1.1

limited liability company

“M2 Commercial Assets“

(Identification Code: 405263101)

Final Prospectus

IMPORTANT INFORMATION FOR THE INVESTORS:

Prospective investor must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") and prospective investor is therefore advised to read this carefully before reading, accessing or making any other use of the attached Prospectus. By accessing and using the Prospectus (including for investment purposes), prospective investor agrees to be bound by the following terms and conditions (modified from time to time). If the prospective investor receives the Prospectus via electronic means, he acknowledges that this electronic transmission (with attached Prospectus) is confidential and intended only for him. Therefore the investor agrees that he will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

This prospectus includes historical carve-out financial statements only in respect of the commercial properties of the Group’s yield-generating segment from various Group’s subsidiaries. Part of those yield-generating commercial properties were transferred to the Company by the Parent through equity injection and the rest will be acquired by the Company using proceeds from the issuance of the bonds defined by this prospectus.

THE PROSPECTUS MAY BE SUBJECT TO COMPLETION WITH ADDITIONAL INFORMATION IF AND AS REQUIRED BY THE APPLICABLE LEGISLATION.

Limitation of the liability:

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or value of the investment described herein.

Further, to the fullest extent permitted by applicable law, no person (including without limitation the Placement Agent, the Bondholders' Representative, the Calculation and Paying Agent, the Registrar, other advisers to the Company, nor any of their affiliates, directors, advisers or agents), other than the Issuer, accepts any responsibility whatsoever for the contents of this Prospectus, the accuracy or completeness of the information contained in this Prospectus or for any other statement, made or purported to be made by any of them or on its/their behalf in connection with the Company or the issue and offering of the securities described herein. The Placement Agent and the advisers to the Company accordingly disclaim all and any liability they might otherwise have in respect of this Prospectus or any such statement.

The Placement Agent is acting exclusively for the Issuer and no one else in connection with the offer. It will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to the offer. Therefore, the Placement Agent will not be responsible to anyone other than the Company for providing services or for giving advice in relation to the offer or any transaction or arrangement referred to herein.

This Prospectus does not constitute and may not be used for the purposes of an offer in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such an offer. No action is being taken to permit an offering of the Bonds described in this Prospectus or the distribution of this Prospectus (or any other offering materials relating to the Bonds) in any jurisdiction (other than Georgia).

The investor's representation: The attached Prospectus is delivered to the prospective investor at his request and on the basis that the investor has confirmed to JSC Galt & Taggart (the "**Placement Agent**") and LLC M2 Commercial Assets (the "**Company**" or the "**Issuer**") that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she/it is located.

If this Prospectus has been made available to the investor in an electronic form, neither the Company, nor the Placement Agent or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to the investor in an electronic format and the hard copy version, and/or the viruses and other destructive items arising from alterations and changes caused during the process of electronic transmission of the Prospectus. By accessing the linked Prospectus, the investor consents to receiving it in electronic form.

A hard copy of the Prospectus will be made available to the investor upon request made to the Placement Agent.

Restriction: If a person has gained access to this document contrary to the foregoing restrictions, he will not be authorized to purchase any of the securities described therein.

Approved by the National Bank of Georgia

on _______________

Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or value of the investment described herein

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Limited Liability Company “M2

Commercial Assets“

(Identification Code:405263101)

Final Prospectus

US$ 30,000,000 (thirty million) Bonds with interest (coupon) rate of 7.5% per annum. The Bonds mature in 3 years from the date of their issue and placement. The nominal value of each Bond is US$ 1,000 (one thousand). Issue price: 100% of the nominal value.

This Prospectus (the "**Prospectus**") is prepared by LLC M2 Commercial Assets, incorporated in Georgia under the laws of Georgia on 10 April 2018, Identification Code 405263101, legal address 29, Chavchavadze Ave.., Tbilisi, Georgia ("**Company**" or the "**Issuer**").

This Prospectus is prepared in relation to issuance of US$ 30,000,000 (thirty million) coupon Bonds (debt securities with fixed interest rate) of the Company. The nominal value of each Bond is US $1,000 (one thousand United States dollars); annual interest (coupon) rate of 7.5% of the nominal value. Final interest (coupon) rate will be fixed in the book-building process while offering the Bonds to the prospective investors (see "*Terms and Conditions of the Bonds*" Condition 2(a) "*Bond Offering Process"* on pg. 62). The interest will accrue on the Bonds from the Bond Issuance and Placement Date until the Maturity Date. The interest on the Bonds will be paid quarterly on the dates specified in the "*Overview of the Offering*" (*see, pg. 9*). First payment of the interest will be made on 1 April, 2019. The Bonds will be redeemed at the principal amount together with the accrued and unpaid interest (if any) on 31 December, 2021.

The Company may redeem the Bonds in whole, but not in part, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (b) – "*Redemption for Taxation*").

The Issuer and the Placement Agent will carry out the public offering and placement of the Bonds. The Prospectus is valid until the Bonds are redeemed and respective liabilities are fulfilled.

The Bonds will constitute unsecured and unsubordinated obligations of the Company.

After the placement of Bonds the Issuer intends to submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to B category listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE.

An investment in Bonds involves high risk. Any prospective investor, who will purchase the Bonds, should be prepared to face the economic risk of his investment and take into account the fact that the repayment of the principal amount of the Bonds and accrued interest will depend on the Issuer's solvency. See "*Risk Factors"* of the Prospectus regarding the types of the risk factors related to investment in the Bonds. Neither this Prospectus nor any other information supplied by the Company or the Placement Agent in connection with the Bonds is intended to provide an evaluation of the risks involved in investing in Bonds. Each investor is advised to make his own evaluation of the potential risks involved.

This Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances. The Issuer will notify the investors about such alterations and additions in accordance with the legislation. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia. Offering of the Bonds described in this Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful. The Bonds have not been and will not be registered in any other country (other than Georgia). The Bonds have not been, and will not be registered under the United States Securities Act of 1933, as amended ("**US Securities Act**") or any US state securities laws, and except pursuant to the concrete exemptions envisaged by the US Securities Act, it is prohibited to sell, offer to sell or supply the Bonds in the United States.

In addition, the Issuer has not authorized a public offer of the Bonds in the United Kingdom under the Public Offers of Securities Regulations 1995 (or under any other normative act of the United Kingdom). The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions, and to residents of such jurisdictions may be prohibited or restricted by the laws of such jurisdictions, therefore the use of the Prospectus to offer the Bonds to persons in such jurisdictions is not allowed. Persons into whose possession this Prospectus comes are required by the Company and the Placement Agent to inform themselves about and to observe any such restrictions.

This Prospectus is prepared and available to public in accordance with the Law of Georgia on Securities Market. The final Prospectus will be published and available on the website of the Company.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to significantly affect the accuracy and completeness of such information.

Neither the Company nor the Placement Agent make any representation to any potential or actual purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under appropriate investment or similar laws applicable to such purchaser.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Placement Agent. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

Investors should not construe anything in this Prospectus as legal, business or tax advice. Each investor should consult its own advisers as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

In making any investment decision, investors must rely on their own examination of the Company, the Bonds and the terms of this offering, including the merits and risks involved. See "*Risk Factors*". Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments (the US dollar) is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS vi

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION vii

OVERVIEW OF THE OFFERING 9

RISK FACTORS 13

USE OF PROCEEDS 32

CAPITALISATION AND INDEBTEDNESS 34

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION 36

MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND OPERATING RESULTS 39

POLICIES AND PROCEDURES 56

MANAGEMENT AND EMPLOYEES 57

RELATED PARTY TRANSACTIONS 63

TERMS AND CONDITIONS OF THE BONDS 64

TAXATION OF THE BONDS IN GEORGIA 85

GENERAL INFORMATION 87

INFORMATION ON THE ISSUER, PLACEMENT AGENT, BONDHOLDERS' REPRESENTATIVE, REGISTRAR AND OTHER PARTIES 88

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Company's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to the Company's financial position, future operations, development, and business strategy and the trends the Company anticipates in the Georgian economy and in the industries and the political and legal environment in which it operates and other information that is not historical information. Forward-looking statements appear in various sections of this Prospectus, including, without limitation, under the headings "*Risk Factors*," "*Use of Proceeds*", "*Description of Business*", "*Management's Discussion and Analysis of Financial Condition and Operating Results*" and "*Risk Management*".

Words such as "believe", "anticipate", "estimate", "target", "potential", "expect", "intend", "predict", "project", "could", "should", "may", "will", "plan", "aim", "seek" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*", as well as those included elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Accordingly, investors should not place undue reliance on forward-looking statements and, when looking at forward-looking statements, should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. The forward-looking statements in this Prospectus speak only as of the date of this Prospectus. The Company does not undertake any obligation to update or revise any of them (whether as a result of new information, future events or otherwise), other than as required by applicable laws. Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Company's behalf and any projections made by third parties included in this Prospectus.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

The carve-out audited financial statements of the Company for the years ended December 31 2017 and December 31 2016 (as comparative information to 2017) included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations. The information, which presents 9 months statements of 2017 and 2018 is from managerial accounting and is unaudited. The financial statements were audited by the Company's independent auditors, EY Georgia LLC, in accordance with International Standards on Auditing ("**ISA**") and are represented in the appendix of this Prospectus.

Certain amounts that appear in this Prospectus have been subject to rounding adjustments.

