	-53%	-90%
Restricted cash	20,280	-	-		
Prepayments for fixed assets	7,256	-	1,309		454%
<b>Total Long-Term Assets</b>	<b>57,684</b>	<b>12,034</b>	<b>14,971</b>	<b>379%</b>	<b>285%</b>
<b>TOTAL ASSETS</b>	<b>87,073</b>	<b>38,991</b>	<b>40,639</b>	<b>123%</b>	<b>114%</b>
Accounts Payable	4,697	2,966	2,529	58%	86%
Short-Term Loans	21,104	4,017	5,154	425%	309%
Other Current Liabilities	4,619	2,706	3,085	71%	50%
<b>Total Current Liabilities</b>	<b>30,420</b>	<b>9,690</b>	<b>10,768</b>	<b>214%</b>	<b>183%</b>
Deferred Tax Liability	301	1,448	1,585	-79%	-81%
Income tax payable	229	337	605	-32%	-62%
Long-Term Loans	7,715	10,240	9,605	-25%	-20%
<b>Total Long-Term Liabilities</b>	<b>8,244</b>	<b>12,025</b>	<b>11,795</b>	<b>-31%</b>	<b>-30%</b>
<b>TOTAL LIABILITIES</b>	<b>38,664</b>	<b>21,715</b>	<b>22,563</b>	<b>78%</b>	<b>71%</b>
Share Capital	2,771	771	771	259%	259%
Share Premium	38,874	12,958	12,958	200%	200%
Retained Earnings	3,660	4,905	4,905	-25%	-25%
Currency translation differences (Ukraine)	(1,949)	(1,468)	(1,778)	33%	10%
Net Income (Loss) Of The Period	2,153	(1,740)	(1,246)	-224%	-273%
Revaluation Reserve	2,899	1,849	2,464	57%	18%
<b>Total Equity Attributable To Shareholders</b>	<b>48,408</b>	<b>17,275</b>	<b>18,075</b>	<b>180%</b>	<b>168%</b>
Minority Interest	1	1	1	0%	0%
<b>Total Shareholders' Equity</b>	<b>48,409</b>	<b>17,276</b>	<b>18,076</b>	<b>180%</b>	<b>168%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>87,073</b>	<b>38,991</b>	<b>40,639</b>	<b>123%</b>	<b>114%</b>
<b>Net working capital (AR+Inventory-Payables)</b>	<b>9,892</b>	<b>14,804</b>	<b>14,702</b>	<b>-33%</b>	<b>-33%</b>

## KEY FACTS

- Teliani covers super premium, premium and entry level segments
- Fine and authentic Georgian wines: traditional wines produced in KVEVRI - a giant clay vessel as well as appellation controlled and varietal wines produced in European Style
- Well known appellations, such as: Mukuzani, Teliani, Kindzmarauli, Khvanchkara, Tsinandali, Tvishi, Manavi, Napareuli, Akhasheni, etc.
- Grape variety wines, such as: Rkatsiteli, Saperavi, Tsinandali, Kakhuri-Mtsvane, Mtsvane, Tvishi, Mujuretuli, Aleksandrouli, etc.
- Teliani owns wineries and harvests c.50% of its grape inputs; rest is sourced from multiple other wineries
- Teliani operates wine production facility in Kakheti (East Georgia)

## BRANDS



### KEY FACTS

- The leading distribution platform in Georgia with a wide product portfolio and the largest point-of-sale outreach in Tbilisi and regions
- Thorough and high-quality coverage (categories A ,B and C)
- Close relationship with major clients with unrivalled status (exclusive or preferential)
- Distribution portfolio includes brands of Teliani Wine, and imported products such as beer, vodka, juice, brandy, and coffee
  - Wine - Teliani Valley, Glekhuri, Teluri, Mossano
  - Georgian Brandy- Le Caucase
  - Sparkling Wine - Teliani Valley
  - Chacha - Teliani Valley
  - Vodka - Medoff, Sobieski, Mernaya.
  - Beer - Heinken, Krusovice
  - Juice - Granini, Campa
  - French brandy - Cortel
  - Whisky - The Macallan, Cutty Sark, The Famous Grouse
  - Armagnac - Price de Conde
  - Calvados - Pere Francois
  - Liqueurs- Maria Brizard
  - Coffee - Molinari, Juliano
- Superior control of operations through modern IT solutions and developed finance and analytics;
- Track record of strong organic growth and ability to successfully expand the portfolio in short time

### SELECTED BRANDS



Note: Teliani distributes over 100 different SKUS, above list includes selection of the major brands

