



OVERVIEW OF CONSTRUCTION SECTOR AND CONSTRUCTION MATERIALS MARKET (Q1 2026)

SEPTEMBER 2026

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Executive summary

Since 2022, the construction sector in Georgia has been on a steady upward trajectory, supported by a surge in demand for residential real estate, elevated construction activity and expanding materials consumption. GDP in the construction sector grew by an average of 18% over 2022–2024, reflecting a strong and sustained activity in construction sector. The positive trend continued in 2025, when GDP in construction increased by 7% annually, and carried into the first quarter of 2026, with growth of 5% YoY. A significant portion of construction-related activity is reflected under the category of real estate activities, which includes leasing, rental services, real estate agency operations and development-related services. As of 2025, the combined value added of the construction and real estate sectors accounted for approximately 17% of Georgia's total GDP.

In nominal terms, construction sector turnover has increased substantially, reaching GEL 15.1 bn in 2024 before easing slightly to GEL 14.8 bn in 2025, as a decline in road and railway infrastructure activity was only partly offset by continued growth in residential and non-residential buildings, which accounted for the majority of activity. Turnover remained solid in the first quarter of 2026, at GEL 2.8 bn.

Cost pressures have intensified across the sector. Between 2019 and 2025, construction companies' expenses more than doubled, driven largely by higher spending on goods and services as well as rising personnel costs. Materials and subcontracting continue to dominate the cost structure, while labor costs have become an increasingly important driver of inflation amid persistent workforce shortages. Although construction cost inflation moderated in 2023–2025, wages remained the primary upward pressure through the first quarter of 2026, joined from late March by rising transportation, fuel and electricity costs amid global fuel price increases and a domestic tariff hike.

Construction permit issuance surged in 2023–2024, signaling strong investor and developer sentiment and a substantial potential pipeline of future supply. Full-year 2025 permits declined by 5% in area terms, a modest pullback after two years of exceptionally high issuance and this decline continued into the first quarter of 2026. Notably, the number of permits issued actually rose in the first quarter of 2026, meaning average project size declined, reversing the trend toward larger projects seen since 2023.

The construction and renovation materials market expanded rapidly over 2019–2025, growing at an average annual rate of 10.9% (CAGR) and reaching USD 5.8 bn in 2025. Growth has been driven by both increased construction volumes and rising prices, with 2025 growth driven mainly by renovation materials, suggesting demand is shifting toward finishing-stage work. While construction materials benefit from relatively strong domestic production, renovation materials, furniture, household appliances and several finishing products remain heavily import-dependent.

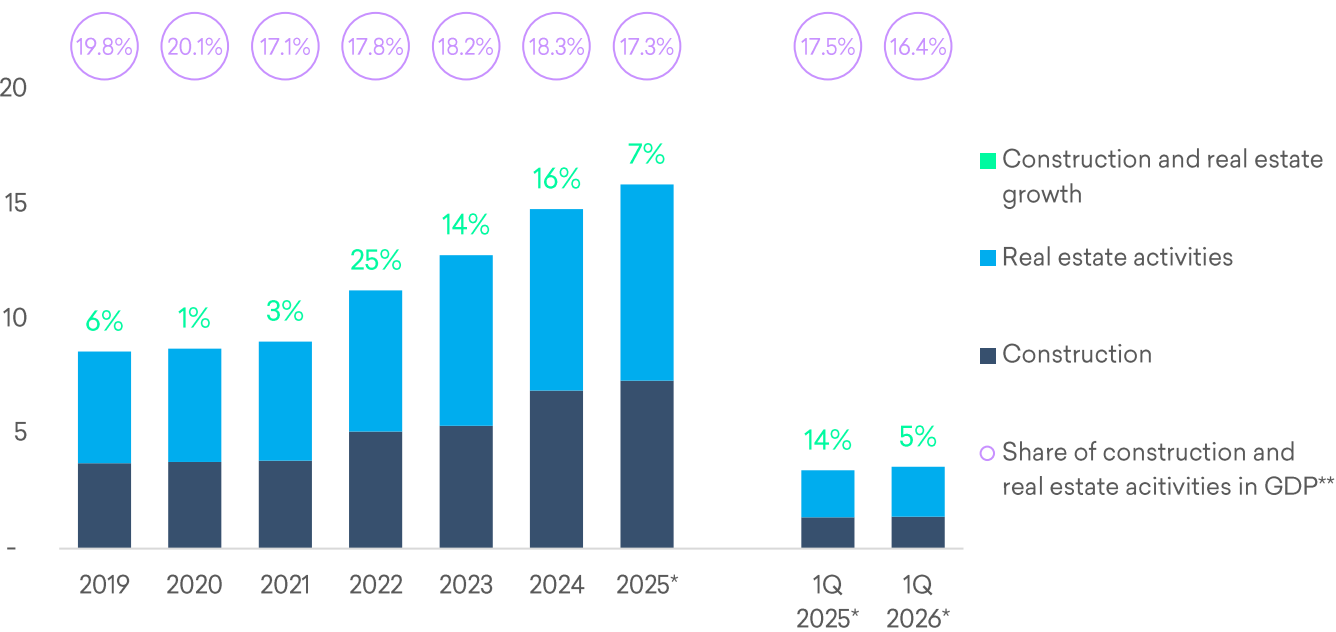
Türkiye and China are Georgia's key trading partners, reflecting proximity, manufacturing capacity and cost advantages. At the product level, cement and ready-mix concrete markets are largely supplied by domestic production, with high self-sufficiency ratios supported by logistics constraints and local capacity. However, cement production remains dependent on imported clinker, exposing the sector to external price and supply risks. Steel products, particularly iron bars and rods, remain import-reliant, though self-sufficiency recovered somewhat in 2025. Bricks, ceramic tiles and paints remain structurally vulnerable segments, characterized by declining domestic production and high import dependence, most acutely bricks, where the self-sufficiency ratio collapsed in 2025.

Construction sector: GDP dynamics and growth trends

Since 2022, the construction sector in Georgia has been on a steady upward trajectory, supported by a surge in demand for residential real estate. This increase was primarily driven by both the direct and indirect impact of migration, which fueled strong housing demand for both rental and purchase demand. At the same time, strong domestic demand fueled by rising incomes and post-pandemic recovery in consumer confidence further stimulated residential development and created favorable conditions for construction activity to expand, especially in Tbilisi and Batumi. Therefore, GDP in the construction sector grew by 25% in 2022, followed by 14.0% in 2023 and 16% in 2024, reflecting a strong and sustained activity in construction sector. The positive trend continued in 2025 as well, when GDP in construction sector increased by 7% annually, and by 5% in the first quarter of 2026.

A significant portion of construction-related activity is reflected under the category of real estate activities, which includes leasing, rental services, real estate agency operations, and development-related services. In 2025, the combined value added of the construction and real estate sectors accounted for approximately 17% of Georgia’s total GDP. However, their share in the economy has declined over time, from 19.8% in 2019 to 17.3% in 2025 and further to 16.4% in the first quarter of 2026. This downward trend likely reflects the relatively slower growth of construction and real estate compared to faster-expanding sectors such as Information and Communication Technologies (ICT), and education, which have gained greater prominence in Georgia’s economic structure.

Figure 1. GDP in construction (Bn. GEL, at current prices), YoY growth rate and share in total GDP



Source: Geostat, Preliminary data

Construction sector: turnover dynamics

Turnover in Georgia's construction sector rose substantially in nominal terms between 2019 and 2025, reaching GEL 14.8 bn, a compound annual growth rate of 10.2%.

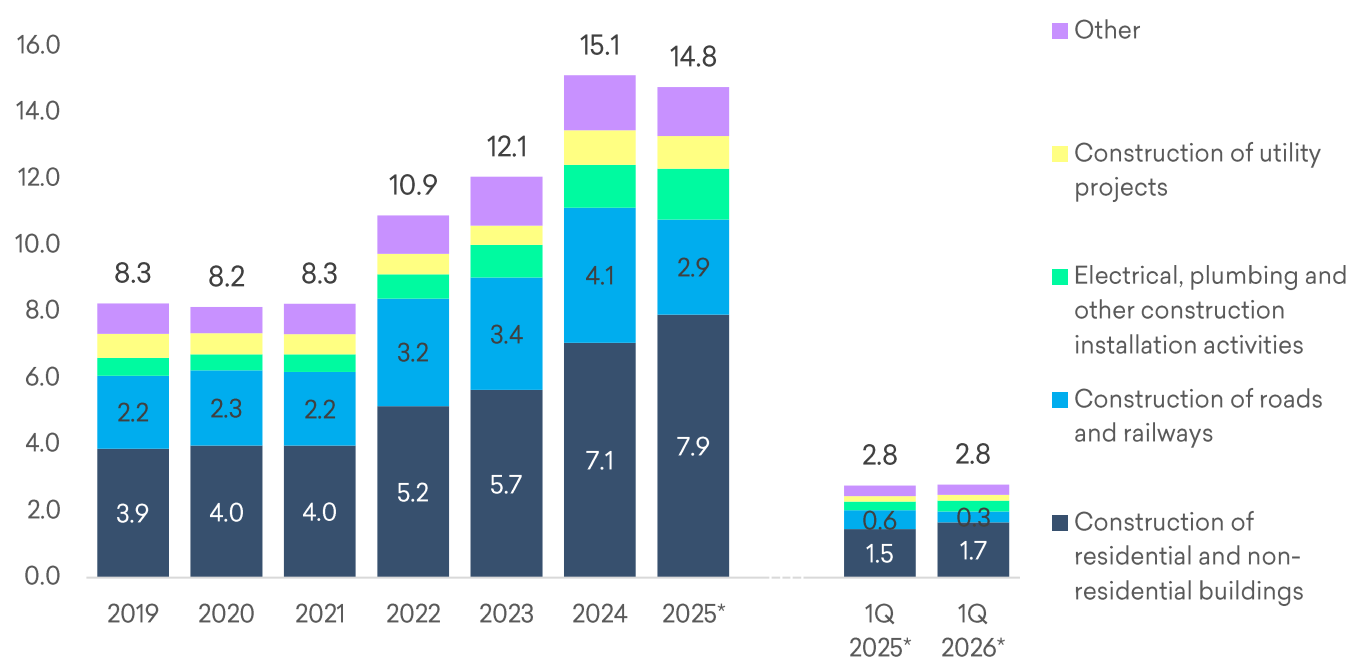
Among sub-categories, residential and non-residential building construction contributed the largest share, averaging 47%, and grew significantly over the period. Road and railway infrastructure projects held the second-largest share, averaging 25%, and also grew significantly overall.