Market, Industry and Economic Information

The Company obtained the market data used in this Prospectus from internal unofficial surveys, industry sriources and public information currently available. The main sources for market information and foreign exchange data used in this Prospectus are the National Bank of Georgia ("**NBG**"), International Finance Corporation ("**IFC**"), European Investment Bank ("**EIB**") and World Bank. The Company obtained Georgian macroeconomic data principally from the Legal Entity of Public Law National Statistics Office of Georgia ("**Geostat**") and the Government of Georgia ("**Government**"). The Company accepts responsibility for having correctly reproduced information obtained from third parties, and, so far as the Company is aware and has been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General Information

Unless otherwise stated all information contained in this Prospectus, including all historical financial information, is information of the Company.

Capitalised terms have the meanings ascribed to them in the "*Definitions*" section of this Prospectus.

Currency and Exchange Rates

In this Prospectus, all references to "Lari" and "GEL " are to the lawful currency of Georgia; all references to "dollars," "US dollars", "US$" and "USD" are to the lawful currency of the United States of America; all references to "Euros", "€" and "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; References to "billions" are to thousands of millions.

Solely for the convenience of the reader, in cases of information disclosure, this Prospectus contains translations of certain lari amounts into US dollars and analogically translations of US dollars into lari at exchange rates established by the NBG and effective as of the dates, of for the periods, specified herein. These exchange rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not meant to suggest that the Lari amounts actually represent such US dollar amounts or that such amounts could have been converted into US dollars at any particular rate, or at all.

The following table sets forth, for the years indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per US dollar.

	High	Low	Average	Period End
		(Lari per US dollar)		
2017	2.7674	2.3824	2.5086	2.5922
2016	2.7846	2.1272	2.3667	2.6468
2015	2.4499	1.878	2.2702	2.3949
2014	1.9527	1.7241	1.7659	1.8636
2013	1.7376	1.6348	1.6634	1.7363
2012	1.6751	1.6193	1.6513	1.6567
2011	1.8111	1.6388	1.686	1.6703
2010	1.8875	1.6929	1.7826	1.7728

Source: NBG

The following table sets forth, for the months indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per US dollar.

	High	Low	Average	Period End
		(Lari per US dollar)		
2018 November	2.7656	2.6585	2.6970	2.6896
2018 October	2.7082	2.6133	2.6608	2.7027
2018 September...	2.6226	2.5783	2.6098	2.6151
2018 August	2.6343	2.4469	2.5344	2.5803
2018 July	2.4546	2.4401	2.4469	2.4474
2018 June	2.4735	2.4464	2.4578	2.4516
2018 May	2.4805	2.4315	2.4543	2.4719
2018 April	2.4791	2.3912	2.4256	2.4617
2018 March	2.4692	2.4144	2.4425	2.4144
2018 February	2.4962	2.4427	2.4643	2.4795
2018 January	2.5967	2.4578	2.5473	2.4969

Source: NBG

OVERVIEW OF THE OFFERING

This overview below describes the principal terms of the Bonds. This overview does not purport to be complete and terms and conditions of the Bonds are described in more detail in other sections of the Prospectus, including "”Terms and Conditions of the Bonds”.

The Offer	Offering of US$ 30,000,000 (thirty million) debt securities (Bonds) due on 31 December 2021.
Issuer	LLC M2 Commercial Assets (Identification Code: 405263101 ; registered on 10 April 2018)
Security	Coupon bond (fixed rate interest bearing security)
Nominal Value	US$ 1,000 (one thousand US Dollars)
Number of Bonds	30,000 (thirty thousand)
Total Issue Price	US$ 30,000,000 (thirty million US Dollars)
Minimum placement lot	10 bonds (10,000 US$)
Interest (coupon)	The Bonds will bear interest at the rate of 7.5% per annum including applicable taxes. Final interest (coupon) rate is fixed following the book-building and is reflected in the final prospectus (see, *Condition 2(a) “Bond Offering Process” – pg. 62*)
Issue Price	100% of the principal amount (nominal value) of the Bonds
Deferred Placement Price	100% of the principal amount (nominal value) of each Bond plus the amount equivalent to the Interest accrued on the Bond from the Bond Issuance Date until the Bond Deferred Placement Date.
Bond Issuance Date	The Bonds will be issued on 31 December, 2018
Bond Deferred Placement Date……………..	Any date after the Bond Initial Issuance and Placement Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Offering Completion Date	20 February, 2019 when offering and issuance of the Bonds will be completed
Maturity Date	The Bonds will be redeemed on 31 December, 2021at their principal/nominal value together with accrued and unpaid interest (if any)

Placement Agent	JSC Galt & Taggart (Identification Code: 211359206)
Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)**
Calculation and Paying Agent	JSC Galt & Taggart (Identification Code: 211359206)
Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374)
Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the date of issuance and placement of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable quarterly on March 31, 31 June, 30 September and 31 December each year. The first payment of interest will be made on 1 April, 2019.
Status and Ranking of the Bonds	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst themselves. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Company
Form of the Bonds	The Bonds will be issued in dematerialized registered form. The Ownership interest in Bonds will be shown in the Register maintained by the Registrar and in registries maintained by Nominal Holders of the Bonds (as defined in the "*Terms and Conditions of the Bonds*"), and transfers of the Bonds shall be effected only through corresponding entries in the respective registries
Redemption	The Company may buy back the Bonds on secondary market prior to their maturity and hold such Bonds in treasury for further trading. The Company may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. In addition, in certain cases, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time upon giving notice to the Bondholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia *(see "Terms and*

	Conditions of the Bonds", Condition 7 (b) – "Redemption for Taxation")
Negative Pledge and Other Covenants	Pursuant to the Terms and Conditions of the Bonds, the Issuer is subject to restrictions on the pledge of its assets except for certain Permitted Security Interests, and to other restrictions on the conduct of its business, disposal of assets and finances (See, "*Terms and Conditions of the Bonds*", Condition 5 (*Covenants*))
Event of Default	If an Event of Default has occurred, the Bondholders' Representative (and in certain circumstances, Bondholders and/or Nominal Holders) may give notice that the Bonds are, and the Bonds shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Bonds* **-** Condition 10 (*Events of Default*)".
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any applicable Georgian withholding tax.
Use of Proceeds	The net proceeds from the issuance of the bonds will be used to acquire commercial properties of the Group's yield-generating segment from various Group's subsidiaries by the Company, to refinance shareholder loan and to reduce charter capital of the Company. See "*Use of Proceeds". pg 32*
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange.
Selling Restrictions	The offer and sale of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Risk Factors	Prospective investors shall consider carefully all the information set forth in this Prospectus and, in particular, the information set forth under "*Risk Factors*" before making a decision on investment in the Bonds

Contact Information of the Issuer	LLC M2 Commercial Assets (Identification Code: 405263101) Address: 29 Chavchavadze Ave. Tbilisi, Georgia; Tel: (+995) 322 444 111; E-mail: gnatroshvili@m2.ge
Contact Information of the Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave.; Tel: (+995 32) 2401111 E-mail: gt@gt.ge
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628) Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Security Codes (ISIN)	Security code will be assigned by the National Bank of Georgia after submission of the final Prospectus

RISK FACTORS

An investment in the Bonds involves certain risks. Prior to making an investment decision, prospective purchasers of the Bonds should carefully read this entire Prospectus. In addition to the other information in this Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the risks described below before making an investment in the Bonds. Any of the risks described below could have a material adverse effect on the Company's business, financial condition and operating results. If any of the risks actually occurs, the market value of the Bonds may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Bonds are also described below. Although the Company believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, there may be additional risks and uncertainties that the Company currently considers immaterial or of which the Company is currently unaware, and any of these risks and uncertainties could have similar effects to those set forth below. Accordingly, the Company does not claim that the statements below regarding the risks of holding any Bonds are exhaustive.

Risks Related to the Company's Activities

Real Property Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in real estate sector conditions the attractiveness of properties to potential tenants, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the Company will be profitable or that cash from operations will be available to make distributions to bondholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the Company's portfolio. The marketability and value of the portfolio, will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants; (vi) competition with other landlords with similar available space; (vii) the ability of the Company to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; ; (ix) the financial condition of borrowers and of tenants, buyers and sellers of property; (x) changes in real estate tax rates and other operating expenses; (xi) the imposition of rent controls; (xii) energy and supply shortages; (xiii) various uninsured or uninsurable risks; and (xiv) natural disasters. There can be no assurance of profitable operations because the costs of operating the Company may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the Company's income from such investments.

The Company generates income through rent payments made by tenants, and particularly rent payments made by top 10 largest tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the Company. The Company's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Company's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the Company may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the Company's cash flows, financial condition or results of operations and its ability to make distributions to bondholders.

The Company's net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of its top 10 largest tenants. Those tenants generally occupy significant amounts of leasable area (33% of total net leasable area), pay a significant portion of the total rents (69% of total rent income) at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. No assurance can be given that the Company will be able to quickly re-lease space vacated by the largest tenants on favourable terms, if at all. The loss of the largest tenants at any leasable area could cause a reduction in the Company's cash flows, financial condition or results of operations and its ability to make distributions to bondholders.

Competition

The Company will compete with other investors, managers and owners of properties in seeking tenants. Some of the properties of the Company's competitors may be newer or better located than the Company's. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the Company. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the Company's ability to lease space and on the rents the Company is able to charge, and could materially adversely affect revenues and the Company's ability to meet its obligations and its ability to make distributions to bondholders.

Capital Expenditures and Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the Company must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Company may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the Company may not be able to recover from its tenants. As a result, the Company will bear the economic cost of such operating costs and/or taxes which may adversely impact the Company's financial condition and results from operations and decrease the amount of cash available for distribution to bondholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to bondholders.

