



Management Reporting

2018

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Management Reporting

Introduction

This document incorporates the essential components of the Company such as the scope of the activities, service standards and corporate values; it covers the company' previous achievements, as well as future goals and what is most important, the actual indicators of the Company's development potential. In addition, it provides analytical information on the business risks, creating minor or serious obstacles to the activities.

This document reflects our vision, future plans and standards of corporate ethics established in our Company.

Statement of the Director

I am pleased to present you the Management Reporting of Direct Debit Georgia LTD. The goal of the reporting is to show the range of company activities and our commitment to expand the existing business, in parallel with the quality and efficiency.

Our resources are focused on establishing novelties, cost efficiency and safety. I am proud that Direct Debit Georgia LTD has a well-established mission, a vision based on high values and a sense of social responsibility.

I would like to thank you for showing your interest. We are ready to face any challenge in order to gain trust and acknowledgement from our customers, partners and employees.

Company Overview

About Company

Direct Debit Georgia LTD was established in 2006 and since then has been successfully providing payment services through self-service terminals, as well as Internet-payment channels and cashier-operators. The online payment platform makes it possible to transfer money by cash and plastic cards to more than 300 providers.

In 2012, 100% of the Company's shares were acquired by JSC Express Technologies, a group, which is focused on investment and development opportunities of the payment sector. The Company, which was established in 2006, is aimed at developing the existing payment system in Georgia, through introduction of innovative transaction processing system and providing solutions based on information technologies. JSC Express Technologies Group Companies are creating a payment system platform, which is focused on satisfying priority and diverse needs for the market. The main subjects of the target sector are financial institutions, government agencies, telecommunication and utility service providers, small and medium-sized companies are the main subjects of the target sector. Besides the payment platform, the offered products include plastic card emissions, transaction processing and automated tax collection system.

Beginning in 2012, Direct Debit Georgia has become one of the leading payment service providers, and currently covers around 30% of the market of the country. Up to 2800 self-service terminals are located in almost all parts of Georgia and provides 24/7 customer services.

The company is focused on speed and safety of the service, which is a key factor in gaining customer confidence and establishing a good reputation. In addition, the Company seeks to implement innovative infrastructure and keep pace with new and growing trends in information technology, which is aimed at offering simplified and effective service to the customer.

What we do

Multifunctional self-service terminals

Direct Debit Georgia LTD provides search for locations of self-service terminals, their technical support and maintenance, as well as accumulation of money paid by the consumer in the terminals. These services are available for physical as well as legal persons.

Almost anywhere in Georgia, the self-service terminals meet modern requirements and provide access to payment of any type of service fee within a shortest period of time and with little effort. Payment services are provided to the following service providers, which include but not limited to:

- Utility services and cable television providers;
- Cell, telephone and internet operators;
- Payments to the state budget;
- Parking and transportation fees;
- Banking services such as deposits, credit and other payments;
- Charitable donation;
- Cinema, theater, etc. tickets.

This is not a complete list, multifunctional services are updated regularly.

Adding funds to the transport card - Metromoney deposit, which is a universal mean for paying municipal transport service fees, is possible only through Direct Debit Georgia LTD payment channels and at subway and ropeway stations.

In the auction announced by the Public Service Hall in 2016, for placing self-service terminals at public service halls, throughout Georgia, Direct Debit Georgia LTD was awarded the contract, and since 2018, our cashier-operators have been providing services to the clients of the Customs Clearance Zone.

The company also supports the Bank of Georgia self-service terminals.

Our services are always high demanded as it offers its customers:

- Payment services to more than 300 providers;

- Easy access to these providers through terminals and other payment channels;
- Convenient and easy to use interface;
- Affordable lease and installation costs;
- Customer support and 24/7 assistance service;
- Continuous monitoring of payment channels network;

Specialized self-service terminals

A new project has been implemented since 2017, which is presented as specialized self-service terminals. These terminals are designed for companies that have high cash turnover in the form of cash settlements. By making deposits cash in the specialized terminals at the end of the day, the companies may avoid relatively long-term procedure for collecting and depositing to the account, save human resources, but most importantly reflect daily turnover on their bank accounts.

Today, specialized terminals are used by such large petrol stations and gas stations in Georgia, as:

- Gulf;
- Socar Georgia Petroleum;
- Neogas;
- Rompetrol.