In annual terms, road and railway infrastructure declined in 2025, the main driver behind that year's decrease in overall turnover.

This reflects the completion or wind-down of several major road corridor projects. Residential and non-residential building construction, by contrast, continued to expand, rising by 12%. Among sub-categories, the most notable increases in 2025 were recorded in electrical, plumbing and other construction installation activities, reflecting strong demand for housing, commercial space and modern utility infrastructure.

In the first quarter of 2026, turnover in construction stood at GEL 2.8 bn, with components broadly maintaining their shares from previous years.

Figure 2. Turnover in construction by kind of economic activity, excluding VAT, bn GEL



Source: Geostat, Preliminary data

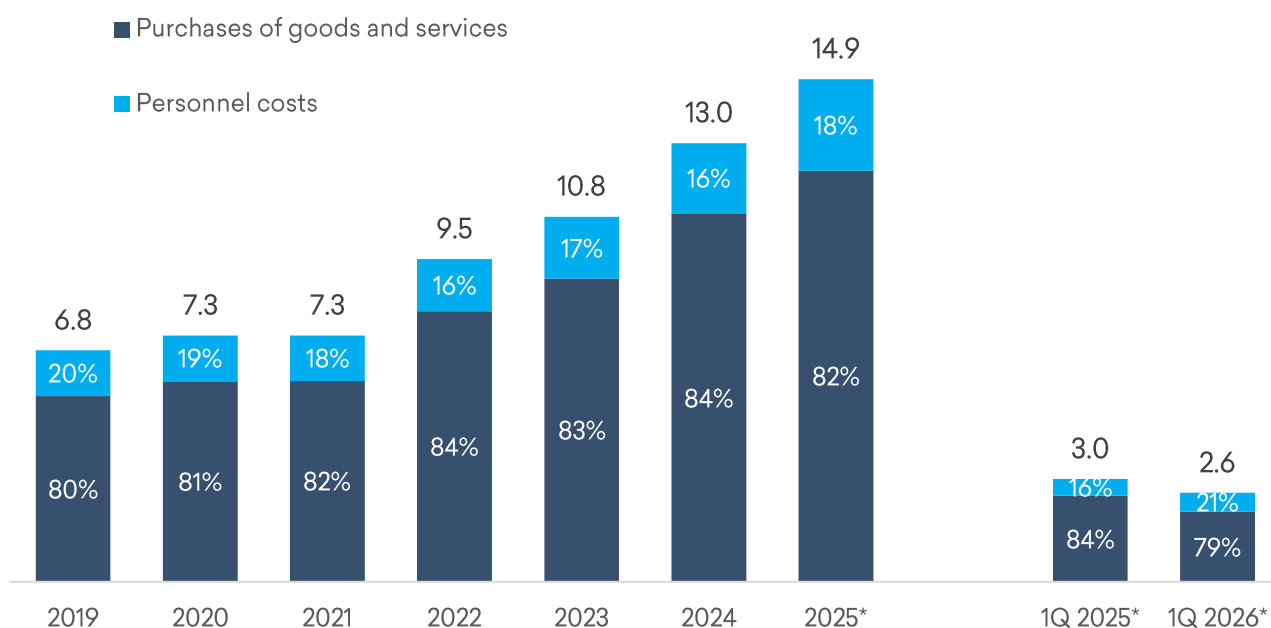
Breakdown of expenses: goods and services vs personnel costs

Between 2019 and 2025, construction companies' spending on goods and services and personnel in Georgia more than doubled, from 6.8 bn GEL to 14.9 bn GEL, highlighting a substantial expansion in both operational scale and input costs. The majority of expenditures are consistently directed toward the purchase of goods and services, accounting for approximately 80–85% of total costs, reflecting the material- and subcontractor-intensive nature of construction. Meanwhile, personnel costs have also risen steadily, increasing from 1.3 bn GEL in 2019 to 2.7 bn GEL in 2025, signaling stronger demand for labor and rising wage pressures in the sector.

Notably, the sharpest increases occurred between 2022 and 2025, with expenses rising by nearly 57% over just three years. This trend is driven by increased construction activity, increased inflation for materials and intensified infrastructure spending.

The first quarter of 2026, construction sector expenses declined by 14% YoY to GEL 2.6bn, driven primarily by lower spending on goods and services, amid a high base effect and a decrease in the area of construction permits issued. In contrast, personnel expenses increased despite a decline in employment, pointing to higher personnel costs per employee.

Figure 3. Expenses of construction companies, excluding VAT, bn. GEL



Source: Geostat, Preliminary data

Construction permit issuance trends

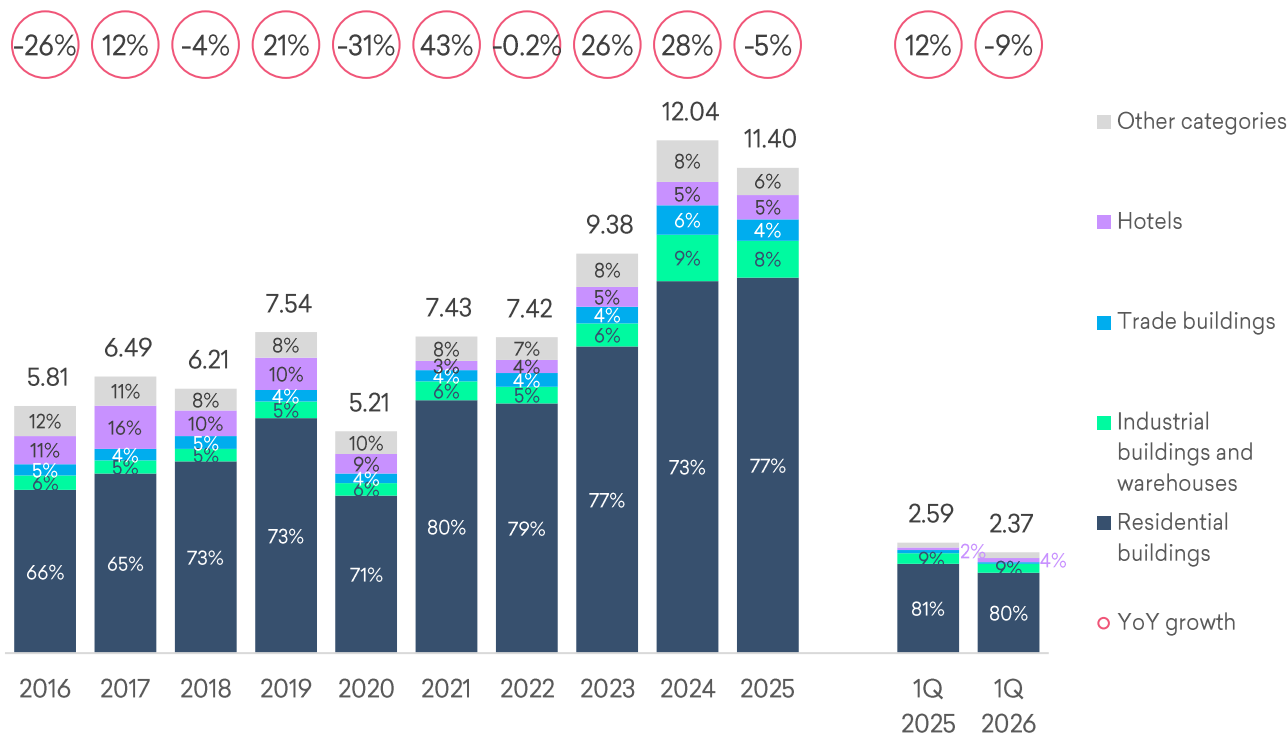
Construction permits are basically the key indicator for current and future activity in the real estate market, serving as a forward looking measure, which gives us an idea about market sentiments, mostly from investors and developers. In Georgia, over the past few years, especially 2023–2024, there has been a noticeable surge in construction permit issuance, reflecting rising domestic and foreign demand. If in 2016 permits were issued for building with an area of about 5.8 mln sqm, in 2024 this figure more than doubled. Between 2024 and 2025, more than 20 mln sqm of permits were issued, indicating a significant increase in potential future supply and intensified market competition.

Full-year 2025 permits declined by 5% YoY, a modest pullback after two years of exceptionally high issuance. This decline continued into the first quarter of 2026, with permits down 9% relative to the first quarter of 2025.

Notably, the number of permits issued rose in the first quarter of 2026, meaning average project size per permit declined, reversing the trend toward larger projects seen since 2023.

When looking at the distribution of permits by building categories, residential building take up the large majority, mostly just below 80% of total permits throughout the years.