If the actual costs of maintaining or upgrading a property exceed the Company's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the Company is not permitted to increase rents due to legal or other constraints, the Company will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of the Company's properties is located or similar properties located in the vicinity of one of the Company's properties are substantially refurbished, the net operating income derived from, and the value of, the Company's property could be reduced. Any failure by the Company to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the Company earns from such properties. Any such event could have a material adverse effect on the Company's cash flows, financial condition or results of operations and its ability to make distributions to Bondholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the Company may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Company to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to Bondholders.

Environmental Matters

Environmental legislation and regulations globally gain more importance in recent years. As an owner of real property in Georgia, the Company may become subject to various laws relating to environmental matters, if they are adopted in Georgia. Although the Company's properties' infrastructure does not allow any tenant to carry out a hazardous activity and cause any environmental pollution or toxic or other contamination, still the Company could became liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the Company with respect to the release of such substances from or to the Company's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by the Company with respect to the release of such substances from the Company's properties to properties owned by third parties, including properties adjacent to the Company's properties or with respect to the exposure of persons to such substances. These laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air. Buildings and their fixtures might contain hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The Company will bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the Company. The remediation of any pollution and the related additional measures the Company would have to undertake could have a materially adverse effect on the business and could involve considerable additional costs. The Company will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the Company's ability to lease or sell such property

The Company intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the Company's business, financial condition or results of operation and decrease or eliminate the amount of cash available for distribution to bondholders. However, environmental laws can change and the Company may become subject to stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition, may have a material adverse effect on the Company's financial condition and results of operation and decrease or eliminate the amount of cash available for distribution to bondholders.

Financing Risks

The Company expects to have no other indebtedness rather than bonds that are planned to be issued under this prospectus, until maturity of the Bond. But the Company will be subject to the risks associated with serving its coupon payments. There can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required coupon payments and principal repayments upon an applicable maturity date. If the Company will be unable to meet coupon or principal payments, it could be required to obtain additional equity, debt or other financing. The failure of the Company to obtain additional equity, debt or other financing could materially adversely affect the Company's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to bondholders.

In the future, if the Company will have certain indebtedness it could be subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable. Any credit facility that the Company might have in the future could contain covenants that require it to maintain certain financial ratios. If the Company does not maintain such ratios, its ability to make distributions to bondholders may be limited or suspended.

Regulation

The Company is subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, territorial, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject could materially adversely affect the rights and title to the properties. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Company will be subject or the effect of any such change on its investments.

Natural Disasters

While the Company has insurance to cover a substantial portion of the cost of natural disasters, the Company's existing insurance includes customary deductible amounts and certain items may not be covered by insurance. Future natural disasters may materially adversely affect the Company's operations and properties and, more specifically, may cause the Company to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and its ability to make distributions to Bondholders.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. The Company will endeavour to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be constantly reviewed and if deemed necessary improvements will be implemented.

Access to Capital

The real estate industry is highly capital intensive. The Company will require access to capital to maintain its properties and certain capital expenditures from time to time. There can be no assurance that the Company will have access to sufficient capital or access to capital on terms favourable to the Company. Failure by the Company to access required capital could have a material adverse effect on the Company's financial condition or results of operations and its ability to make distributions to Bondholders.

Geographic Concentration

The properties are all located in Tbilisi, Georgia and only 4 properties out of 24 are located outside Tbilisi. Total market value of those properties located outside Tbilisi is 1.6% of total property portfolio market value. As a result, the Company's performance, the market value of the Company's properties, the income generated by the Company and the Company's performance are particularly sensitive to changes in the economic condition and regulatory environment of Tbilisi. Adverse changes in the economic condition or regulatory environment of capital city of Tbilisi may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and its ability to make distributions to Bondholders. *See "Seed portfolio and pipeline assets*").

Tenant Concentration

The Company will derive a significant share of 69% of its annual rent income from top 10 tenants (out of total 88 tenants). Consequently, revenues will be dependent on the ability of those largest tenants to meet their rent obligations and the Company's ability to collect rent from them. If those largest tenants were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the Company's financial condition or results of operations and its ability to make distributions to Bondholders.

Appraisals

The Company hired Colliers Internationalto provide independent estimates of the fair market value range in respect of the properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the properties are correct as of the date of this prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the properties or that any projections included in the appraisals will be attainable. In addition, the appraisals were each given as at certain effective dates and are therefore not current to the date of this prospectus. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the properties reflected in the appraisals may be an unreliable indication of its current market value.

General Insured and Uninsured Risks

The Company has property all risk, project all risk and comprehensive general liability insurance with limits which are typically obtained for similar real estate portfolios and otherwise acceptable to the Company. Property all risk insurance is for properties that are already functioning, project all risk insurance is for properties that are under construction and comprehensive general liability insurance covers bodily injury & property damage. For property risks, the Company intends to carry "All Risks" insurance of direct sudden and accidental physical loss, destruction or damage, caused by the perils including but not limited to: Fire, lightning, Collapse, Wind, Hail, Explosion, Smoke, Aircraft and Vehicle Impact, Vandalism, Flood, Earthquake, Landslide, Subsidence, Volcanic Eruption (with at least a twelve month indemnity period). The Company also intends to carry insurance of HVAC systems, which is integral part of the building. There are, however, certain types of risks (generally of a catastrophic nature, such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. If a loss occurs resulting from an event to which insurance package is limited, the Company could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Company's current insurance policies expire, it may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Company is able to renew its policies at levels and with limitations consistent with its current policies, it cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Company is unable to obtain adequate insurance on its properties for certain risks, it could cause the Company to violate some of contractual commitments that it has which require the Company to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the Company were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make distributions to Bondholders.

Financial Forecast

The forecasted results contained in this prospectus were prepared using assumptions that reflect Management Company's intended course for the periods covered, given the judgment of Management Company as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary significantly from the forecasted results and those variations may be material. There is no representation by the Company that actual results achieved during the forecast period will be the same, in whole or in part, as those forecasted herein. *See "Forward-Looking Statements"*.

Reliance on Management Company and its Key Personnel

The successful operation of the Company depends on the Management Company's services listed in a scope of management agreement in the *Company overview chapter* and of certain key personnel, including certain executive officers and other dedicated personnel of this management company. The inability of Management Company and its key personal to successfully supervise business processes, like occupancy rates, rent prices, existing tenants turnover and new tenants attraction could have a material adverse effect on the Company and materially adversely affect the Company's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Bondholders.

Asset Class Diversification

The Company's investments are not widely diversified by asset class. Company's real estate properties portfolio is fully composed by commercial real estate properties. A lack of asset class diversification increases risk because commercial real estate properties are subject to its own set of risks, such as tenant replacement difficulties and high maintenance costs.

Property Development Completion, Redevelopment and Renovation Risks

The Company is engaged in development of certain new properties located in Tbilisi. In the future in addition to it the Company may engage in redevelopment or major renovation activities with respect to certain properties. Due to existing development and any future redevelopment or renovation activities, the Company will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the Company may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the Company may expend funds on and devote management time to projects which it does not complete; (f) existing development of new properties or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete existing development of new properties or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the Company's cash flow and liquidity; (h) the cost and timely completion of on-going construction (including risks beyond the Company's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary governmental permits; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the Company's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund the Company's redevelopment and renovation activities on favourable terms or at all.

Supervision of on-going development is being done by Management Company, M2. M2's inability to duly identify any delays for on-going developments or potential obstacles with completion risk could adversely affect the Company's overall performance and may result in unanticipated expense creation. Also the Management Company's inability to swiftly react on certain above mentioned events could adversely affect the Company's future performance.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay coupon payments to Bondholders

Litigation Risks

In the normal course of the Company's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of Management Company and its key personnel from the Company's business operations, which could have a material adverse effect on the Company's cash flows, financial condition or results of operations and its ability to make distributions to Bondholders.

Macroeconomic and Political Risks Related to Georgia

Regional tensions could have an adverse effect on the local economy and the Company's business

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia, since Georgian independence in 1991. These disputes have led to sporadic violence and breaches of peace-keeping operations. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war. Although Georgia and Russia signed a EU-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russia recognized the independence of the breakaway regions and tensions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia. For example, in the summer of 2013, Russian border guards erected fences along portions of the demarcation line between Georgia and South Ossetia, which moved the de-facto border further into Georgian-controlled territory and similar future actions could further increase tensions. Russia is also opposed to the eastward enlargement of NATO, potentially including former Soviet republics such as Georgia. The Government has taken certain steps towards improving relations with Russia, but, as of the date of this Prospectus, these have not resulted in any formal or legal changes in the relationship between the two countries.

Relations between Azerbaijan and Armenia remain tense, and there are sporadic instances of violence between these two countries. Georgia has close trade relations with Turkey. In recent years, Turkey's national currency has been significantly diminished on the background of political instability in Turkey, which, along with the increase in inflation, will have a negative impact on the country's current account deficit and external debt service. Consequently, the ongoing political and economic instability in Turkey may have a negative impact on trade relations between Georgia and Turkey, which can be mainly reflected in export reduction. According to Geostat, the trade turnover of Georgia-Turkey in 2017 was 14.9% of Georgia's total trade turnover. This indicator is decreasing since 2014, which constituted 17.2%. High trade turnover with Turkey is mainly due to the volume of imports from Turkey, which is the first in Georgia's import structure since 2007. According to Geostat, import of goods from Turkey in 2017 amounted to 17.3% of total imports of Georgia, 18.6% in 2016, 18.2% in 2015 and 20.1% in 2014. As for export of goods from Georgia to Turkey, Turkey will meet the top 10 countries in the export structure of Georgia. According to Geostat, export of Georgian exports to Turkey amounted to 7.9% in 2017, 8.2% - in 2016, 8.5% in 2015 and 8.4% in 2014.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is ongoing. The United States and EU have imposed trade sanctions on various Russian and Crimean officials and against Russia, including several Russian banks and companies. The ongoing political instability, civil disturbances and military conflict in Ukraine, and any prolongation or further escalation of the geopolitical conflict between Russia and Ukraine, and any further decline in the Russian economy due to the impact of the trade sanctions, falling oil prices or currency depreciation, increasing levels of uncertainty, increasing levels of regional, political and economic instability and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia.