## Exclusive Heineken producer in Caucasus

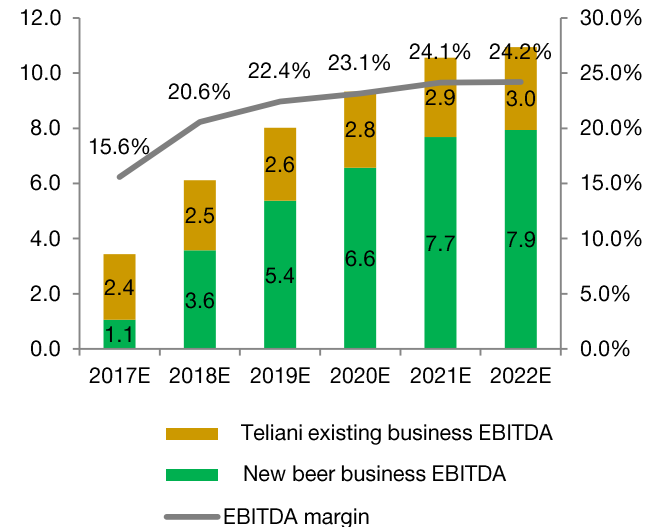
### Teliani partnership with Heineken

- Teliani has imported Heineken since 2006
- Heineken wanted to enhance footprint in Caucasus on partnered with Teliani, by providing 10-year exclusive production rights
- Under the license, Teliani will produce there brands: Heineken, Amstel and Krusovice
- Heineken also supports Teliani in developing the local beer brand
- From spring 2017, Teliani will start production and replace imported Heineken with locally produced one
- Total investment is US\$ 40.6mln, of which US\$ 15.3mln is equity, rest is finance by the consortium of DFIs



### EBITDA projection

EBITDA Evolution, USDmn (2017-2022)



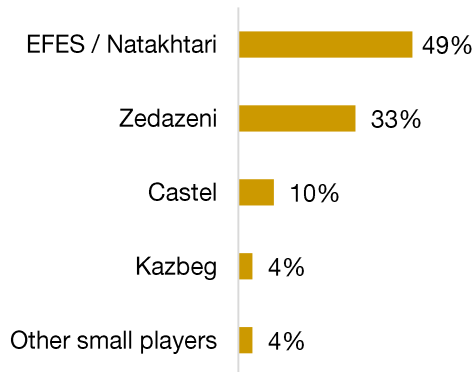


## Exclusive Heineken producer in Caucasus

Highly concentrated, but sizeable market (GEL 290mln)

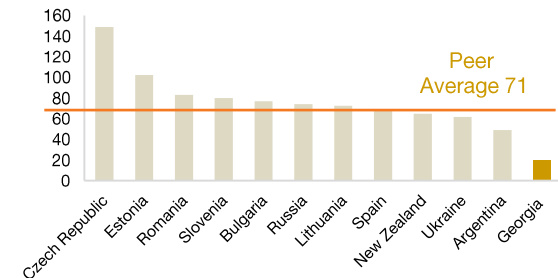
And low consumption per capita compared to peers

### Beer producer market shares



- Beer market is GEL 290mln: GEL 240mln local production, GEL 50mln imported
- 82% of the market is concentrated within 2 major players
- All beer players produce beer and lemonade
- Noone is diversified beyond beer and lemonade, they only distribute self-produced products
- None of them export significant share of revenue
- All have mix of local and foreign brands (foreign brands are produced in Georgia)

Beer Consumption in Peer Countries 2014 (l/capita)



## Beer factory construction – to be completed in 3 weeks

Picture 1: Large container construction site



Picture 2: Beer tanks



Picture 3: Factory



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Goal	Become leading beverages producer and distributor in Caucasus		
<p><b>Priorities By 2018</b></p>	WINE PRODUCTION	DISTRIBUTION	BEER PRODUCTION
	<ul style="list-style-type: none"> <li>• Grow in line with market locally</li> <li>• Entering new markets with big potential of grow China, UK. Stabilising and increasing sale on new enter European markets like Poland and Baltic</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance product portfolio, becoming the leading FMSG importer and distributor in Caucasus region</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving More than 10% of local beer market at the first operation year and keep leading position in licensed brands</li> </ul>

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**Shota Kobelia**  
**CEO**

At Teliani since 2009. Having previously worked at Pernod Ricard in the USA and Eastern Europe, joined Teliani to build up Ukrainian distribution. In 2010, became CEO for Teliani Valley and developed it from a small and loss-making winery into a major beverage group with own distribution channels on the main markets. Most recently secured exclusive trademark licence from Brau Union for such well-known beer brands as Heineken, Amstel and Krušovice. Holds MS in Sales & Marketing from Bordeaux Business School.



**Koba Chanturia**  
**CFO**

At Teliani since 2007. Joined as the Deputy CFO at Liberty Consumer JSC – Group's subsidiary overseeing non-banking investments. Currently, he plays key role in launching Heineken brewery in Georgia. Holds MBA from Ivane Javakhsishvili State University of Tbilisi.



**Shota Milorava**  
**Head of Sales & Distribution**

At Teliani since 2005. More than ten years of extensive work experience in sales and distribution. Joined as Sales Manager at Teliani and later laid the foundation for Teliani distribution efforts and developed it into a leading beverage distribution business in Georgia. Prior, he worked as a Brand Manager at Borjomi (renowned Georgian mineral water), where he started his career as an Assistant Distributor. Holds a Master's in Philosophy.