Figure 4. Construction permits issued (Mln. sqm) and YoY change (%), Georgia



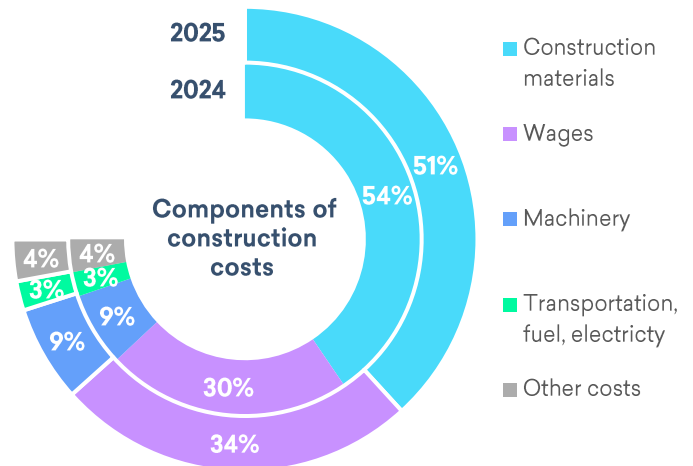
Source: Geostat, TBC Capital

Construction costs

Construction input costs increased significantly in recent years. Cost levels started accelerating after 2021, post-Covid, when the market activity began rebounding. During 2023, construction cost inflation started cooling down, with annual growth standing at 12%. The trend of moderate inflation carried into 2024 and 2025, with annual YoY growth holding at a low single-digit pace of around 4% in both years. In these years real estate demand stayed strong, preventing any cost deflation.

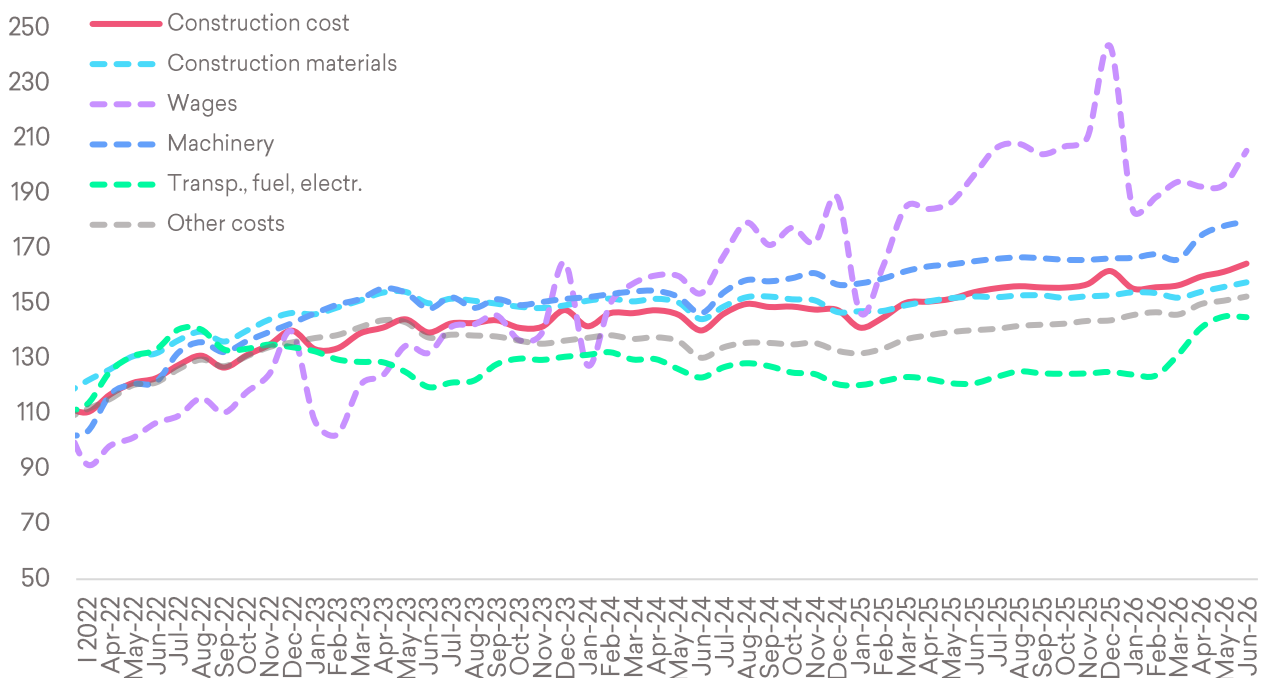
In 6M 2026, costs were around 4% above the previous year level. The increase is mainly driven by wages, which increased by 9% annually, alongside a sharp rise in transportation, fuel, and electricity costs from late March 2026, driven by global fuel prices and an April electricity tariff hike.

According to TBC Capital's estimations, construction materials account for the largest share of total construction costs at 51%, followed by wages with 34% share.



In the last couple years, labor costs have become the main driver of construction cost inflation, which is mostly due to shortage of labor on the market and the outflow of labor.

Figure 5. Construction cost index (2019 average = 100, \$)



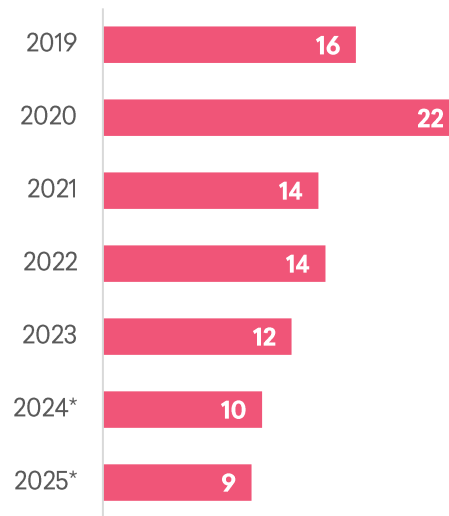
Source: Geostat, TBC Capital

Employment in construction sector

Construction sector employment has mostly been on a roller coaster. Pre-Covid, in 2019, the industry employed around 70 thousand people. The pandemic dealt a blow to the sector, causing employment to drop by 5% annually in 2020 and by 3% in 2021, hitting the low of 64 thousand persons. As the economy rejuvenated, jobs came back gradually with the number of employed persons growing by 3% annually on average between 2022 and 2024. However, according to preliminary data, employment declined by 6% in 2025 compared to 2024. So, the workforce did not expand much since 2019 despite a surge in construction activity. This suggests that labor supply is limited. If we look at the average number of employed persons per 1,000 sqm of potential residential area supply in Georgia, the figure has nearly halved in the last 6 years. Coming down from an average of 16 persons in 2019, to only 9 in 2025.

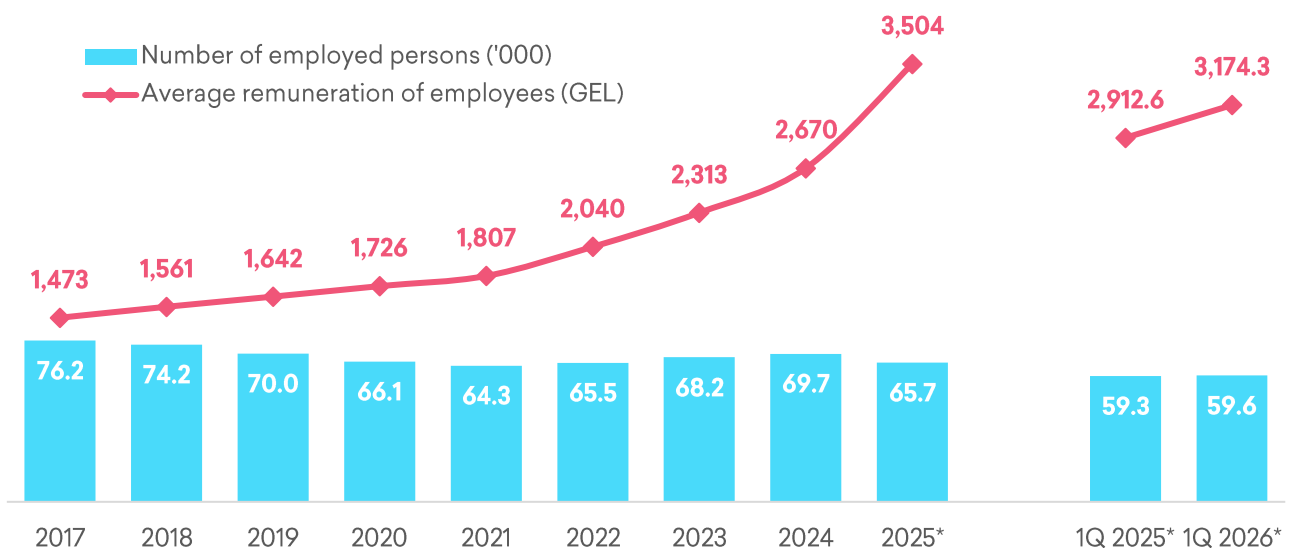
Construction wages have increased drastically. Even during 2020 when employment was weak, the nominal wage kept rising, in some ways possibly reflecting the efforts to retain skilled labor.

Average number of employed persons per 1,000 sqm of potential residential area supply, Georgia



The average remuneration of employed persons in construction was around 1,600 GEL in 2019, while according to the preliminary data in 2025 the figure stands above 3,500 GEL. The wages have more than doubled relative to pre-pandemic level. Such wage inflation far exceeds CPI inflation – another indication of labor shortage in construction.

Figure 6. Number of employed persons in construction ('000) and average monthly remuneration (GEL)



Source: Geostat, TAS, TBC Capital

Market size of construction and renovation materials

In the period of 2019–2025, the construction and renovation materials market increased by an average annual rate of 10.9% (CAGR). This level of growth was largely driven by an increased demand for construction and renovation materials and additionally, rising input prices contributed as well.