In addition, the political and economic stability of Georgia may be affected by any of the following:

- deterioration of Georgia's relationship with Russia, including relation to border and territorial disputes;
- changes in Georgia's importance as a transit country for energy supplies;
- changes in the amount of aid granted to Georgia or the ability of Georgian manufacturers to access world export markets; or
- significant deterioration in relations between Azerbaijan and Armenia.

worsening of economic and financial situation in TurkeyIf any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

There are additional risks associated with investing in emerging markets such as Georgia

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavouring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 Russian financial crisis, the 2008-2009 global financial crisis, and recent regional turbulence due to lower oil prices, and may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies world-wide, weakness of global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spill-overs from Russia's recession, and the slowdown and rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Company

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, in 2017, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (including the sum of sales and purchase but excluding activities of the

NBG) amounted to US$25.2 billion and €6.9 billion, respectively, and according to the same source, in the first eight months ended 31 August 2018, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (excluding activities of the NBG) amounted to US$19.0 and €5.8 billion, respectively. According to the NBG, the NBG had US$3.15 billion in gross official reserves as of 30 September 2018. While the Government has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari to US Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 22.2%, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. While the Lari generally appreciated against the US Dollar and other major international currencies in the six months ended 14 June 2016, primarily driven by an increase in the number of tourists travelling to Georgia, since then, the exchange rate has depreciated gradually and reached 2.6468 at the end of December 2016. In 2017, the GEL immediately gained strength on the back of economic recovery in the region, however the depreciation of the GEL has occurred again in the fourth quarter of 2017, which is mostly associated with negative expectations established in the last 4 years when GEL was losing its value sharply in the last quarter. The Lari/US Dollar exchange rate was 1.8636 as of 31 December 2014, 2.3949 as of 31 December 2015, 2.6468 as of 31 December 2016, and 2.5922 as of 31 December 2017. In the first seven months of 2018, the GEL was broadly stable, however, Turkish Lira collapse in the beginning of Aug-18 affected the GEL through expectations channel as it weakened by 8.4% at the level of 2.63 vs US$ as of 12 October compared to 1 August 2018. GEL's strength enabled NBG to build reserves with a purchase of US$ 132.5mn during April-September 2018.

The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other currency inflows. Any failure to do so, or a major depreciation or further depreciation of the Lari, could adversely affect Georgia's economy. According to information published by Geostat, annual inflation in Georgia, as measured by the end-of-year Consumer Price Index (**CPI**), was 2.0% in 2014, 4.9% in 2015, 1.8% in 2016 and 6.7% in 2017.

The price pressures have re-emerged in 2017 due to one-off factors related to excise tax hikes, increased world commodity prices, the lagged effect of the weaker GEL and low base effect. Recently, inflation has declined rapidly and is close to its target level of 3.0% once the effects of the excise tax increases faded. In general inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Company's customers, which could, in turn, have a material adverse effect on its business.

Inflation pressure occurred again in 2017 because of the increase of excise taxes and price level in the world.

In the first ten months of 2018, inflation is lower than NBG’s target of 3% and amounts to 2.3%. High inflation can lead to instabilities in currency and financial markets, reduction in consumer purchasing power and erosion of consumer confidence. Any of these eventualities could lead to lower current performance of Georgia's economy and negatively affect the businesses of the Company's corporate customers, which could, in turn, have a material adverse effect on the Company.

Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company’s business

Since its independence from the former USSR in 1991, Georgia has experienced an on-going and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies or as a result of a rejection of reform policies by the president, the parliament or others.

In October 2010, the parliament of Georgia approved certain amendments to the constitution of Georgia (**the Constitution**) that were intended to enhance the primary governing authority of the parliament, to increase the powers of the prime minister of Georgia and to limit the scope of functions of the president of Georgia. Although the parliament unanimously adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013, any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

In the presidential election held on 28 October 2018, none of the candidates could get more than 50% of the votes and therefore, the second round of the presidential election was set. The pre-election environment was quite tense. According to the results of the second round, the government-backed candidate won. This fact has caused dissatisfaction with the opposition leaders and their supporters. They demand abolition of the results of the presidential election and appointment of early parliamentary elections. Such political tension may have a negative impact on the local economy and, therefore, the company's business.

There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA

On 27 June 2014, Georgia signed the EU Association Agreement and established a DCFTA with the EU, which envisages bilateral trade liberalization with the EU. The implementation of the EU Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the EU Association Agreement and the DCFTA may require Georgia to conform to EU trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Georgia has been gradually conforming its trade legislation to EU norms and practices since it became a member of the World Trade Organization in 2000. Some of the recent changes in regulation include the 2013 amendments to the labor code to bring Georgian labor regulations closer to commitments under the EU Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (from one to two months' salary), strengthened workers' rights to challenge employers' decisions in courts, prohibited dismissal without clear cause, and guaranteed basic working conditions. The amendments also strengthened the competition laws in Georgia, which could restrict the Company's ability to make further expansions in line with its growth strategy.

Other changes may be expected in governmental policy, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the EU Association Agreement may place a significant burden on regulatory bodies, divert their resources from on-going reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonization with EU legislation, the Company may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations. For example, Company has made changes to its labor contracts to reflect changes to the labor code described above. Company expects that there will be further changes, although it cannot predict the extent to which the Company might be affected by, or able to comply with, any such changes.

In addition to this, implementation of the Association Agreement is expected to bring Georgian Security Market Regulation closer to EU legislation, which may affect the Company.

Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Company and there may be changes in current tax laws and policies

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities.

Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for businesses. A new tax code (the **Tax Code**) came into effect on 1 January 2011. In 2011, the Georgian Parliament passed the Organic Law on Economic Liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (other than excise) without a public referendum initiated by the Government (except in certain limited circumstances). This law has been in effect since 31 December 2013. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the

Tax Code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While Management believes that the Company and members of the Company operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Company could face fines or penalties as a result of regular tax audits.

In addition, tax laws and government tax policies may be subject to change in the future, including changes resulting from a change of government (see "*political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business*"). Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Company or its customers, which may, in turn, have a material adverse effect on its business.

In May 2016, the Georgian Parliament adopted changes to the Tax Code related to corporate profit tax, whereby an enterprise will not be liable for the payment of profit tax until the enterprise distributes its profit to the shareholders or incurs such costs or makes supplies or payments that are subject to corporate profit tax. It is expected that this change will intensify the economic activity and increase the capitalization of the private sector. Most of the relevant amendments to the Tax Code are into effect since 1 January 2017.

Disruptions in Georgia's neighbouring markets may have an adverse effect on Georgia's economy

The Georgian economy is dependent on the economies of other countries within the region, including Azerbaijan, Armenia, Russia and Turkey.

Azerbaijan and Armenia were historically the two largest markets for Georgian exports, accounting for approximately 10.9% and 8.2% of Georgia's total exports, respectively, in 2015, although their share in Georgia's total exports decreased to 7.2% and 7.1%, respectively, in 2016, and these countries accounted for 9.9% and 7.7% Georgia's total exports, respectively in 2017, according to figures published by Geostat.

In February 2015, the Central Bank of Azerbaijan devalued the Manat by 33.6% against the US Dollar and by 33.8% against the Euro. In December 2015, the Central Bank of Azerbaijan moved to a managed floating exchange rate for the Manat, resulting in a devaluation of 47.6% against the US Dollar and 47.9% against the Euro. The Manat stabilised throughout 2016 and 2017. Between October 2014 and February 2015, the Armenian Dram depreciated against the US Dollar by approximately 16.7% and between 31 December 2015 and 31 May 2016, the Armenian Dram appreciated against the US Dollar by 1.3%. The Armenian Dram has been remaining stable in 2017. Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 7.4% and 9.8% of Georgia's total exports and approximately 8.6% and 9.3% of Georgia's total imports in 2015 and 2016, respectively, according to Geostat. Exports from Georgia to Russia significantly increased and accounted 14.5% in 2017, while imports share in total imports increased slightly by 10.0% in 2017. In the spring of 2013, Russia lifted its trade embargo and the Russian market was reopened to Georgian producers. The export of Georgian products to Russia increased threefold in 2013. Recently, the Russian economy has witnessed an economic slowdown due, in part, to the decline in global oil prices and US and EU sanctions imposed as a result of the on-going political tensions between Russia and Western countries arising from the conflict in Ukraine and Syria. In January 2016, the Russian Rouble declined to an all-time low against the US Dollar. Between 31 December 2016 and 31 December 2017, the Russian Rouble appreciated against the US Dollar by 5.0%.

Turkey represents the biggest importer to Georgia, accounting for 15.8% of Georgia's total imports in 8M18, according to figures published by Geostat. Though, the Turkish economy grew by 6.2% in 1H18, according to the Turkstat, political uncertainty, unfavourable geopolitical developments, the sharp depreciation of the Turkish Lira and high inflation in Turkey (Annual inflation was 24.5% in September 2018) are potential obstacles to further economic growth.