Cashier-operators

For the improvement of the service quality and provision of rapid services, Direct Debit Georgia LTD has implemented a single window service principle, which implies manning of cashier-operators at public service als, services development agencies, medical establishments, KazTransGas Tbilisi Office and in the Customs Clearance Zone in Batumi.

One of such projects envisages receiving all types of payments for public services at public registry. This project started in 2006 and continues to be successful.

Direct Debit Georgia LTD cash desks were opened in various health care establishments, in 2011, in the region. The company is already operating in all clinics of JSC "Medical Corporation Evex". Adding of the cash desks along with the expansion of the networks is being planned within the framework of this project.

From March 2011 till now, the payments of customs duties and other service fees are received at Batumi International Container Terminal LTD, through cash desks of Direct Debit Georgia LTD.

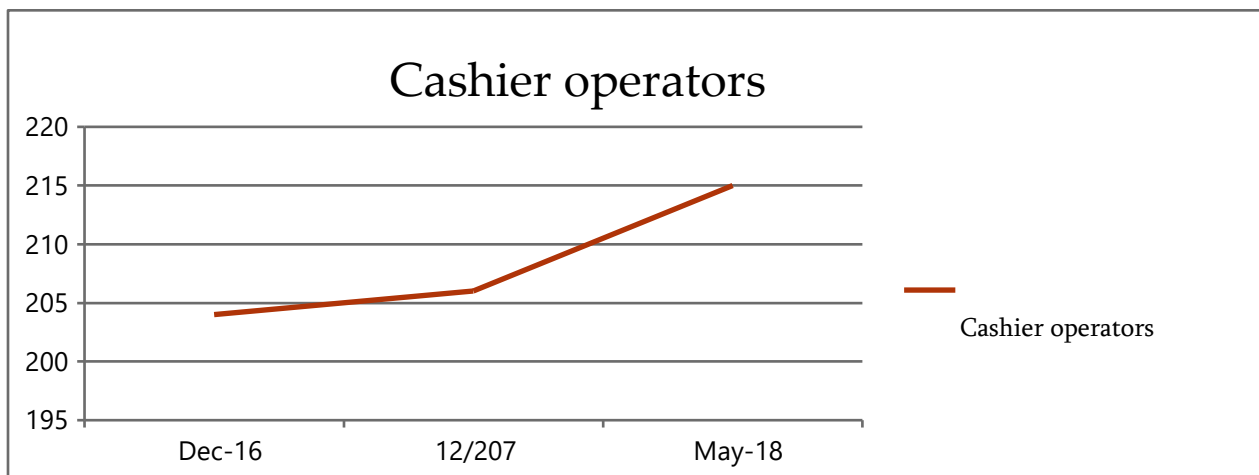
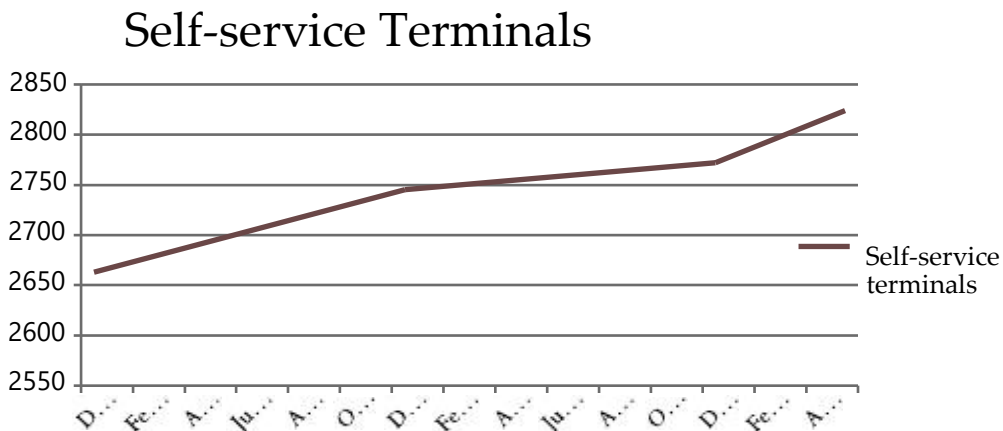
From 2011 till present, at KazTransGas Tbilisi offices, the payments for the services provided to its customers are made through cash desks of Direct Debit Georgia LTD.