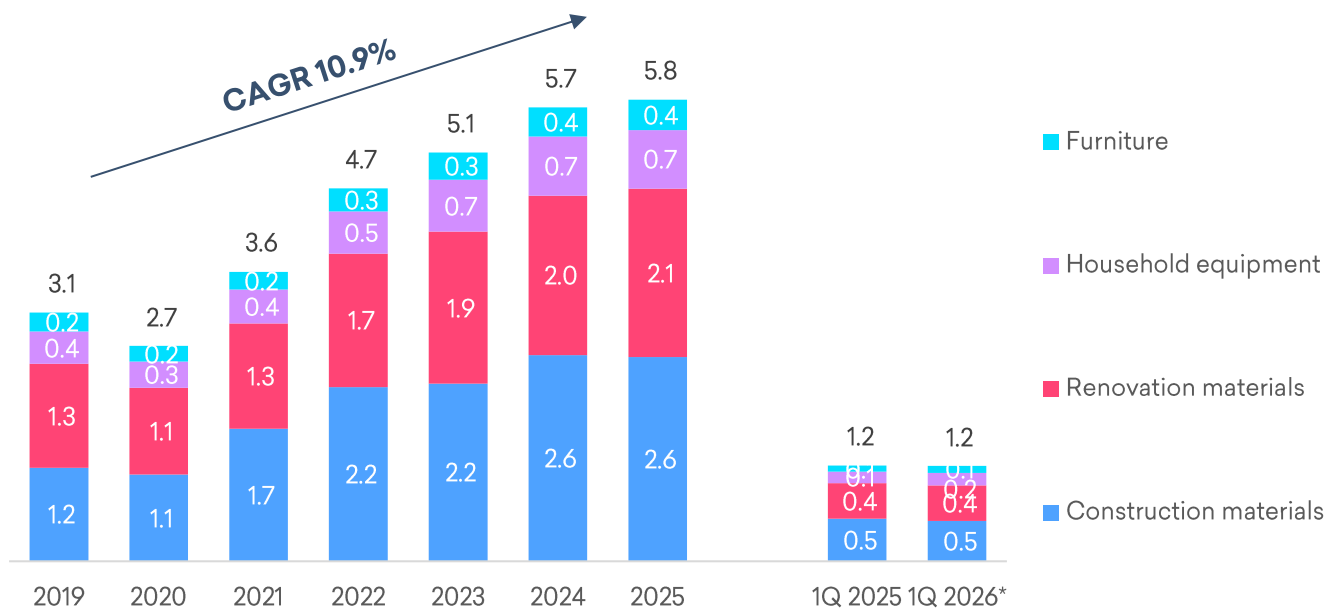
The sector reached \$5.8 bn in 2025, of which \$2.6 bn was attributable to construction materials sub-sector, while the rest, \$2.1 bn went to renovation materials sub-sector.

In 2025, growth was driven mainly by renovation materials, suggesting demand is shifting toward finishing-stage work as projects reach completion.

Demand for construction and renovation materials is expected to keep growing, but more slowly, over the medium term. This reflects three factors:

- Slowing construction GDP growth, along with fewer permits and lower turnover
- Government spending on infrastructure holding flat to slightly lower in 2026
- A shift toward renovation and finishing-stage materials, as projects from the recent demand surge reach completion.

Figure 7. Construction and renovation materials market size (Bn. \$)



Source: Geostat, TBC Capital

Local production vs imports of construction and renovation materials

Even though the sector is mostly import dependent and more than half of its turnover consists of imported goods, the share of import varies significantly when looking at the specific sub-sectors.

Construction materials: 78% of sector’s revenue is from domestic production, which is supported by strong local industry, together with transportation difficulties and high costs, reducing import incentives.

Renovation materials and furniture: revenues in both sectors are mostly generated from import, while domestic production is limited to few niche areas.

Household appliances: this sector is almost entirely dependent on import.

Türkiye is a major trading partner for Georgia, which is due to the development of manufacturing and geographical proximity, ensuring low transportation costs. China ranks as second largest trading partner, mostly with steel imports.

Figure 8. Distribution of imports by country of origin, 2025

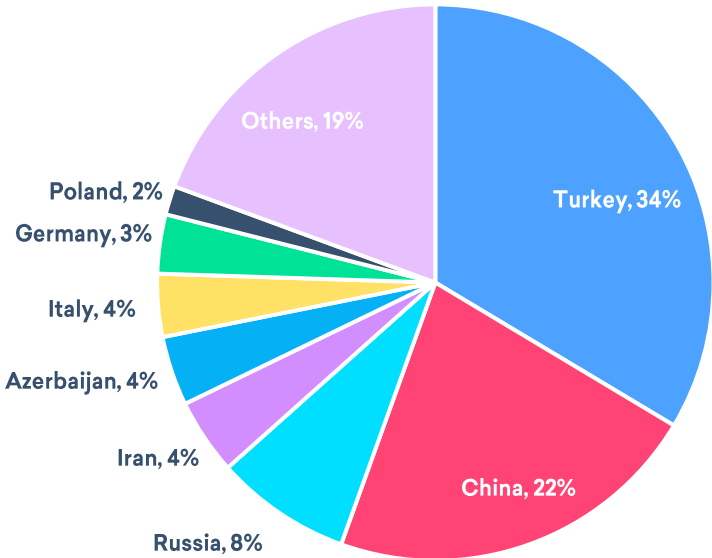
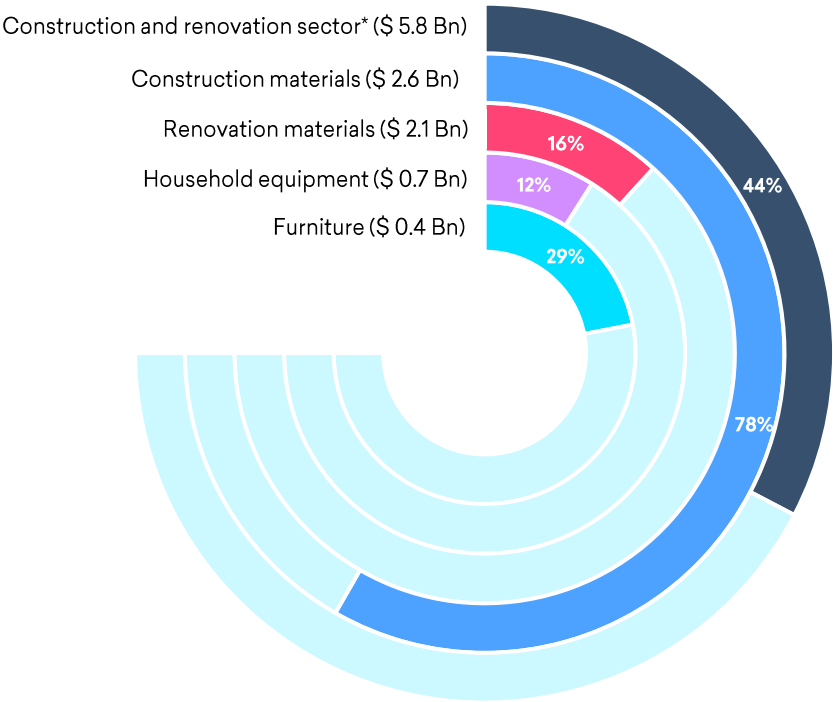


Figure 9. Distribution of local production and import by product, 2025



Source: Geostat, TBC Capital

*Construction and renovation sector in the graph is defined as the sum of construction materials, renovation materials, household equipment, and furniture.

Construction and renovation materials: Cement

Georgia's cement market relies mainly on domestically manufactured products. In 2025, local cement output hit a record 3.12 million tons, covering 95% of overall demand. Imports stayed relatively modest at 162 thousand tons, while exports remained negligible.

Total cement demand reached 3.27 million tons in 2025, 18% above 2019 levels, reflecting the expansion of construction activity. However, annual growth has moderated, from an average of 8.0% in 2019–2024 to just 0.7% in 2025, as the strong construction activity of previous years has begun to normalize. Domestic production has broadly kept pace with demand, keeping the self-sufficiency ratio above 93% since 2019 and at 95% in the first quarter of 2026.

However, despite this high level of self-sufficiency, it is important to emphasize that cement production in Georgia is dependent on imported clinker, the key raw material used in the cement manufacturing process.

Cement prices in Georgia have followed a general upward trend since 2019, rising from 132 GEL per ton to an estimated 236 GEL in 2025. The sharpest increase occurred between 2020 and 2022, largely due to rising clinker import costs and global inflationary pressures. Despite the moderation in demand growth, prices continued to increase, reaching 238 GEL per ton in the first quarter of 2026, 3.8% above the same period of 2025.