The economic recovery in Georgia's main trading partners have resulted better-than-expected economic growth in Georgia at 5.0% in 2017, according to GeoStat. Any continuing or further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

Because the Company operates primarily within Georgia, it will be affected by changes in Georgian economic conditions

The Company's operations are located in, and its revenue is sourced from, Georgia. The Company's results of operations are, and are expected to continue to be, significantly affected by financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia. Factors such as gross domestic product (**GDP**), inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on customer demand for its products and services.

Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Georgia slowed to 2.8% in 2016 and 2.9% in 2015 from 4.6% in 2014, according to Geostat. This slowdown was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Georgia and lower foreign direct investment (**FDI**). In 2017, economic activity in Georgia strengthened on the back of stronger growth in main trading partners. According to the IMF's World Economic Outlook published in October 2018, GDP growth in the region is expected to be positive at 2.3% in 2018, as economic conditions are favourable in most economies in the Commonwealth of Independent States (CIS), primarily due to a spill-over effect from the better economic performance in Russia. For the next couple of years, economic outlook is more favourable in the region. The IMF projects a 2.4% growth rate in CIS economies in 2019, and an average growth rate of 2.2% over 2020-2023. On the back of the regional upward revisions of growth in CIS economies, the IMF expects 5.0% growth in Georgia in 2018 and an average growth rate of 5.1% over 2019-2023. Georgia continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of its customers in Georgia. Uncertain and volatile global economic conditions, such as heightened political tensions in the region and EU, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy. If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

The uncertainties of the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business

Georgia is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws recently becoming effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in their application, including their enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, actual or anticipated variations in the operating results of the Company's competitors, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and actual or expected sales of a large number of Bonds, as well as any other factors affecting the Company, including economic and market conditions in Georgia. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Company's business, financial condition and results of operations. If an active trading market for the Bonds develops, there can be no assurance that events in Georgia or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Bonds or that economic and market conditions will not have any other adverse effect. If the Bonds are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of the Company or other factors, some of which may be beyond the control of the Company.

The Bonds constitute unsecured obligations of the Company

The Company's obligations under the Bonds will constitute unsecured obligations of the Company. Accordingly, any claims against the Company under the Bonds would be unsecured claims that would be satisfied after the claims of secured creditors. The ability of the Company to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

Any change of law in Georgia in the future may have a material adverse effect on the Bonds, including their GSE listing

The terms and conditions of the Bonds are based on the laws of Georgia in effect as of the date of this Prospectus. There can be no assurance in terms of the impact of judicial decisions or changes in law or administrative practice in Georgia after the date of this Prospectus.

The Company will have the right to submit an application to the GSE for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. The Parliament of Georgia was considering certain changes to securities legislation in 2013 that could negatively affect listing of the Bonds and their admission to trading on the GSE as well as maintaining such listing and admission in the future. Although these draft amendments were widely criticized and were not adopted, any future changes to the securities legislation could have a negative effect on the listing and admission to trading of the Bonds and the trading market for the Bonds.

Investors whose financial activities are denominated in a currency or currency unit other than US Dollars may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls

The Company will pay principal and interest on the Bonds in US Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the investor's currency) other than US Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollars or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the Company's or the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the US Dollars would decrease (i) the investor's currency equivalent yield on the Bonds, (ii) the investor's currency-equivalent value of the principal payable on the Bonds and (iii) the investor's currency-equivalent market value of the Bonds.

Governmental and monetary authorities may impose (such experience is also presented in other countries) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected on the Bonds.

An investment in the Bonds involves certain legal investment considerations

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation, by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (i) the Bonds are legal investments for them; (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Transfer of the Bonds will be subject to certain restrictions

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws. Prospective investors may not offer or sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. It is the obligation of prospective investors to ensure that their offers and sales of the Bonds within the United States and other countries comply with any applicable securities laws.

Investors in the Bonds must rely on procedures of the Registrar, the Bondholders' Representative and in corresponding cases - Nominal Holders of the Bonds

The Company will discharge its payment obligation under the Bonds by making payments to Bondholders and Nominal Holders of the Bonds registered in the primary Register maintained by the Registrar (as such terms are defined in the Terms and Conditions of the Bonds). A Bondholder must rely on the procedures of the Registrar and of the Nominal Holders (where applicable) to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Bonds.

The Terms and Conditions of the Bonds provide that the Bondholders' Representative will be required to take action on behalf of the Bondholders in certain circumstances, but only if the Bondholders' Representative is indemnified and/or pre-funded and/or secured to its satisfaction. It may not be possible for the Bondholders' Representative to take certain actions and accordingly in such circumstances, the Bondholders' Representative will be unable to take such actions, notwithstanding the provision of an indemnity and/or prefunding and/or security to it, and it will be for Bondholders and nominal holders to take such actions directly.

The terms and conditions of the Bonds may be modified or waivers for breaches of the terms and conditions may be issued in the future

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. (see *"Terms and Conditions of the Bonds"*, condition 11 "*Meeting of Bondholders, Modification and Waiver*")

There may not be an active trading market for the Bonds

There can be no assurance that an active trading market for the Bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for the Bonds does not develop or is not maintained, the market or trading price and liquidity of the Bonds may be adversely affected by a number of factors, some of which may be beyond the control of the Company. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Company.

Risk of Early Redemption (see *"Terms and Conditions of the Bonds"*, condition 7 *"Redemption and Purchase"*)

In certain events specified in this Prospectus the Bonds may be redeemed prior to their Maturity Date. If the Bonds are redeemed prior to their Maturity Date, the Bondholder is exposed to the risk of a lower yield than expected due to such early redemption. Moreover, such redemption may be done at the moment when the yield of comparable bonds on the capital markets is reduced, which means that the investor may be able to reinvest the redeemed yields only in bonds with a lower yield.

Other Regulatory Risks

Following public offering of the Bonds the Company will become a Reporting Company and be subject to additional regulations and reporting requirements

Following public offering of the Bonds, the Company has become a Reporting Company within the meaning of the Law of Georgia on Securities Market (the "**Securities Law**"). The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as "**Interested Parties**" (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions involving Interested Parties and exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the general meeting of shareholders. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements. Consequently, the Company's Meeting of Partners has to approve transactions involving Interested Parties.

Furthermore, the Securities Law imposes specific reporting obligations on a Reporting Company. A Reporting Company is obliged to submit to the NBG, publish or provide to the registered owners of its securities annual, semi-annual and current reports. If the Bonds are traded on the GSE, such information must be also provided to the GSE. The NBG is entitled to request additional information from the Reporting Companies.

Requirement of approval of transactions with Interested Parties and reporting requirements poses additional regulatory burden on the Company and may affect the efficiency of its operations. In addition, the failure to obtain required approvals may cause invalidation of the relevant transactions in certain cases.

USE OF PROCEEDS

The net proceeds from the issuance of the bonds will be used to acquire commercial properties of the Group's yield-generating segment from various Group's subsidiaries by the Company. The Company has signed commercial properties acquisition agreement with respective commercial property owners to acquire certain properties with up-front indicated prices until March 3, 2019 (please see below list of properties to be acquired with indicated prices). Commercial properties acquisition agreement volume is US$ 24,417,740 (incl. VAT).

Address of Real estate	Owner	Type	Sqr.m	Reimbursement price (USD)
Tamarashvili str. 6 #1	Ltd. M2 on Tamarashvili	Office	123	162,840
Tamarashvili str. 6 #2	Ltd. M2 on Tamarashvili	Office	123	171,100
Tamarashvili str. 6 #3	Ltd. M2 on Tamarashvili	Office	123	162,840
Tamarashvili str. 6 #4	Ltd. M2 on Tamarashvili	Office	123	162,840
Kazbegi ave. 25, space 001	Ltd M2 on Kazbegi	Retail	674	1,696,840
Kazbegi ave. 25, space 002	Ltd M2 on Kazbegi	Retail	383	881,460
Kazbegi ave. 25, space 003	Ltd M2 on Kazbegi	Retail	84	173,460
Kazbegi ave. 25, space 004	Ltd M2 on Kazbegi	Retail	143	351,640
Kazbegi ave. 25, space 005	Ltd M2 on Kazbegi	Retail	241	464,920
Kazbegi ave. 25, space 006	Ltd M2 on Kazbegi	Retail	130	252,520
Kazbegi ave. 25, space 007	Ltd M2 on Kazbegi	Retail	56	126,260
Kazbegi ave. 25, space 009	Ltd M2 on Kazbegi	Retail	81	193,520
Kartozia str. 10, commercial Space	Ltd M2 on Ipodromi	Retail	1,749	2,680,960
Kartozia str. 10, kidergarden	Ltd M2 on Ipodromi	Office	822	555,780
Kazbegi ave. 5, offices	Ltd M2	Office	5,230	5,640,400
Kazbegi ave. 5, commercial Space	Ltd M2	Retail	1,540	4,355,380
Kazbegi ave. 5, kidergarden	Ltd M2	Office	1,094	872,020
Kazbegi ave. 5, flats #1 & #2	Ltd M2	Office	165	158,120
Kazbegi ave. 5, flat #3	Ltd M2	Office	167	159,890
Kazbegi ave. 5, flat #4	Ltd M2	Office	167	159,890
Kazbegi ave. 5, flats #5 & #6	Ltd M2	Office	149	145,140
Chavchacadze ave. 50b, commercial Space	Ltd. M2 on Chavchavadze	Retail	153	795,320
Chavchacadze ave. 50b, commercial Space	Ltd. M2 on Chavchavadze	Retail	165	850,780
Chavchacadze ave. 50b, commercial Space	Ltd. M2 on Chavchavadze	Retail	137	737,500
Chavchacadze ave. 50b, commercial Space	Ltd. M2 on Chavchavadze	Retail	213	1,076,160
Chavchacadze ave. 50b, commercial Space	Ltd. M2 on Chavchavadze	Retail	73	125,080
Chavchacadze ave. 50b, flat #1	Ltd. M2 on Chavchavadze	Office	164	260,190
Chavchacadze ave. 50b, flat #2	Ltd. M2 on Chavchavadze	Office	164	260,190
Chavchacadze ave. 50b, flat #3	Ltd. M2 on Chavchavadze	Office	158	250,160
Chavchacadze ave. 50b, flat #4	Ltd. M2 on Chavchavadze	Office	154	244,260
Chavchacadze ave. 50b, flat #5	Ltd. M2 on Chavchavadze	Office	184	290,280
Total			14,932	24,417,740

Remaining amount will be used to fully refinance Company's long-term liabilities of US$ 4,550 ,000 and the other remaining US$ 1,032,260 will be used to reduce the invested capital of the Company. As a result of property acquisition, given in the table above, Company will have VAT asset of US$ 3,724,740, which will also leave the Company by reducing the invested capital.