**Vesko Perovic**  
**Head of beer supply chain**

Joined Teliani in 2016 to lead beer supply chain. [Works for Brau Union from 2008 on different positions : starting from Brew master finishing with head of supply chain position in Greenfield business in Belarus. In prior from 1997 worked for INBV and EFES running technical side of the business. Holds BD from University of Agriculture, Food technology Institute, Belgrade And postgraduate study certificate in top-level research, by INSEAD

Awards in the international wine competitions, press and various guides: Decanter, International wine and Spirit Competitions, International Wine Challenges. Mondialdu France, Wine Spectator, etc.

BRAND	NAME	TYPE	HARVEST	AWARD	YEAR	AWARDED BY
Glekhuri	Kisi Mtsvane	White Dry	2013	Silver Medal	2015	IWC
Glekhuri	Kisi Qvevri	White Dry	2013	Silver Medal	2015	IWSC
Mossano	Cabernet-Saperavi	Red Dry	2006	Silver Medal Best in Class	2008	IWSC
Mossano	Cabernet-Saperavi	Red Dry	2008	Silver Medal	2011	IWC
Mossano	Cabernet-Saperavi	Red Dry	2008	Silver Medal	2012	IWSC
Mossano	Cabernet-Saperavi	Red Dry	2011	Silver Medal	2013	IWSC
Teliani Valley	Teli	White Dry	2004	Silver Medal	2006	Challenge International du Vine
Teliani Valley	Tsinandali	White Dry	2007	Silver Medal Best in Class	2009	IWSC
Teliani Valley	Mukuzani	Red Dry	2006	Silver Medal	2009	Mondial /France
Teliani Valley	Tsinandali	White Dry	2007	Silver Medal	2009	Mondial /France
Teliani Valley	Tsolikouri	White Dry	2007	Silver Medal	2009	Mondial /France
Teliani Valley	Napareuli	Red Dry	2007	Silver Medal	2009	Wine for Asia
Teliani Valley	Saperavi Unfiltered	Red Dry	2007	Silver Medal	2009	Wine for Asia
Teliani Valley	Mukuzani	Red Dry	2006	Silver Medal	2010	IWC
Teliani Valley	Tsinandali	White Dry	2007	Silver Medal	2010	IWC
Teliani Valley	Mukuzani	Red Dry	2006	88 Points	2010	Wine Spectator
Teliani Valley	Mukuzani	Red Dry	2006	Silver Medal	2011	IWC
Teliani Valley	Tvishi	White Semi Sweet	2010	Silver Medal	2012	IWSC
Teliani Valley	Mukuzani	Red Dry	2010	Silver Medal	2013	Mondial
Teliani Valley	Kindzmarauli	Red Semi Sweet	2013	Silver Medal	2015	IWC
Teliani Valley	Kindzmarauli	Red Semi Sweet	2013	Silver Medal	2016	IWC
Teliani Valley	Rkatsiteli kvevri	White Dry	2012	Silver Medal	2016	IWC
Teliani Valley	Tsolikouri	White Dry	2013	Silver Medal	2016	Concours Mondial de Bruxelles
Teliani Valley	Saperavi	Red Dry	2014	Silver Medal	2016	IWSC
Teliani Valley	Kindzmarauli	Red Semi Sweet	2013	90 points	2016	Wine Enthusiast
Teliani Valley	Mukuzani	Red Dry	2013	90 points	2016	Wine Enthusiast



## Beer brands to be produced

Brand 1: Heineken



**Heineken** - is a Dutch premium pale lager beer with 5% alcohol by volume produced by the Dutch brewing company Heineken International. Heineken is well known for its signature green bottle and red star. Since 1975 most Heineken brand beer has been brewed at their brewery in Zoeterwoude, Netherlands. In 2011 2.74 billion liters of Heineken brand beer were produced worldwide, while the total beer production of all breweries fully owned by the Heineken Group over all brands was 16.46 billion liters globally.[13] Sold in more than 170 countries, Heineken is the world's most international premium beer. It has been incorporated with numerous beer brands from different countries all over the world including, Mexico, China, and Africa.

Brand 2: Crusovice



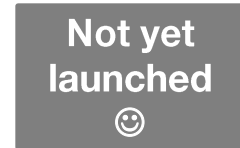
**Krusovice** - is a Czech upper mainstream beer, established in 1581 by Jiří Birka in the village of Krušovice. The brewery gained a contract to provide beer to Emperor Rudolf II in 1583, allowing them to use the Imperial Crown of Austria as part of the company's logo. The company was acquired by Heineken in July 2007.

Brand 3: Amstel



**Amstel** - is a Dutch premium beer founded in 1870 on the Mauritskade in Amsterdam, Netherlands. It was taken over by Heineken International in 1968, and the brewing plant closed down in 1982, with production moving to the main Heineken plant at Zoeterwoude.