Figure 10. Demand for cement (Mln. tons)***

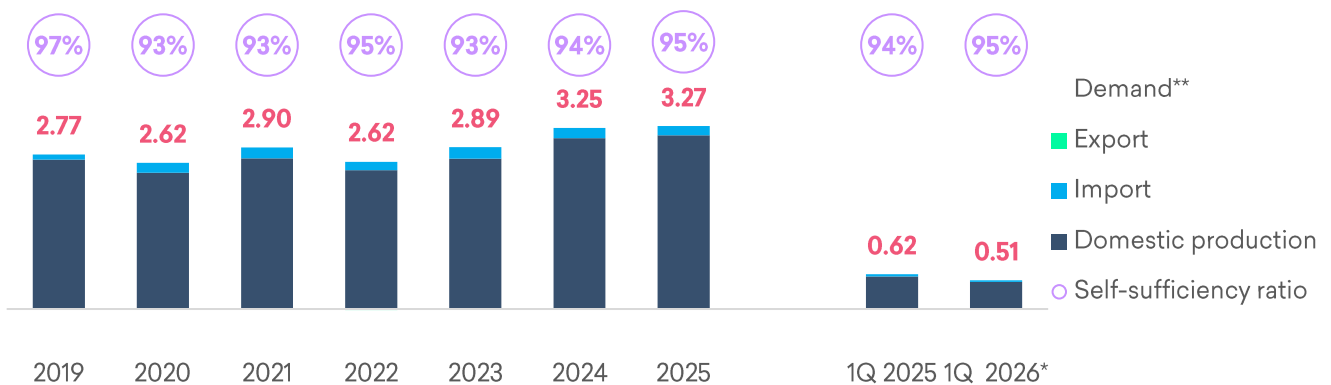
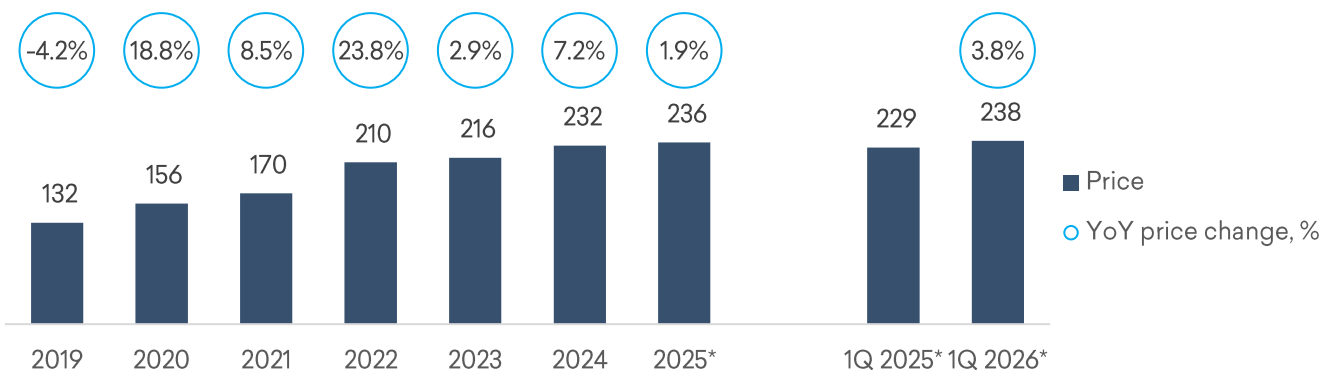


Figure 11. Average production value at market price of cement (₾/tons, excluding VAT) and YoY changes (%)



Source: Geostat, TBC Capital

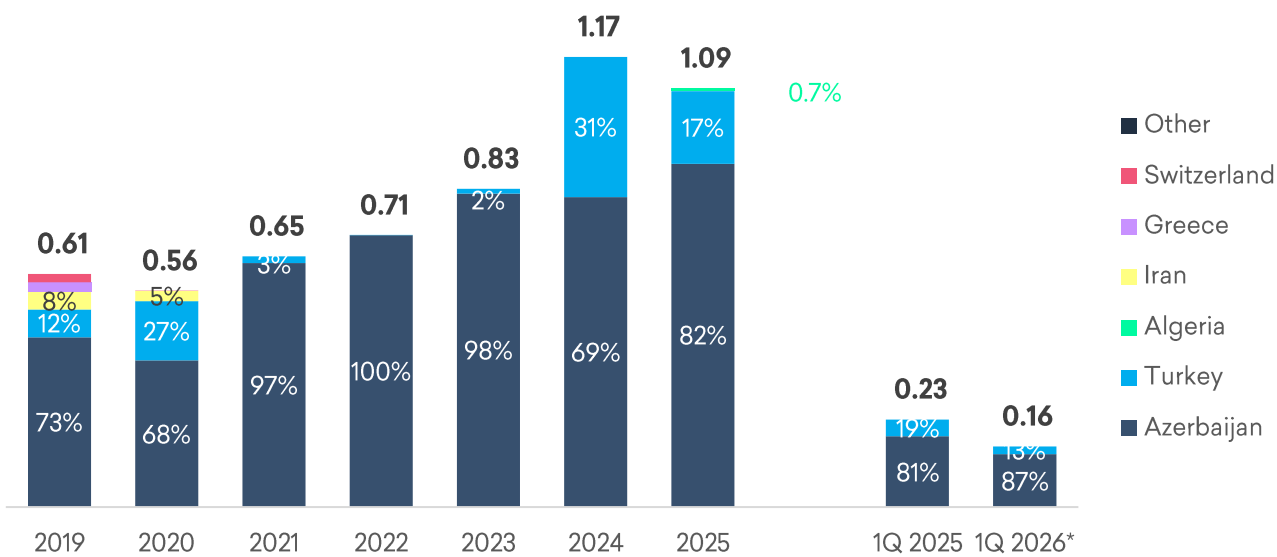
Construction and renovation materials: Clinker

Clinker is the primary intermediate input in cement production and, by extension, a critical raw material for a wide range of construction materials, including ready-mix concrete, concrete blocks, mortars, and other cement-based products.

Clinker imports increased significantly between 2019 and 2024, rising from around 0.6 million tons to a peak of 1.17 million tons, broadly reflecting the expansion of construction activity and cement production. In 2025, imports declined by 7% to 1.09 million tons, following the exceptionally high volumes recorded in 2024. The decline was also consistent with a moderation in construction permit issuance.

In terms of origin, Azerbaijan remained the dominant supplier, accounting for roughly 70–80% of imports in most years, highlighting the high concentration of Georgia’s clinker supply. Türkiye serves as the second key supplier, whose share of imports fell from 31% in 2024 to 17% in 2025.

Figure 12. Import of Clinker by country of origin (Mln tons)



Source: Geostat, TBC Capital

Construction and renovation materials: Ready-mix Concrete

The production of ready-mix concrete in Georgia expanded strongly between 2019 and 2024, broadly tracking the growth in construction activity across the country. Domestic production reached an all-time high of approximately 6.37 million cubic meters in 2024, supported by demand from both public infrastructure projects and private sector development.

Following this strong expansion, the market entered a normalization phase in 2025, with production declining by 25.3% compared with 2024. The moderation continued into the first quarter of 2026, when production was 15.6% lower compared to the same period in 2025.

Due to the specific logistics involved in transporting both raw materials and the final product, demand for ready-mix concrete is almost entirely met by local production, making Georgia largely self-sufficient in this segment.

The average production price of ready-mix concrete in Georgia increased from GEL 116.5 per cubic meter in 2019 to an estimated GEL 190.3 in 2025. The most significant price acceleration occurred between 2021 and 2023, driven by higher input and transportation costs. Prices subsequently declined by 7.3% in 2025 and a further 1.1% YoY in the first quarter of 2026, indicating continued price normalization.

Figure 13. Production of ready-mix concrete (Mln. cubic meters) and YoY changes (%)

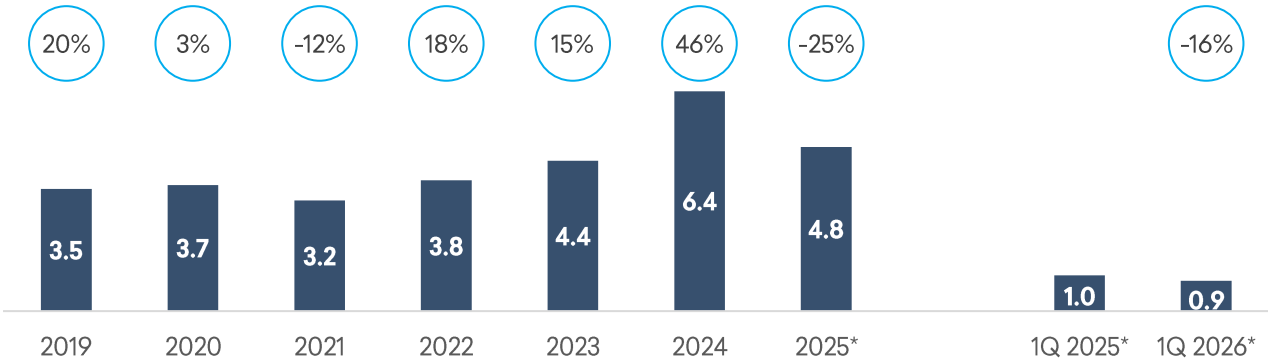
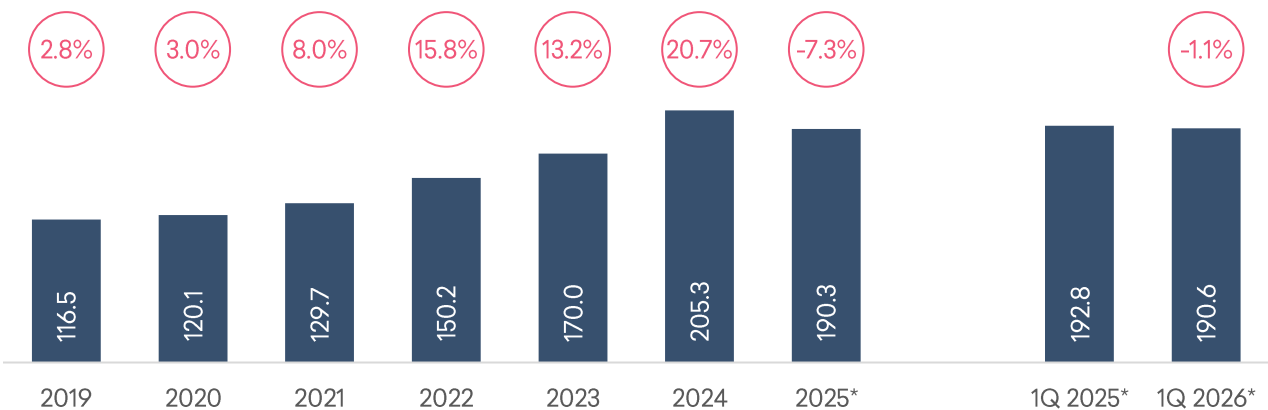


Figure 14. Average production value at market price of ready-mix concrete (€/cubic meters, excluding VAT) and YoY changes (%)



Source: Geostat, TBC Capital

Construction and renovation materials:

Concrete blocks

The production of concrete blocks for wall construction in Georgia has shown a generally upward trend. Domestic production of concrete blocks increased from 0.93 mln cubic meters in 2019 to an estimated 1.3 million cubic meters in 2025, accounting a 40.8% increase over the period. After a moderate decrease in 2021–2022, production rebounded and reached a record high in 2025, reflecting strong demand from both residential and commercial construction segments. Notably, domestic production primarily satisfies market demand, as the product’s bulky nature and high transport cost make imports less competitive.