As of Prospectus approval date Company's invested capital amounts GEL 36,308 thousand.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth carve-out of the Company's capitalization as of 31 December 2017 and as of 31 December 2016, also as of 30 September 2018.This information is taken from 2018 first 9 month unaudited carve-out financial statements of the Company and audited carve-out financial statements of 2017 (2016 as comparative information). This table should be read in conjunction with the sections entitled "*Selected Consolidated Financial and Operating Information*" and "*Management Discussion and Analysis of the Company's Financial Condition and Operating Results*", as well as the third quarter of 2018 and 2017 financial statements (which are unaudited figures), together with the related notes, all of which are reproduced elsewhere in this Prospectus.

Table below illustrates balance sheet indicators at bond issuance date, without taking the carve-out financial statements into account.

Long-term liabilities	At Bond issuance date*	**Dec -18**
USD Bonds	79,965	-
Long-term liabilities	-	12,184
Total indebtedness	**79,965**	**12,184**
Capital		
Invested capital	23,718	36,309
Total invested capital	**23,718**	**36,309**
Total capitalization	**103,683**	**48,493**

Note: 18 December official exchange rate (2,6655) is used to convert US Dollars in Georgian Laris

Company has received US$ 4.55mn 72-month loan from "JSC Georgian Capital" (100% owner of "M2 Real Estate") in May 2018, with annual interest rate of 9% for first 36 months; After 36 months, interest rate increases by 1% every year and amounts to 12% in the 6th year. Interest is paid on monthly basis, principal - at the end of the period. The loan will be repaid by proceeds from issuance of the Bonds defined by this Prospectus. (see "Use of Proceeds")

The Company plans to acquire commercial properties from of the Group's yield-generating segment from various Group's subsidiaries. The Company has signed commercial properties acquisition agreement with respective commercial property owners to acquire certain properties with up-front indicated prices until March 3, 2019. Commercial properties acquisition agreement volume is US$ 24,417,740 (incl. VAT).

Remaining amount will be used to fully cover Company's long-term liabilities of US$ 4,550 ,000 and the other remaining US$ 1,032,260 will be used to reduce the invested capital of the Company. As a result of property acquisition, given in the table above, Company will have VAT asset of US$ 3,724,740, which will also leave the Company by reducing the invested capital.

** Assumption that as of 18th of December 2018, the company has already issued the US$30 million bonds, out of which 24,417,740 US dollars (incl. VAT) has been used to acquire commercial properties from various Group's subsidiaries (see "Use of Proceeds") and the remaining amount will be used to fully cover Company's long-term liabilities of US$ 4,550 ,000 and the other remaining US$ 1,032,260 will be used to reduce the invested capital of the Company. As a result of property acquisition, given in the table above, Company will have VAT asset of US$ 3,724,740, which will also leave the Company by reducing the invested capital.*

Note: corporate bonds are measured at amortized cost

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The carve-out financial information of the Company set forth below for the periods ended 30 September 2018, 30 September 2017, 31 December 2017 and 31 December 2016 has been extracted from carved-out financial statements and should be read in conjunction with carve-out financial statements, including the related notes, contained elsewhere in this Prospectus.

Investors should be aware that the carve-out financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Year ended 31 December 2017 and 31 December 2016" is taken from the 2017 (and 2016 as comparative information) carve-out financial statements audit report prepared by EY. Carve-out Results of Operations for the period ended 30 September 2018 and 30 September 2017 is taken from the 2018 and 2017 third quarter carved-out management reports that was in accordance with IFRS but are unaudited figures.

Prospective investors should read the carve-out selected financial and other information in conjunction with the information contained in the following sections of this Prospectus: "Risk factors", "Capitalization and Indebtedness", "Management Discussion and Analysis of the Company's Financial Condition and Operating Results", "Description of Business" and the consolidated financial statements, including the related notes and other financial data appearing elsewhere in this Prospectus.

Carve-out Statement of Financial Position (GEL '000)	**30-Sep-18**	**30-Sep-17**	**31-Dec-17**	**31-Dec-16**
Assets				
Non-current assets				
Investment property	55,201	39,338	41,172	40,713
Investment property under construction	31,939	36,754	33,428	1,390
Total Non-current assets	**87,140**	**76,092**	**74,600**	**42,103**
Current assets				
Prepayments and other assets	950	481	910	231
Trade and other receivables	741	268	342	304
Total Current assets	**1,691**	**749**	**1,252**	**535**
Total assets	**88,831**	**76,841**	**75,852**	**42,638**
Invested capital	**76,598**	**76,633**	**75,605**	**41,442**
Non-current liabilities				
Loans received	11,823	-	-	-
Deferred Tax Liability			-	-
Total Non-current liabilities	**11,823**	**-**	**-**	**-**
Current liabilities				
Current income tax liabilities			-	431
Trade and other payables	102	39	126	478
Other liabilities	308	169	121	287
Total current liabilities	**410**	**208**	**247**	**1,196**
Total invested capital and liabilities	**88,831**	**76,841**	**75,852**	**42,638**

Carve-out Statement of Profit and loss and Comprehensive Income (GEL '000)	**30-Sep-18**	**30-Sep-17**	**31-Dec-17**	**31-Dec-16**
Rental Income	3,623	2,628	3,628	2,758
Property operating expense	(556)	(422)	(615)	(531)
Net rental income	**3,067**	**2,206**	**3,013**	**2,227**
Net gain from revaluation of investment property	-	805	805	2,121
Net gain from revaluation of investment property under construction	692	21,380	21,380	-
Net gain from revaluation	**692**	**22,185**	**22,185**	**2,121**
Employee benefits expense	(180)	(215)	(268)	(165)
Other general and administrative expenses	(109)	(86)	(274)	(64)
Finance expense	(464)	-	-	-
Operating profit	**3,006**	**24,090**	**24,656**	**4,119**
Profit before income tax expense	**3,006**	**24,090**	**24,656**	**4,119**
Income tax benefit			-	851
Profit for the year	**3,006**	**24,090**	**24,656**	**4,970**

Carve-out Cash Flow Statement (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Operating activities				
Profit before income tax expense	3,006	24,090	24,656	4,119
(Gain)/Loss from valuation of investment property	(692)	(22,185)	(22,185)	(2,121)
Share based payments	77	111	137	94
Finance costs	464	-	-	-
Operating profit before changes in working capital	**2,855**	**2,016**	**2,608**	**2,092**
Working capital adjustments:				
Decrease/(Increase) in prepayments and other assets	(40)	(250)	(679)	(231)
Decrease/(Increase) trade and other receivables	(399)	36	(38)	32
(Decrease)/Increase in trade and other payables	(24)	(439)	(352)	478
Decrease/(Increase) in Other current liabilities	187	(118)	(166)	287
Cash flows used in operations	**2,579**	**1,245**	**1,373**	**2,658**
Interest paid	(426)	-	-	-
Income tax paid	-	-	-	(62)
Net cash flows from operating activities	**2,153**	**1,245**	**1,373**	**2,596**
Investing activities				
Purchase of investment property	-	-	-	(2,281)
Capital expenditure on investment property	-	-	(70)	(1,076)
Capital expenditure on investment property under construction	(6,542)	(8,191)	(8,759)	(1,253)
Net cash flows used in investing activities	**(6,542)**	**(8,191)**	**(8,829)**	**(4,610)**
Cash flows from financing activities				
Proceeds from borrowings	11,068	-	-	-
Deemed profit distribution	(2,855)	(2,016)	(2,608)	(2,092)
Net contribution from the Parent	(3,824)	8,962	10,064	4,106
Net cash flows (used in)/from financing activities	**4,389**	**6,946**	**7,456**	**2,014**
Effect of exchange rate changes on cash and cash equivalents				
Net increase in cash and cash equivalents	**-**	**-**	**-**	**-**
Cash and cash equivalents at 01 January	**-**	**-**	**-**	**-**
Cash and cash equivalents at 31 December	**-**	**-**	**-**	**-**

MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND OPERATING RESULTS

The following discussion and analysis of the Company's carve-out financial condition and operating results principally covers the years 2017 and 2016 and the 9 months of 2018 and the 9 months of 2017 (figures of 9 months of 2018 and 2017 are unaudited). Unless otherwise specified, the carve-out financial information for the periods presented in this document has been extracted and/or derived from the carve-out financial statements. This section should be read in conjunction with the carve-out financial statements and the other financial information included elsewhere in the Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in this prospectus includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by the forward-looking statements. See "Risk Factors" and "Forward-Looking Statements".