Brand 4: [undisclosed]

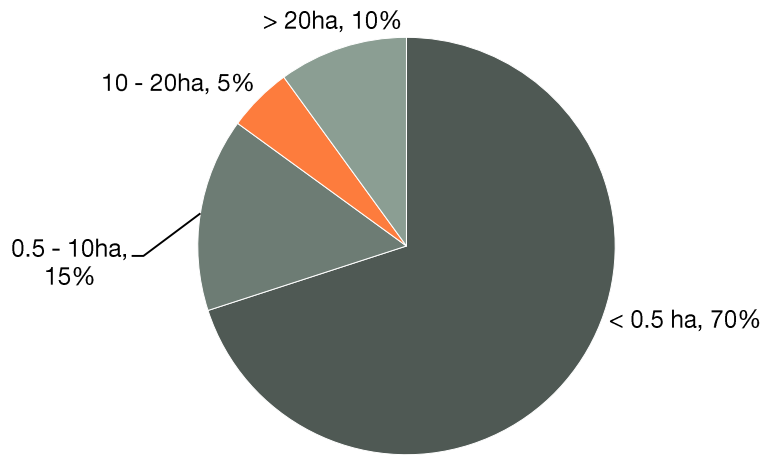


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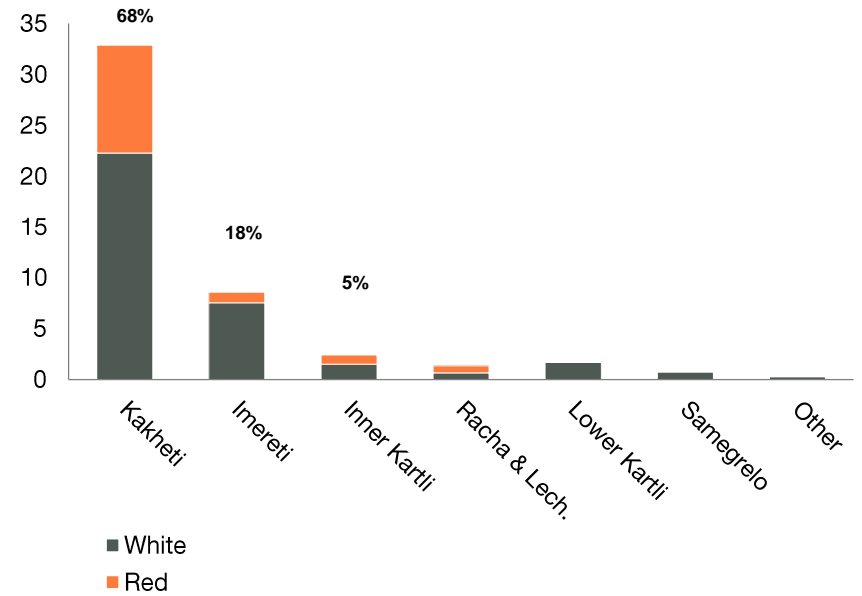