The average production price of concrete blocks for wall construction in Georgia has steadily increased from 66.6 GEL per cubic meters in 2019 to an estimated 111.5 GEL in 2025, marking a 67.4% rise over the period. The most significant price acceleration occurred between 2021 and 2024, driven by higher input and transportation costs during this period.

In the first quarter of 2026, the price reached 105.9 GEL per cubic meter, marking a 4.2% decrease relative to the same period of 2025, partly reflecting lower clinker prices.

Figure 15. Production of concrete blocks for wall construction (Mln. cubic meters) and YoY changes

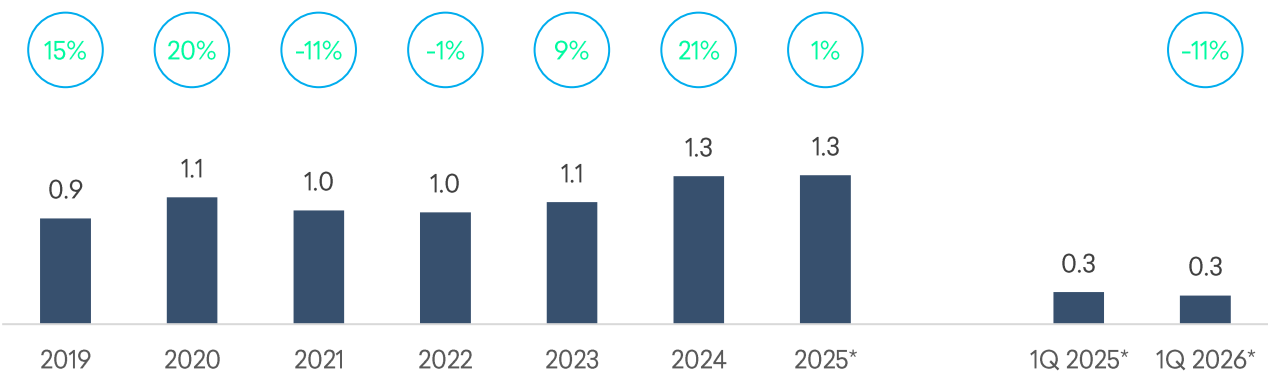
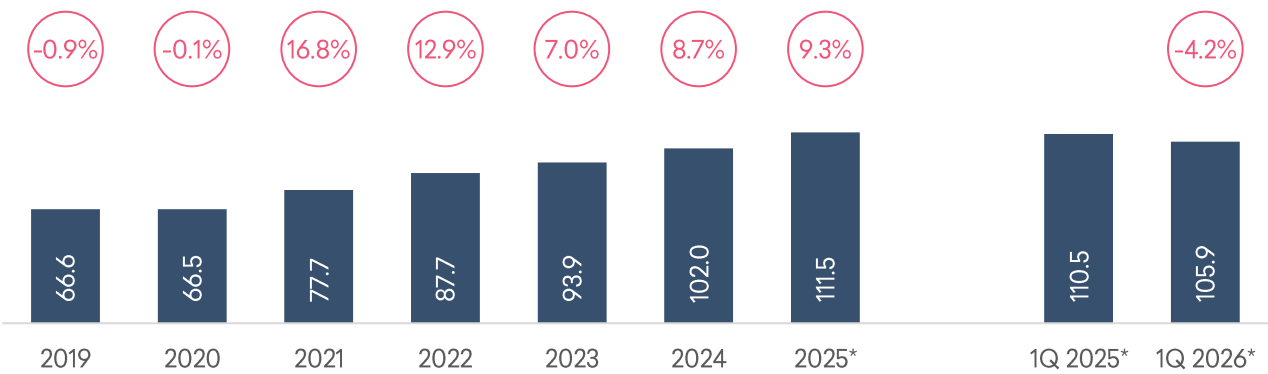


Figure 16. Average production value at market price of concrete blocks of wall construction (€/cubic meters, excluding VAT) and YoY changes



Source: Geostat, TBC Capital

Construction and renovation materials: Iron bars and rods

Iron bars/rods are a key construction material, and Georgia's supplier base for this category saw market peak in 2024 at around 664 thousand tons. This peak was driven by imports, which rose to roughly 395 thousand tons, up 56% on the year before, reflecting increased real estate activity in Georgia. Domestic production decreased by 12% over the same period, pushing self-sufficiency down to 41%, the lowest level in six years, with imports covering more than half of local demand for the first time since the series began. This is likely explained by the price difference between imported and domestically produced product during a period of high demand.

This pattern reversed in 2025: production rose by 16% to 313 thousand tons, while imports fell by 35% to 255 thousand tons, bringing self-sufficiency back up to 55%.

This shift coincided with a GEL 420 per ton tax on imports introduced in January 2025 (in effect until September 2026).

The import side also saw structural change. Ukraine, previously Georgia's dominant supplier, effectively exited the market between 2021 and 2022, preceding the war and not fully explained by it. Iran and Russia subsequently became the main suppliers, anchoring import volumes through the 2023–2024 surge. As volumes normalized in 2025, the supplier base concentrated again around Türkiye, whose share rose from a minor presence to 60% of imports in 2025 and 81% by the first quarter of 2026. Reliance on imports overall declined, even as reliance on a single import partner increased. Whether higher self-sufficiency holds will depend on domestic producers' ability to compete without policy support.

Figure 17. Production and import of iron bars and rods ('000 tons)

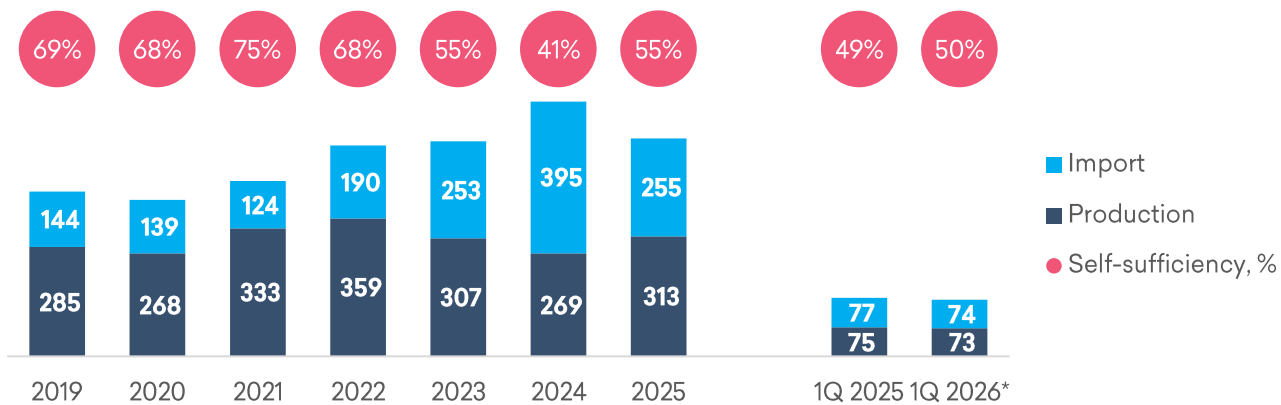
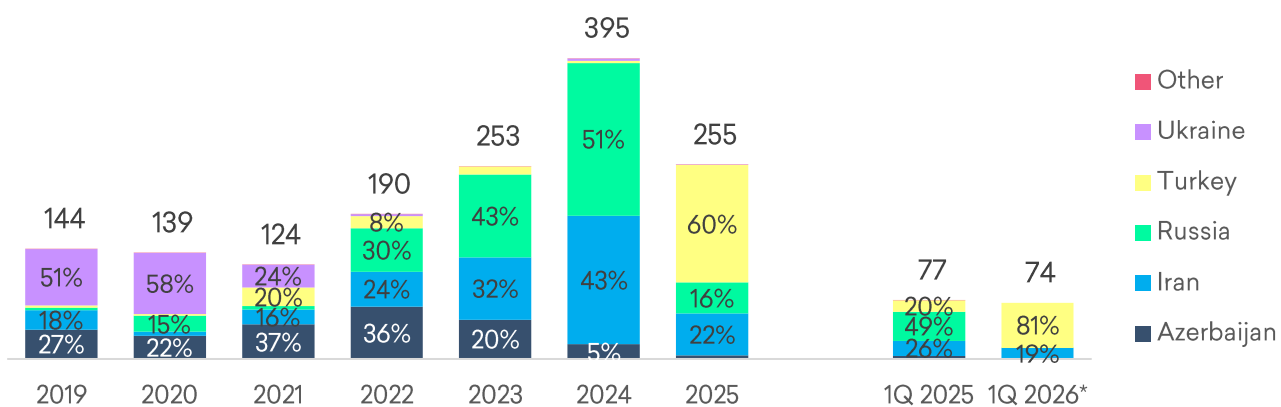


Figure 18. Import of iron bars and rods ('000 tons), by country



Source: Geostat, TBC Capital

Construction and renovation materials: Iron bars and rods

Prices stabilized following the sharp increase seen in 2021–2022. Since January 25, 2025, the import of bars and rods of iron will be subject to a tax of GEL 420 per ton. The tax was in effect until September 1st, 2026 and was intended to reduce import volumes and support domestic production.