Factors Affecting the Company's Financial Statements

The key factors affecting the Company's financial statements are discussed below:

Macroeconomic Conditions

In the first eight months of 2018, real GDP growth was 4.8% after 5.0% GDP growth in 2017, according to the National Statistics Office of Georgia (Geostat), due to stronger economic activities of Georgia's major trading partners and an improved business environment locally. In 2015-2016, slowdowns in economic growth was mainly affected by falling world commodity prices and negative spill-overs of the recession in Russia, as well as by currency depreciations among Georgia's main trading partners since the second half of 2014. As a result of these factors, in 2015, Georgia's exports decreased significantly and migrant remittances were reduced, particularly from Russia and Greece (which are the largest sources of remittances to Georgia). Exports fell further in 2016, though remittances have recovered from low base in the second half of 2016. The resulting shortfall in foreign earnings, combined with the worldwide strengthening of the US Dollar and slowly adjusting imports, caused the Lari to depreciate by more than 22.2% against the US Dollar in 2015 and by a further 9.5% in 2016. In order to mitigate the impact of depreciation related increases in inflation expectations, the NBG gradually tightened its monetary policy in 2015. NBG relaxed the monetary policy stance in 2016 as weak aggregate demand and falling world commodity prices eased price pressures and inflation came in at 1.8% at end 2016. Despite the regional economic slowdown, tourism increased during the periods under review, and tourism revenues increased 13.0% to US Dollar 2.1bn in 2016, accounting for 14.7% of GDP.

In 2017 tourism revenue were again increasing at a high pace of 28.1% and the amount reached 17.9% of GDP. Since the beginning of 2017 NBG had to tighten monetary policy once more, which was mainly induced by the increase of excise taxes on oil products and tobacco. Because of this inflation has reached 6.7% at the end of 2017. Since July 2018, the National Bank has cut its monetary policy rate by 0.25 percentage points to 7 percent and remains unchanged after the monetary committee meeting held in September, Despite a 5.3% annual rate of inflation on the US dollar (mainly due to inflation of Turkish Lira) in September 2018 as inflation is targeted at a target of 3%. In the first nine months of 2018, the real GDP growth of 4.9% was due to solid cash inflows of foreign funds: the volume of money transferred has significanty increased by 16%, revenue from tourism has been increased by 20.4% and The growth rate of 27.1% was observed in export of goods. However, it should be noted that in the first eight months of 2018, the import of goods increased by 19.1%, while the import of goods increased by 7.0% in the same period of 2017.

Georgian Real Estate Market Overview

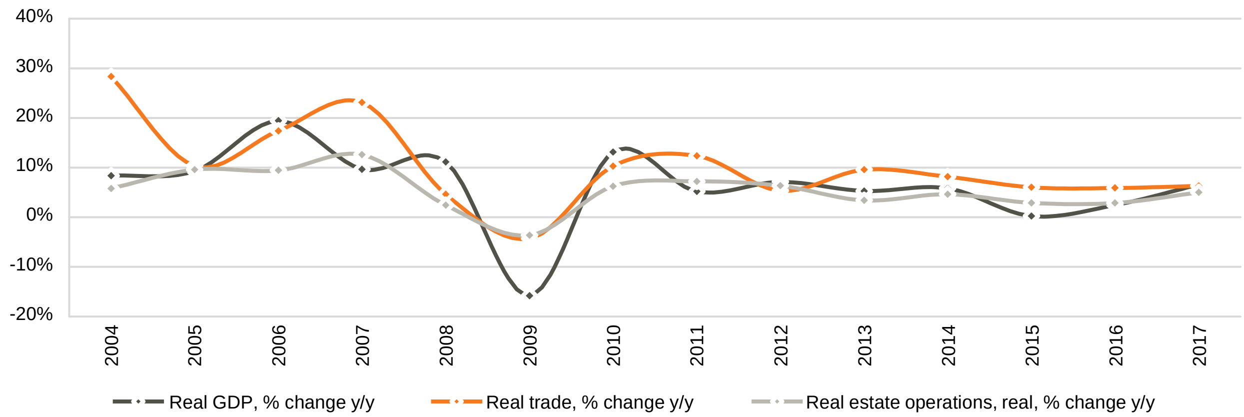
Market fundamentals

2004-2007 boom years were the catalyst for commercial real estate development in Georgia, as growing economy needed more office and retail spaces. As a result, modern retail and office facilities started to emerge as consumption was growing strongly and new companies – local and foreign – were established. Second stage in commercial real estate development can be related to tourism sector boom as it further lifted demand in retail trade and other related sectors.

Development, construction and on-going operations of commercial real estate in Georgia – office and retail – generates significant economic growth, supporting over 17 thousand jobs (2.9% of total employment) and contributing US$ 0.9bn to GDP in 2016. Real estate and trade sectors together accounted for 19.9% of GDP and 28.5% of business sector employment in 2016.

Turnover in real estate operations sector expanded 9.9x over 2008-2017 to GEL 1,267.0mn (29.0% CAGR). Profitability of the sector also looks healthy, with average profit margin at 13.5% over 2007-16, comparable to 10-15% profit margin in CEE countries.

Figure 1: GDP, trade and real estate operations, real growth



Source: Geostat, Galt & Taggart Research

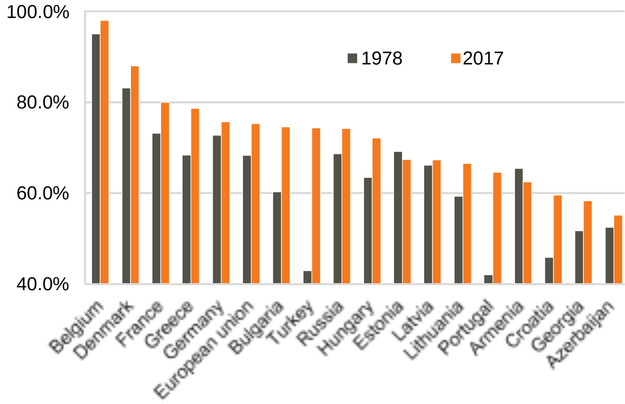
Purchasing power of the population increased in recent years, which shifted consumers from open to well-organized retail markets and shopping centres. GDP per capita increased from GEL 7,222 to GEL 10,152 over 2013-17. Furthermore, average monthly salary of employed increased from GEL 535 in 2008 to GEL 940 in 2016. Share of salary income also increased in total household income – salaries accounted for 54.2% of total income in urban areas and 30.2% in rural areas in 2017, mentioned shares stood at 50.6% and 16.5% respectively in 2008.

The urbanization rate is still low at 58.0% in 2017 (up from 52.5% in 2007), compared to both EU (75.0%) and CEE countries (64.9%). We expect that the share of urban population will increase further given stagnant agriculture and growth potential in services (trade, tourism, transport, etc.).

Figure 2: Total average monthly income per household, GEL

Source: Geostat

Figure 3: Urbanization rate in peer countries



Source: World Bank

Retail real estate

Georgian retail real estate market was dominated by traditional bazaars and open markets, with limited consumer facilities and low-quality spaces. However, modern shopping center development was in active phase over 2012-2017 and consumers are shifting their interest to modern retail formats. Modern shopping centers are now present in three Georgian cities: Tbilisi, Kutaisi, and Batumi.

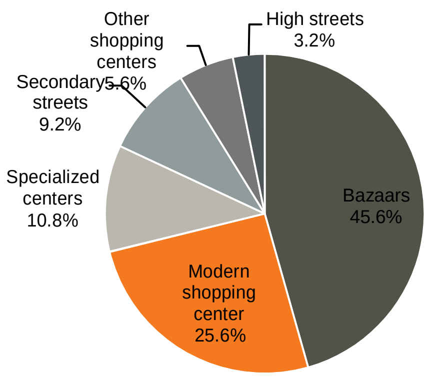
Tbilisi retail space is dominated by open air markets and bazaars. As of end-2017, Tbilisi had 1.6mn m2 of total retail stock, comprised of bazaars (45.6% of total stock), modern shopping centers (25.6%), specialized centers (10.8%), secondary street retail (9.2%), other shopping centers (5.6%), and high street retail (3.2%). However, growth in retail real estate is solely driven by expansion of modern retail formats. We believe this trend will continue in the future also.

Majority of modern shopping centres have been opened over 2007-2017. Peer comparison indicates that Georgia was on early stage of development over the last 10 years, when almost all modern retail space was developed. Major additions included Tbilisi Mall, Tbilisi East Point, Hualing Mall, and City Mall Gldani.

Strong development in modern shopping centers in recent years is bringing Tbilisi closer to European levels. Modern shopping center GLA per 1,000 inhabitants stood at 359.5m2 in Tbilisi in 2017. The figure is close to the regional average. Average modern shopping center density stood at 406.3m2 in CEE capital cities in 2016, according to Cushman & Wakefield.