# Fragmented vineyard ownership

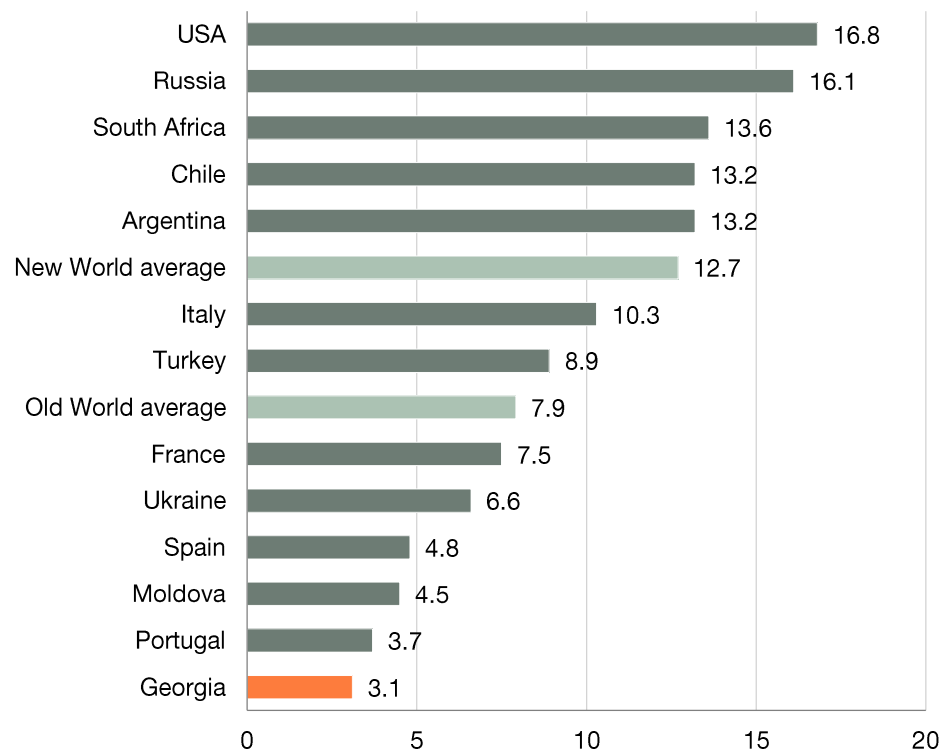
Breakdown of Georgian vineyards by size



Vineyard area by type and region ('000 ha), 2004



## INEFFICIENT HARVESTING

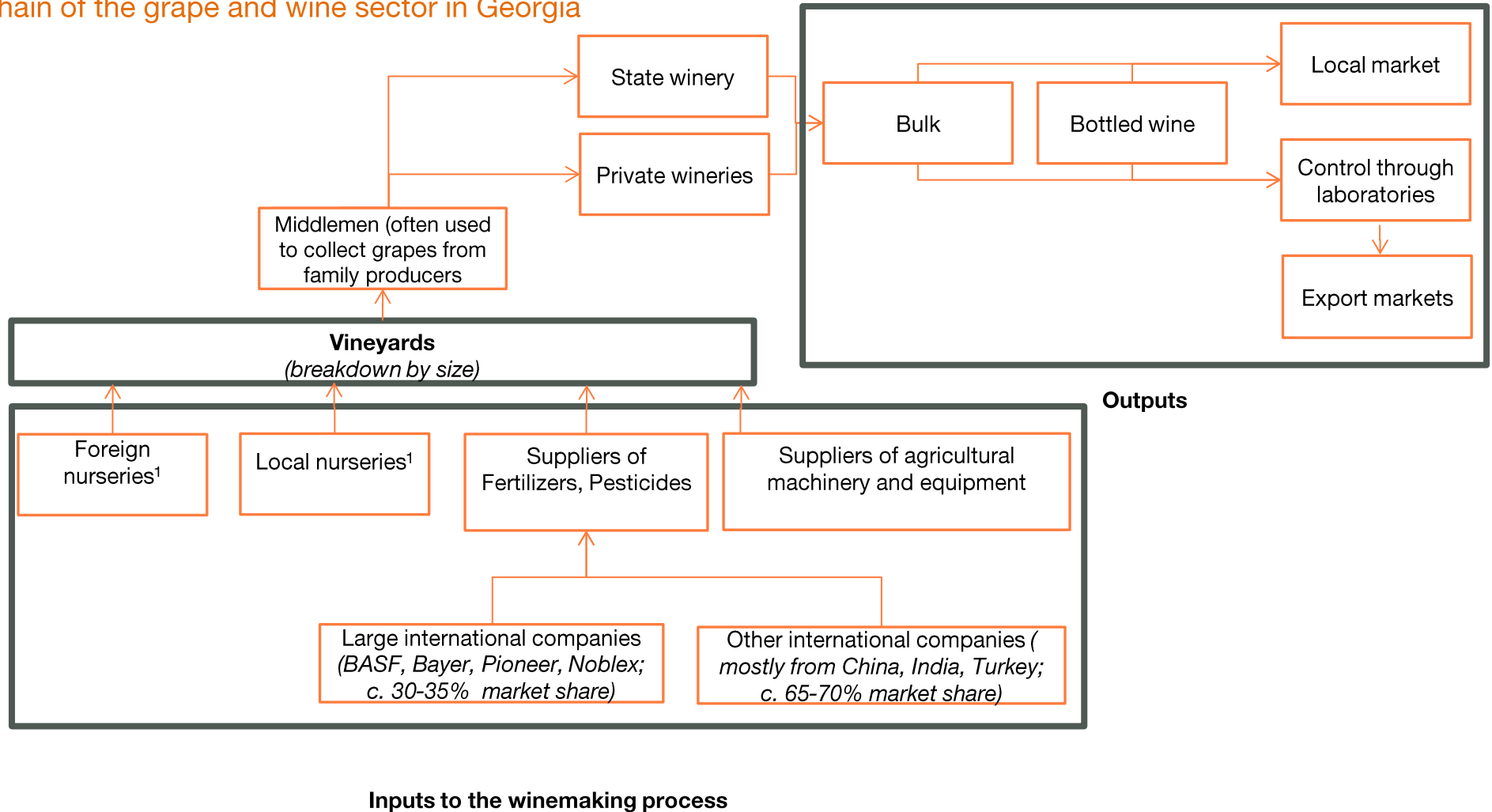


Note: The Old World average includes France, Italy, Spain, Portugal and Germany. The New World average includes US, Argentina, Chile, South Africa, Australia and New Zealand