Comparing production and import prices, in the first quarter of 2025 the production price stood at \$568 per ton, close to the 2024 average, while the import price stood at \$534 per mt. By the first quarter of 2026, the production price had risen by 11% to \$629 per mt, and the import price had risen by 8% to \$576 per ton.

Iron ore represents one of the most significant components of cost of goods sold (COGS) in the production of iron rods. Historical price movements highlight the volatility of this input: iron ore fines (62% Fe) fluctuated sharply between 2019 and 2022, peaking at over \$211 per ton in mid-2021. This surge was driven by a combination of factors, including strong post-pandemic demand in China, weather-related and operational supply disruptions in Brazil and Australia, and large-scale global infrastructure projects. Prices subsequently corrected, falling below \$100 per ton in late 2022, and forecasts point to prices stabilizing at around \$100 per ton through 2026.

Figure 19. Production and import price* of iron bars and rods (\$/ton)

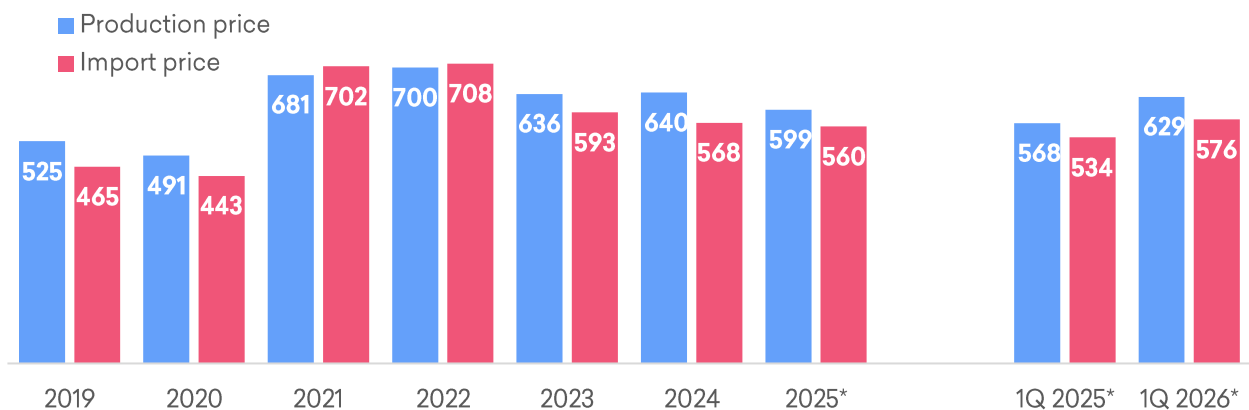
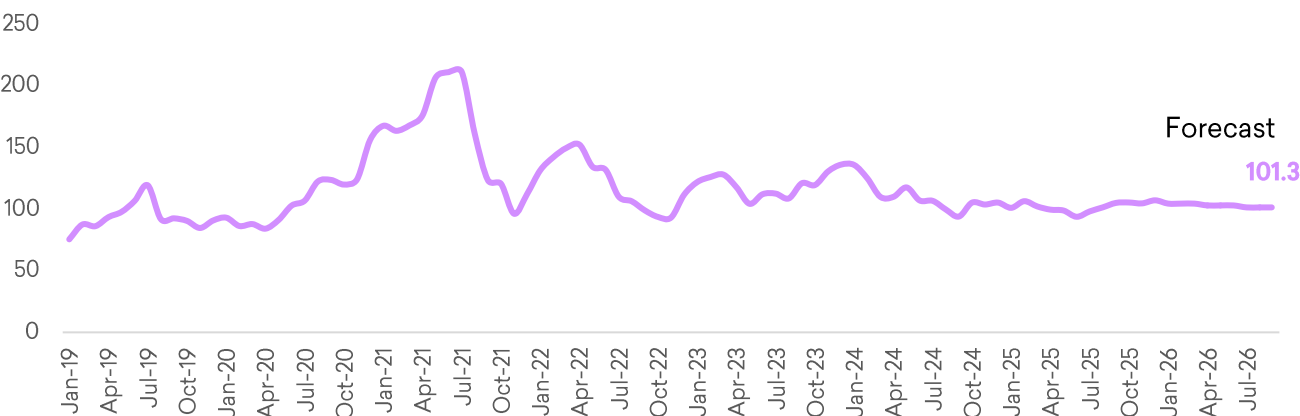


Figure 20. Iron ore price (\$/ton), the spot price for 62% iron ore



Source: Geostat, TBC Capital

*Import price does not include excise duty

Construction and renovation materials: Bricks

Georgia's brick market has experienced significant fluctuations in recent years, with domestic production declining by more than 90% from its 2022 peak of 13.4 million bricks to 0.94 million in 2025. In the first quarter of 2026, production stood at only 0.16 million bricks, compared with 0.11 million in the same period in 2025.

Despite the contraction in overall demand, imports increased from 2.96 million bricks in 2024 to 4.71 million in 2025, causing the self-sufficiency ratio to fall sharply from 75% to 17%. In the first quarter of 2026, the self-sufficiency ratio remained low at 14%, indicating continued reliance on imported bricks.

The 2025–2026 production data are preliminary and may be subject to future revisions.

Nevertheless, the sharp decline in domestic production and increased reliance on imports, if sustained, may reflect greater competitiveness of imported bricks or constraints in domestic production.

Brick prices increased significantly through 2025, rising from 401 GEL per thousand bricks in 2019 to 879 GEL per thousand bricks in 2025. The sharp increase in 2025 coincided with the steep decline in domestic production and may partly reflect tighter local supply. However, prices subsequently moderated in the first quarter of 2026, declining by 9% compared with the same period of 2025.

Figure 21. Demand for bricks (Mln. units)

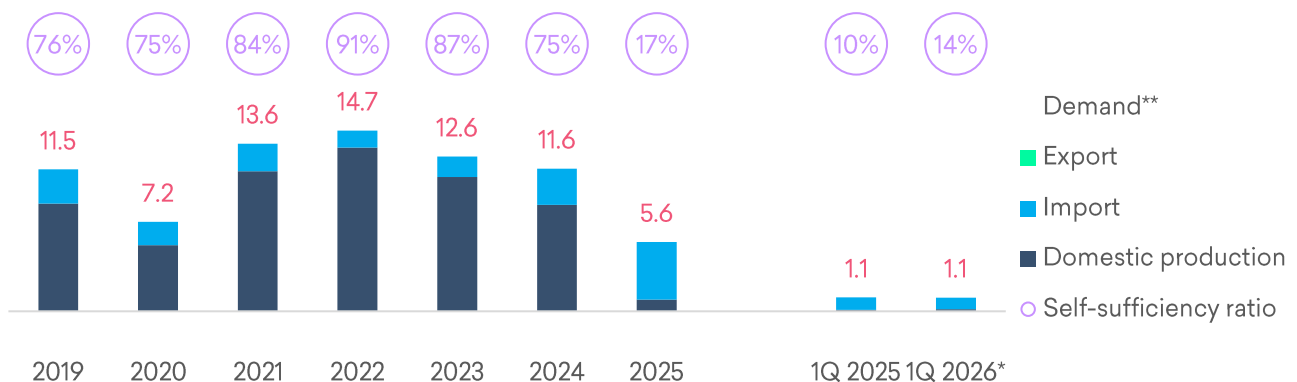
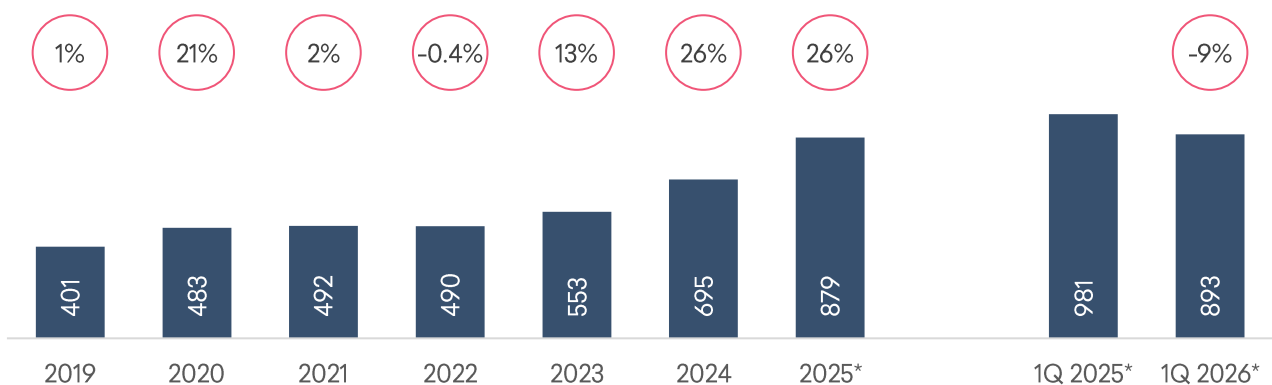


Figure 22. Average production value at market price of bricks (₾/'000 bricks, excluding VAT) and YoY changes (%)



Source: Geostat, TBC Capital

Construction and renovation materials: Ceramic tiles

The Georgian ceramic tiles market is characterized by a very high reliance on imports, with local production playing a marginal role and exports remaining negligible. Domestic production rose between 2019 and 2021, from 155,498 sqm to 337,734 sqm, but this trend reversed sharply from 2022 onward: output fell to 37,865 sqm that year and remained broadly flat through 2024, at 38,560 sqm, before dropping to negligible levels in 2025. As a result, self-sufficiency has remained below 4% throughout the period and fell to effectively 0% from 2025 onward.