Future plans

From 2006, the Company has been actively increasing the number of payment channels. In the future, it is planned to increase the service area across Georgia, to provide all territorial entities with services that are inseparable from everyday life and guarantee a safe, fast and fast payment service for the majority of the population.

Over the past five years, the number of payment channels increased by about 10%. Moreover, the previous year's turnover was about 22% higher than the turnover of 2016. Our goal is to maintain the current indicators in terms of business development, along with the increase in quality and efficiency.

The growth rates of self-service terminals and cashier-operators from 2016 to the first half of 2018:



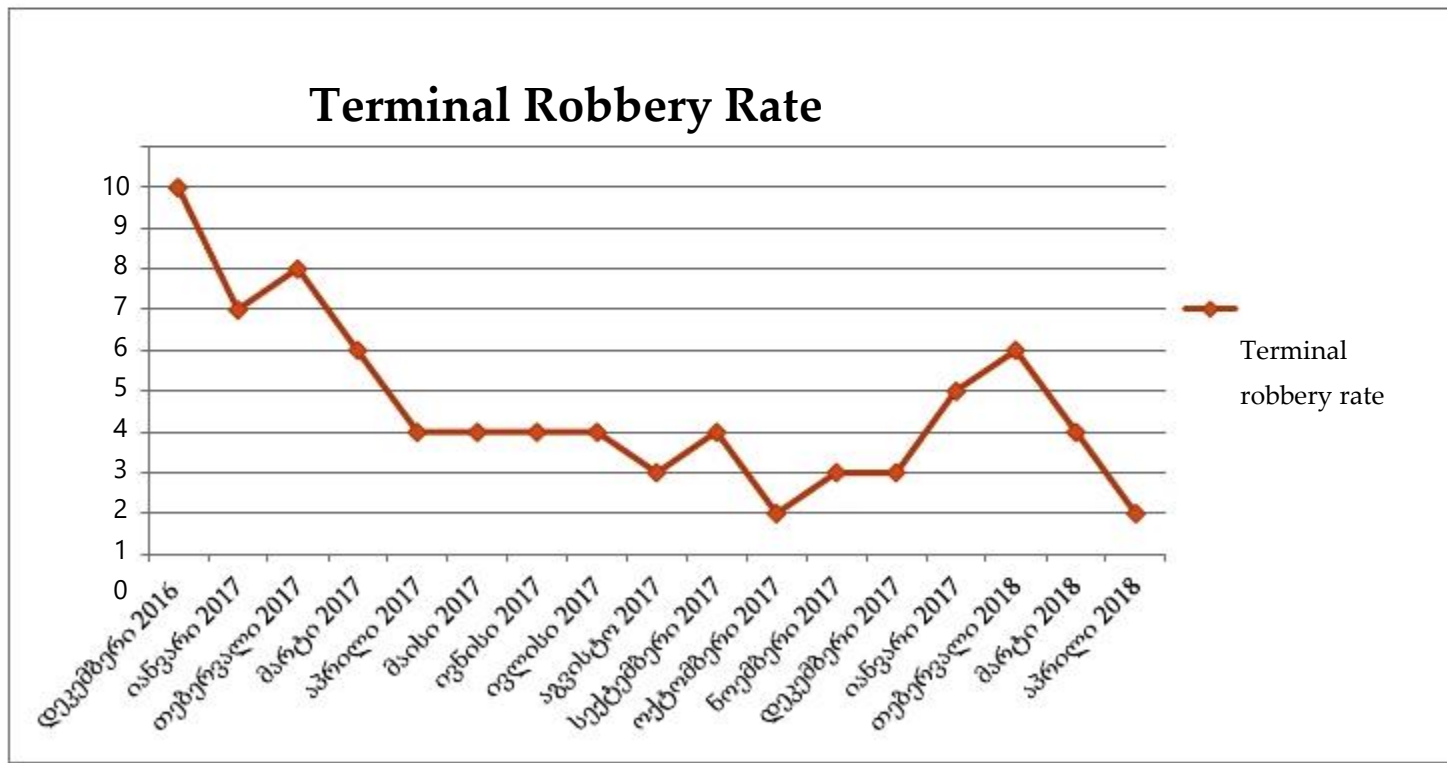
Risk factors

Property crimes

The company self-service terminals are located on many locations and thousands of transactions are carried out via terminals during a day. By the end of the day, the terminals, in which no amount was collected, are under threat. In recent years, the Company has suffered a financial loss as a result of robbing such terminals, but by strengthening of the internal control and the structural unit of security services, similar incidents were minimized.