- **Grape yields are around 3t/ha, around 1/3 of the global average and significantly below regional peers** (Ukraine - 6.6t/ha; Turkey – 8.9t/ha; Moldova – 4.5t/ha).
- In addition to smaller vineyard size and lower fertilizer use, vines in Georgia are generally planted farther from each other and grapes are hand-picked, resulting in lower yields per hectare.
- However, yields differ by type of grapes and depending on whether the wine is aimed for mass or premium segment.
- **Georgia has the potential to produce over 500mn liters of wine annually, 10x that of the current volume.**
- For this, we assume grape yields will expand back to the 2007 level of 5.5t/ha and the total vineyard area will increase to its peak of 150,000ha in the 1970s.
- In order to reach the maximum capacity, all harvested grapes must be used for wine-making, with 35% wastage.
- We believe the adoption of more efficient technologies, vineyard consolidation, better education of farmers, and more prolific fertilizer use will increase grape yields and close the gap to regional peers

# Value chain of the grape and wine sector in Georgia

## Value chain of the grape and wine sector in Georgia



<sup>1</sup> Nurseries are facilities where plants are propagated and grown to usable size  
Source: FAO, BoG Research

Table 1: Categories of Georgian wine producers

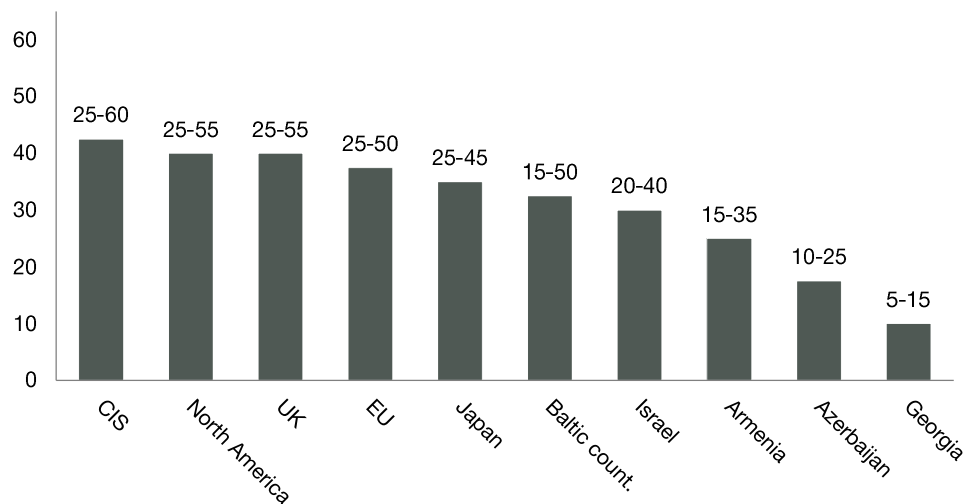
Category	Characteristics	Producers
Large wineries	<ul style="list-style-type: none"> <li>Produce 100,000-1,000,000 bottles a year</li> <li>Often own vineyards</li> </ul>	<ul style="list-style-type: none"> <li>Telavi Wine Cellar</li> <li>Teliani Valley</li> </ul>
	<ul style="list-style-type: none"> <li>Use mostly stainless steel and less oak barrels and qvevris in production</li> <li>Active exporters</li> </ul>	<ul style="list-style-type: none"> <li>Tbilvino</li> <li>GWS</li> <li>Badagoni</li> <li>Kindzmarauli Marani</li> <li>Kakhuri</li> <li>Khareba</li> </ul>
Historical wineries	<ul style="list-style-type: none"> <li>Historical wineries built on historic winery sites</li> <li>Use of qvevris is common</li> </ul>	<ul style="list-style-type: none"> <li>Château Mukrani</li> <li>Chavchavadze's Tsinandali Estate</li> </ul>
"Garagistes" <sup>1</sup>	<ul style="list-style-type: none"> <li>Produce 1,000 – 100,000 of bottles a year</li> <li>In some cases, organic grapes are used</li> <li>Use the qvevri method, or Kakhetian/Imeretian winemaking styles</li> <li>Use minimal or no additives</li> </ul>	<ul style="list-style-type: none"> <li>Teleda</li> <li>Schuchmann Vinoterra</li> <li>Alaverdi Monastery</li> <li>Marani Khetsuriani</li> <li>Pheasant's Tears</li> <li>Iago Bitarishvili</li> <li>Soliko Tsiashvili</li> </ul>

<sup>1</sup> Originally from the Bordeaux region of France, "garagistes" were small entrepreneurial wine-makers who did not adhere to the traditional methods of wine-making

Source: WFW, Georgian Sommelier Association

- **FRAGMENTED:** There are around 180 wine producers in Georgia, of which 100 were engaged in export in 2013
- **PRODUCERS FOLLOW SEVERAL DIFFERENT STRATEGIES**
- The largest wineries, including Tbilvino, Teliani Valley, and Telavi Wine Cellar, are large-scale wineries that produce wine using contemporary technology and mass production methods. However, some of these large wineries are also experimenting and diversifying into other segments such as organic, hand-made wines, and traditional qvevri wines.