Imports have consistently dominated the market, exceeding 9 million sqm annually since 2019, except in 2020.

Imports peaked at over 11.1 million sqm in 2023 before easing in 2024, then increased by 8% in 2025 and a further 9% YoY in the first quarter of 2026, indicating continued demand for imported ceramic tiles.

Import prices rose sharply between 2021 and 2022, from \$5.6 to \$7.2 per sqm, driven by higher global shipping and logistics costs and strong international demand for construction materials. Since 2022, prices have remained comparatively stable, ranging between \$7.0 and \$7.3 per sqm through the first quarter of 2026, even as domestic production remained negligible.

Figure 23. Demand for ceramic tiles (Mln. units)

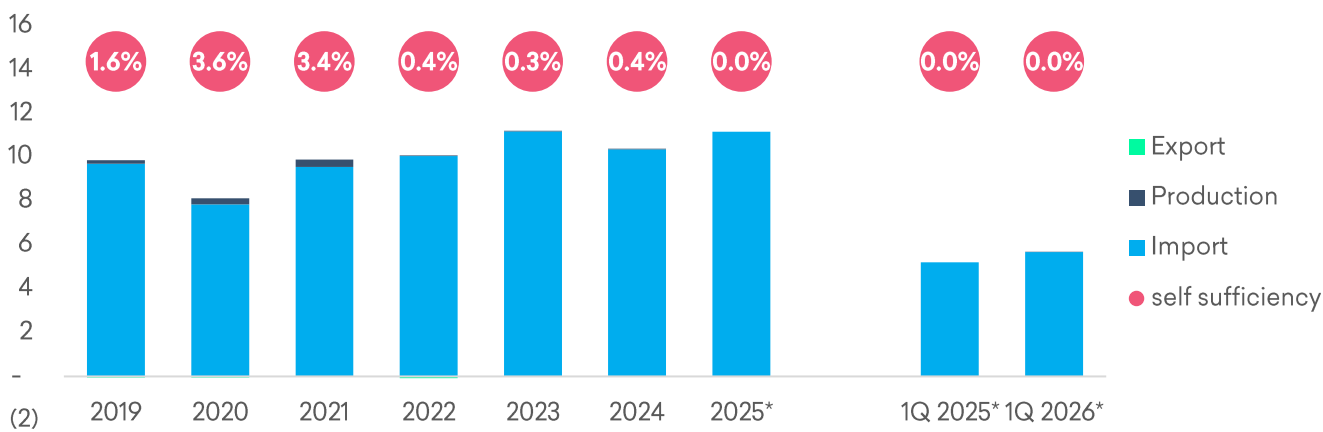
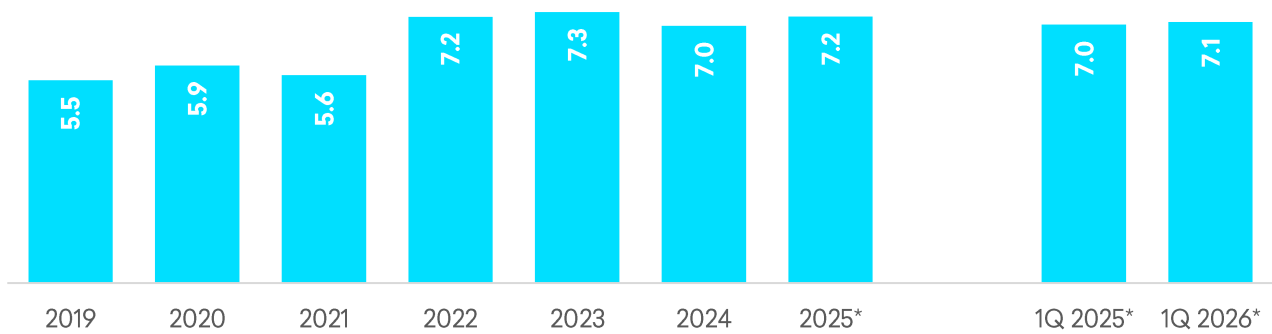


Figure 24. Average import price of ceramic tiles (\$/sqm)



Source: Geostat, TBC Capital

■ Import price

Construction and renovation materials: Paints

Demand for paints has followed a trajectory broadly similar to other construction materials in the construction sector.

Domestic paint production was volatile over 2019-2025, dipping in 2020 amid COVID-related disruption to construction activity before peaking in 2024 at 7,929 tons, and then falling back by roughly 26% to 5,878 tons in 2025, which could be potentially attributed to brand preferences and product range.

Imports followed a distinct pattern of their own: after declining steadily through 2022, they reversed course and have risen each year since, reaching roughly 17.5 thousand tons in 2025 and further increasing the market's reliance on foreign supply.

The price of domestically produced paints in Georgia has shown a consistent upward trend from 2019 to 2023, increasing from 3,358 GEL to 6,000 GEL per ton, almost doubling over the period. In 2024, the average annual price eased slightly to GEL 5,504 per ton before rising again to GEL 6,347 in 2025. This upward movement continued into 2026, with the first-quarter price up by 3% YoY to GEL 6,507, compared to GEL 6,318 in the first quarter of 2025.

Figure 25. Demand of paints ('000 tons)

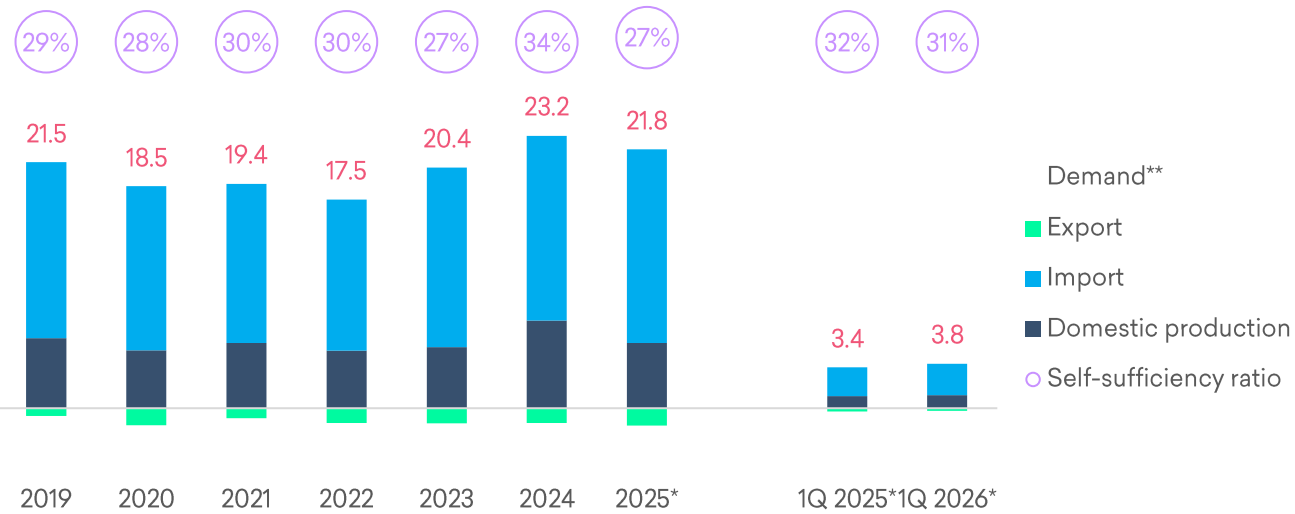
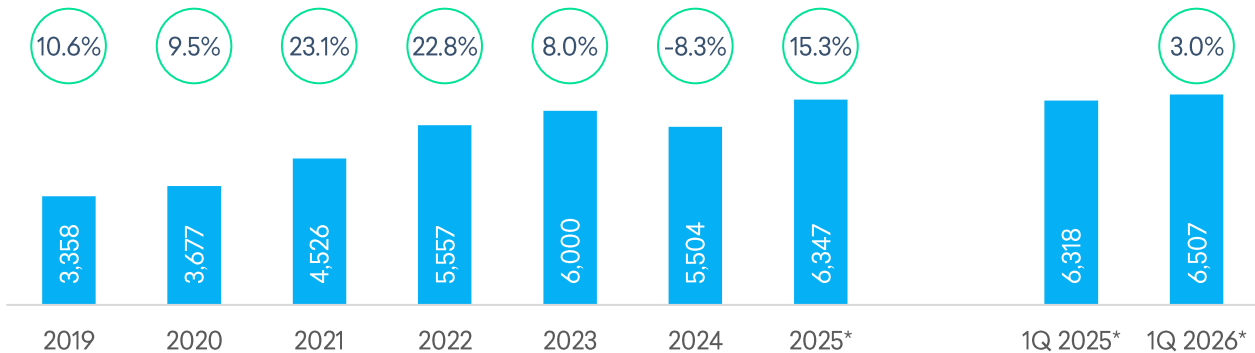


Figure 26. Average production value at market price of paints (₾/tons, excluding VAT) and YoY changes



Source: Geostat, TBC Capital

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