In most cases, the increase in the crime rate affects the safety potential of the company's property. However, the operating divisions of the Company are taking effective preventive measures in this regard, and in cases where the crime can not be avoided, the company is trying to facilitate the successful completion of the investigation through cooperation with law enforcement agencies.

Unfortunately, the Company can not control the criminality and crime rate in the country and consequently, the complete elimination of the risk factors in this regard is not possible. However, it should be noted that there has been a downward trend in the robbery of self-service terminals in recent years.



Fraudulence

In line with the development of information technologies, the types of crimes may also vary. The property damage may occur as a result of fraud and dishonest conduct of consumers. “Deluding” technology and attempts of filling the balance occur rarely, but still happen. Only very few attempts can be accomplished successfully, and in that case the damage is fully reimbursed through law enforcement authorities.

Information security

In the 21st century, increased cyber attacks and “fishing” attempts poses significant threat to every business. The financial sector is the priority target for the criminals, and consequently, the company does not forget the attempts of anticipated attack and establishes the highest standards of information security throughout the company. The security mechanisms include the latest and well-known products that are designed to protect internal network from external impacts, as well as leak of sensitive information within the network. For the monitoring of existing devices, the company applies relevant software to control every event that is happening in the company’s devices and consumers PCs. In addition thereto, the Company often conducts awareness-raising trainings to provide information security, and all employees are provided with strictly defined instructions on how to behave in any suspicious situation.

It should be noted that despite the recent large-scale cyber attacks, Direct Debit Georgia LTD has never been affected by any harmful virus that would have resulted in data damaging or leakage of the company's confidential information.

Combating the legalization of illicit income

The company strives to establish higher standards and eliminate money laundering and terrorism financing.

The primary prerequisite for cooperating with us is deep investigation of the activities, reputation and substantive details of the partners. It is a matter of priority to prevent turnover of income gained from illegal activities and in case of any reasonable doubt the company applies the competent authorities for receiving instructions and adequate response.

Direct Debit Georgia LTD takes all the requirements and recommendations of the National Bank of Georgia and the Financial Monitoring Service into consideration, actively collaborates with them and tries to contribute to the prevention of illicit income and the fight against terrorism.

No single illegal case has been identified, in this regard, in the transactions that were carried out via Direct Debit Georgia LTD payment channels or through its support.

Corporate Management Reporting

The structure of the Company is tailored to simplification and efficiency of business activities. The Structure is led by the Director Irakli Kodua.

Director's Curriculum Vitae

Irakli Kodua was appointed as the Director of Direct Debit Georgia LTD in 2016, however his activities in JSC Express Technologies Group began in 2006. He also took up the position of the General Director of JSC Express Technologies and of JSC Georgian Card since 2016.

He worked as the Deputy Director of JSC Georgian Card in 2011-2016 and the Deputy Director of Direct Debit Georgia LTD in 2014-2016. He has many years of experience in the sphere of finance.

Irakli Kodua has a Degree in Computer Technology Engineering and Diploma in Law.

Structure Peculiarities and Examples

The structure of the Company consists of subdivisions interconnected with horizontal and vertical line, all of which are accountable to the Director and / or the supervising structural unit. These divisions are responsible for the company's operational activities.

The procedural documentation, which is further divided by the description of the procedures characteristic to the functions and obligations assigned to each position, is developed for each service separately. In the process of developing and updating our structure, great importance is attached to an accurate separation of the rights and obligations and clear defining of procedural instructions, fully covering the work to be performed, so as to effectively utilize human or material resources.

An example of structural division



Company policies

For the purpose of implementation of corporate governance principles established under international regulations and best practices, the company has adopted policies to define the rules of conduct and adequate response to any violations of the staff. The following policies are of particular importance:

Conflict of Interest Management Policy

The policy objective is to define the rules for determining, managing and suppressing the existing, potential and possible conflict of interest.