## Tourist expenditure on wine and wine tasting (US\$ per person)



Note: Bar heights represent average spending per person; labels represent ranges  
Source: USAID

- Georgian-made wines account for 99% of domestic consumption.
- Demand is mainly focused on the non-premium segment (pre-tax price of less than US\$ 2.50/liter pre-tax wholesale price; US\$ 1.9/bottle).
- Wine tourism-related infrastructure started being developed in recent years with some wineries offering accommodation and wine tasting packages.

## Food and wine tourists in Georgia, forecast

	2012	2013	2014F	2015F	2016F	2017F	2018F	2019F
<b>Number of international visitors, mn</b>	<b>4.4</b>	<b>5.4</b>	<b>6.1</b>	<b>6.6</b>	<b>7.1</b>	<b>7.6</b>	<b>8.2</b>	<b>8.9</b>
<b>Of which Leisure / Recreation / Vacation visitors</b>	<b>2.5</b>	<b>3.3</b>	<b>3.9</b>	<b>4.3</b>	<b>4.6</b>	<b>5.0</b>	<b>5.4</b>	<b>5.9</b>
% growth rate	84%	33%	18%	9%	8%	8%	9%	9%
<b>Food and wine tourists, mn</b>	<b>0.08</b>	<b>0.11</b>	<b>0.14</b>	<b>0.16</b>	<b>0.18</b>	<b>0.20</b>	<b>0.23</b>	<b>0.27</b>
% of Leisure / Recreation / Vacation visitors	3.20%	3.40%	3.60%	3.80%	3.90%	4.10%	4.30%	4.50%

Note: The forecast of international visitors is prepared by BoG Research (please see BoG Research report "Georgia's Tourism Sector - Targeting Diversification" which includes our latest forecast)

Source: GNTA, BoG Research

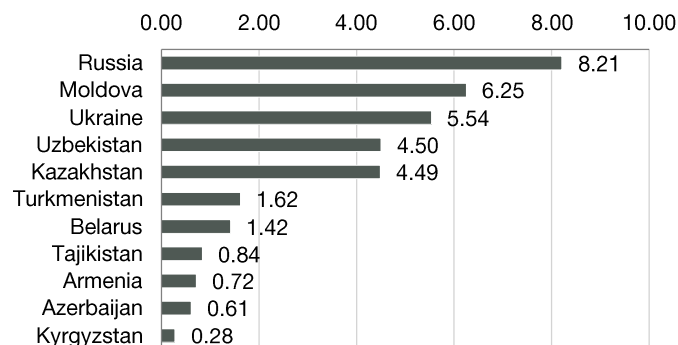
# DEMAND GROWTH DRIVERS – export markets

## Potential export markets and key demand-side considerations

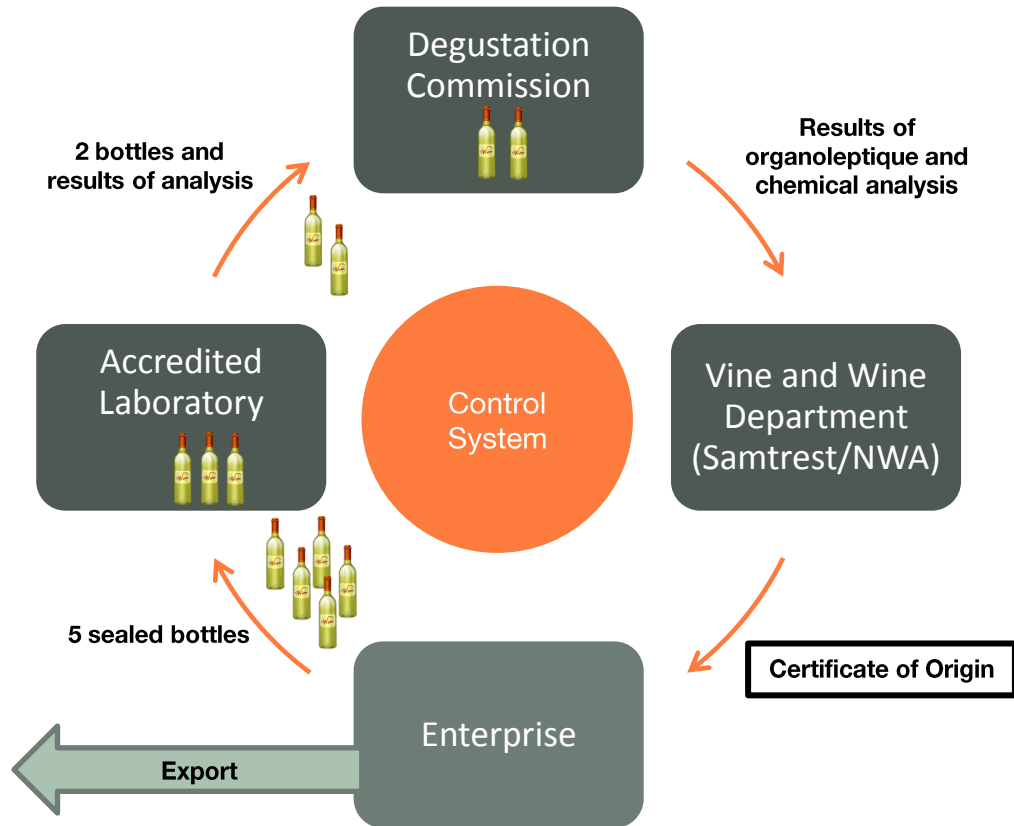
Export market	Target segments	Key considerations
US	<ul style="list-style-type: none"> <li>Mid and premium segments</li> <li>Already present in the “ethnic” market – easier segment given the Georgian wine “story”</li> </ul>	<ul style="list-style-type: none"> <li>Low quantities at the beginning, growth over time</li> <li>Financing needed to get established in premium segment</li> <li>Best suited products: mid and premium segment – local grape variety wines (e.g. Saperavi, Mtsvane, Rkatsiteli, etc.); “Ethnic” market – well-known wines</li> </ul>
China	<ul style="list-style-type: none"> <li>Mid and premium segment (incl. the gift segment)</li> <li>New wine consumers segment</li> </ul>	<ul style="list-style-type: none"> <li>Currently low awareness of Georgian wine</li> <li>The aim is to be present in the premium segment in big cities such as Beijing, Shanghai and Hong Kong in low quantities and to be present in provincial cities</li> </ul>
Germany	<ul style="list-style-type: none"> <li>Mid and premium segments – experienced consumers</li> <li>“Ethnic” market: comparably low prices</li> </ul>	<ul style="list-style-type: none"> <li>Best suited products: mostly red wines (Germany produces less of these); white – varietal wines, including Tsinandali; varietal wines for mid and premiums segment, including Saperavi, Mtsvane and Rkatsiteli</li> <li>Experienced wine consumers are looking for new, different and exclusive products</li> <li>More than one million emigrants from post-Soviet and socialist countries are familiar with Georgian wine</li> </ul>
Poland	<ul style="list-style-type: none"> <li>Mid and premium segments – experienced customer segment</li> </ul>	<ul style="list-style-type: none"> <li>Professional wine consumers who love wine are looking for new, different and exclusive products.</li> <li>Best suited products: dry red wines, including Saperavi and Mukuzani</li> <li>Reason to buy: interest in Georgian wines</li> </ul>
UK	<ul style="list-style-type: none"> <li>Mid and premium segments with the highest-quality red wines, mainly Saperavi</li> </ul>	<ul style="list-style-type: none"> <li>Reason to buy: willingness to try something different – new varietals, new taste from a new country</li> </ul>

Source: USAID, Georgian Sommelier Association

## CIS wine consumption per capita, liters (2010)



Source: Anderson and Nelgen



- Over the past 10 years progress has been made in terms of regulation, and consumer trust in the authenticity and quality of Georgian bottled wine has risen as a result.
- The National Wine Agency (NWA) is the government's main tool in establishing a well-regulated and trustworthy wine industry.
- Marketing efforts are driven by the NWA and Georgian Wine Association (GWA).
  - The appointment of the Georgian Wine Ambassador (currently the President of the Georgian Sommelier Association) was another positive step for marketing wines abroad. The ambassador's duties include hosting wine receptions and conducting educational classes as well as interaction with global wine media representatives to increase visibility.

**STRENGTHS**

- Lower land prices compared to other wine-growing regions in Europe
- Favourable climate and soil conditions
- Availability of low-cost labour in agriculture
- Government and investment support and support from international donors
- Ease of starting business, investor friendly legal and tax framework
- Relative ease of access to EU markets
- Strengthening international image of the “Cradle of Wine” with over 8,000 vintages
- Wide variety of indigenous grapes and wine styles

**WEAKNESS**

- Small average sizes of vineyards and lack of consolidated land plots resulting in lower yields and no economies of scale
- Lack of experience and exposure in international markets
- Insufficient infrastructure and professionals in the fields of winemaking and wine tourism
- Production of varieties unknown outside of Georgia and the CIS
- High transportation costs and lack of bottle and cork production facilities domestically
- Still high local demand for homemade, jug wine limiting the domestic market and skewing the price of grapes upwards

**OPPORTUNITIES**

- Increasing productivity for existing products
- Increasing trade to EU and new product opportunities in CIS, DFTA with EU
- Shift into production of higher value added products
- Rising numbers of tourists and the related wine tourism
- Large number of small wineries poised for consolidation
- Re-opening of the Russian market in 2013
- Focus on qvevri-made and natural wines as a niche category strongly supported by the “Georgian wine story”
- Domestic demand increasing towards higher quality bottled wines

**THREATS**

- Reputational damage (e.g. counterfeit wines)
- Protectionist/safeguard measures from wine-importing countries (e.g. Russia 2006)
- Increasing input costs
- Climate changes
- Fluctuation of market prices
- High barriers of entry in certain countries



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