Discuss the issues related to the conflict of interest and assist the staff to prevent and to respond to it adequately, namely:

- Determine the situations in which conflict of interests may arise;
- Establish the prevention and management procedures, mechanisms and systems of conflict of interest;
- Protect the interests of the Company, its customers, employees, investors and suppliers, and develop appropriate measures for the elimination of the conflict;
- Ensure compliance with the regulations of the National Bank of Georgia.

Restrictions / prohibitions imposed for the prevention of conflict of interest:

- Activities outside the employing company;
- Relationship between the subordinated employees;
- Addition to gambling;
- Drug addiction;
- Personal transactions.

Personal Data Protection Policy

The document aims to introduce and describe necessary processes and regulations according to the Law of Georgian on Personal Data and International Standards. In this regard, it is necessary to impose the necessary restrictions on the employees and ensure the protection of their personal data from illegal and unreasonable use, at the same time.

Information Classification and Management Policy

In order to improve the preventive and detective control over the use of information resources, it is necessary to create architectural infrastructure of required information, which implies the classification of information on risk assessment based approach, determining of the relevant responsible persons, sorting of information and information resources according to the level of confidentiality, elaboration of other rules for access and use.

According to this Policy, information is divided into four categories of privacy, such as “public”, “for internal use only”, “confidential” and “top secret”.

Information management is governed by these levels and includes rules for marking, moving, granting access, storing and destroying of information.

Notification Management Policy

The goal of the Policy is to support the establishment of an environment in the employing company, where any inconsistency or violation is effectively identified and eliminated. The people employed in the company are the main witnesses of the violations around them. According to the Policy, the employing company provides anonymity of the informant, his/her statement shall be considered with full responsibility and in strict observance of confidentiality.

Review of the rights of shareholders and shareholders' general meeting and the procedures for their implementation

100% shares of the company is JSC Georgian Card, which in turn is owned by JSC Express Technologies. The partners' rights and obligations are regulated by the Company's charter, which is a public document.

The highest governance body of the Company is the partners' meeting. The partner is authorized to manage the company directly as well as through its representative.

The regular partners' meeting is held once a year, within two months after the end of the economic year. Additional details on the governance authority are given in the Company's charter.

Non-financial Reporting

Our team

About 500 employees are employed at Direct Debit Georgia LTD. From a lot of candidates, the Company chooses the most motivated and committed individuals. Human resource plays an important role in successfully conducting of the Company's activities; therefore we are trying to create optimal conditions for effective performance and career development. The basic pillar of the employee-oriented approach is the fairness that the company tries to identify with adequate remuneration, additional bonuses and respect for diversification, which is characteristic for any broad circle of people.

The Company acknowledges and accepts its share of responsibility to the employers, but in return requires from them diligent and reasonable attitude towards the work, which is clearly defined in the internal regulation and the Code of Ethics of the Company.

Healthy working environment

It is noteworthy that since the commencement of its activities, Direct Debit Georgia LTD has never been involved in labor disputes. The Company realizes that employees are the guarantee for the success of the Company, therefore it tries to create equal opportunities for everyone to develop.

It is noteworthy that the Company strictly protects the personal data of employees and consumers, and adequate protection mechanisms of risk are subject of review and renewal. Information about personal data catalogs available at Direct Debit Georgia LTD is placed on the official website of the Personal Data Protection Office.

Health and safety in the workplace

The legislation establishes the minimum safety standards; Direct Debit Georgia LTD tries to adopt internationally recognized best practices and create a safe and healthy environment for employees.

The Company has a fire protection infrastructure. Employees receive training on how to avoid accidents and how to respond quickly to natural disasters and unforeseen cases.

The business continuity management policy is established and a group of key staff is allocated, who is responsible for managing crisis situations.

Fight against corruption

Corruption and bribery is forbidden in the Company, regardless of its size and expression. The company strictly evaluates any action or transaction that can be perceived as an unlawful influence on the Company's decisions. For the regulation of this sphere, Direct Debit Georgia LTD applies a very extensive policy "On Conflict of Interest Management", and specifically designated structural unit exercises to control to make sure that any employee and any actions carried out by the Company or in the Company are in compliance with this Policy.

Persons responsible for preparation and submission of reporting

A person, who is authorized to manage the company – i.e. the Director, is responsible for submitting the management reporting.