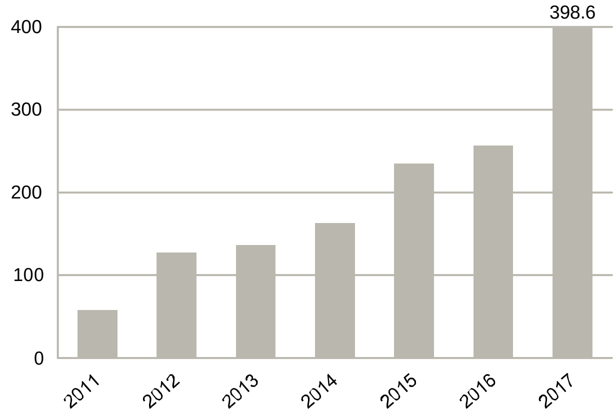
Tbilisi modern shopping center stock grew 55.3% y/y in 2017 to 398,552m2. Notable additions include Isani Mall and Hualing Mall, which is currently the biggest shopping mall in the Caucasus region. Galleria Tbilisi was the most recent opening, adding another 25,000m2 to the stock.

Figure 4: Tbilisi retail space breakdown by category



Source: Galt & Taggart Research

Figure 5: Tbilisi modern shopping center GLA, '000 m2



Source: Galt & Taggart Research

Weighted average retail rents in Tbilisi modern shopping centers are on the decline. Weighted average retail rents in shopping centers were down to US$ 14.6 in 2017 from US$ 16.3 in 2016. This drop is attributable to increased competition and several large-scale absorptions (Gorgia rented 8,000 square meters in two shopping malls and Carrefour entering in several shopping malls). Vacancy rate fell slightly to 15.0% in 2017, because of new malls (Galleria Tbilsii, Isani Mall) entered the market and properties were not fully leased initially.

Increasing competition from shopping malls challenges street retail in Tbilisi. Street retail stores usually occupy the first and sometimes second floors of residential buildings, part of which are owner-occupied. As of 2017, total street retail space amounted to 193,635m2.

Generally, high street locations are more attractive to retailers, due to higher pedestrian traffic, but Tbilisi high street outlets are facing fierce competition from modern shopping and High street retail is losing attractiveness to retailers. Increased competition from the shopping malls and loss of branded tenants resulted in decreasing high street rents. Weighted average retail rents were down to US$ 28.7 in 2017 from US$ 32.7 in 2016. The only high street with increasing rents is Rustaveli Avenue, which is major tourist destination and attractive to retailers.

Office real estate

Most business activity is concentrated in Tbilisi. Modern offices are almost entirely concentrated in Tbilisi, the country's administrative center. The 42.6% of Georgia's total businesses are located in

Tbilisi in 2018. Large firms and branches of international companies are all headquartered in Tbilisi also.

Tbilisi office stock is equally distributed between leasable and owner-occupied offices. Total stock amounts to over 1.0mn m2, of which 51.3% is leasable space. Leasable space is further comprised of traditional (C&D classes; 53.9% of total) and modern office stock (A, A-, B+, and B classes; 46.1% of total).

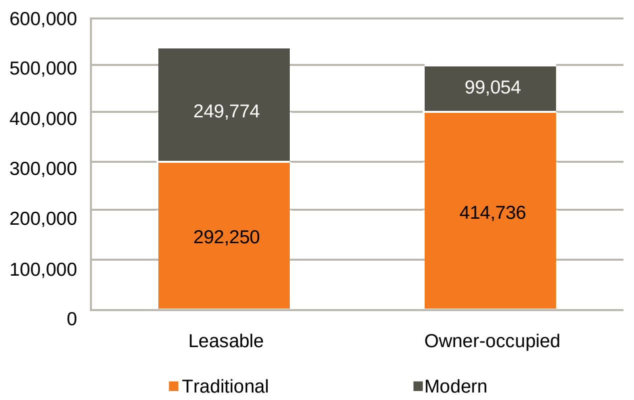
Large local companies and branches of international organizations are usually headquartered in Tbilisi. In particular, local branches of international companies are main absorbers of modern office stock supply, while wealthy local organizations prefer to be located in private buildings and either buy or build their own offices.
Tbilisi modern office stock supply has gone up significantly over 2012-2017. However, despite the growing number of modern office buildings, share of modern office stock still only accounts for 33.7% of total office stock.

Class A accounts for 19.7% (49,300m2) of modern leasable office space, with Class A- comprising another 14.6% (35,564m2). The lion's share of Class A/A- office space is absorbed by international corporations, diplomatic organizations, and wealthy local firms. The latest addition to Class A stock was King David Business Center, the largest in the category. Axis Towers, expected to be completed in 2018, will be the next major addition (12,000m2).

Class B+ office space accounts for the largest share 59.4% (148,322m2) of modern leasable stock. Business centers in this category are mostly located in less prestigious neighborhoods than Class A/A- offices. Class B office stock qualifies for the same benchmarks as Class B+, but is usually located in the suburbs of the city.

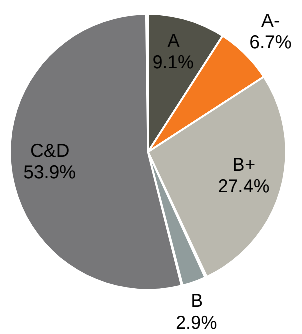
Supply of low-class offices (C&D) is falling behind as fewer residential areas are converted into office space. Many small companies tend to lease or buy C and D class offices, located in old, Soviet, non-refurbished residential buildings. Total C and D class supply is estimated at 92,250m2 and 200,000m2, respectively, by Colliers Georgia.

Figure 6: Office stock supply in Tbilisi, m2, 2017



Source: Galt & Taggart Research

Figure 7: Leasable office stock by class, 2017



Source: Galt & Taggart Research

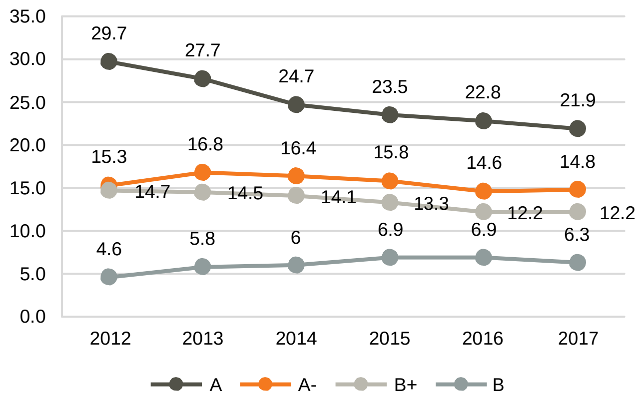
Tbilisi office market is a landlord oriented. Such markets are characterized by a shortage of options for office tenants, which decreases their bargaining power, and results in high rents.

Weighted average office rents dropped considerably in class A category (from $29.7 to $21.9) over 2012-2017. This was a result of significant growth in the supply (+77.0% over 2012-2017). Recent addition of King David Business Center, which is not absorbed yet, hit hard on vacancy rates in class A category.

Weighted average office rents in other class (A-, B+, B) offices were stable over 2012-2017, because of steady growth in supply. Vacancy rates were on the decline in lower class offices, but have gone slightly up in 2017 because of new business centers added in these categories.

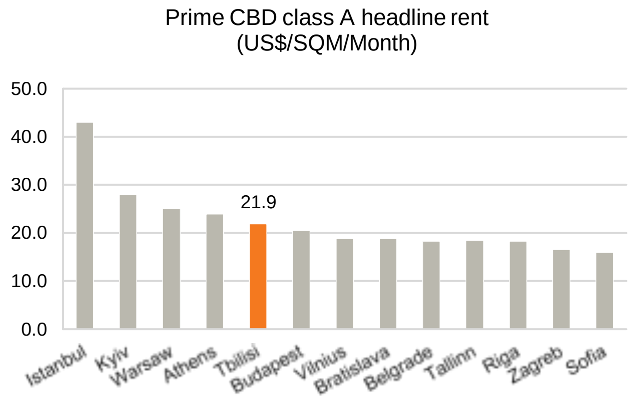
Tbilisi office market is characterized by some of the highest rental rates among peer cities in Central and Eastern Europe. Prime CBD (central business district) class A headline rent stood at US$ 21.9 in 1H17 in Tbilisi. High headline rents can be explained by the market structure, which is favourable to landlords. Such markets are characterized by a shortage of options for office tenants, which decreases their bargaining power and results in high rents.

Figure 8: Weighted average rent by class, US$



Source: Colliers International

Figure 9: Prime CBD class A headline rent, 1H17 (US$/m2)



Source: Colliers International

m2 Commercial Assets, LLC

Georgian commercial real estate market is very fragmented with very few sizeable players. The company' real estate currently holds nearly 18,000 m2 of GLA of retail and office spaces and more than 12,000 m2 of leasable spaces in warehouses. Therefore, currently company holds very small share of the commercial real estate market.

The Company's commercial assets are leased almost fully, (annual average weighted occupancy rate is 94.3%). moreover, rent rates, occupancy rates in relation to prices of retail and office spaces stand above the market average. This can be explained by the established brand name, location in the central business district or near CBD and higher quality of the Company's properties. Rent rates for different type of properties usually are a bit higher compared to market-established rents. Office rents of the Company's real estate properties range around US$ 13-25, while market rents oscillate between US$ 14-22 for class A- and A offices). Same applies for retail properties, as rent prices for the Company's properties in the central locations of Tbilisi range between US$ 18-45, while weighted average high street retail rent stood at US$ 28 in 2017 (down from US$ 36.0 in 2015) for retail prices.

Geographically, Issuers assets are mainly concentrated in the Tbilisi, while several commercial assets are located in Gori, Telavi, Rustavi and Marneuli. Commercial assets in Tbilisi are also of a larger size and high quality. For example, Melikishvili Business Centre is one of the few high quality office buildings in Tbilisi.

Apart from, already operating commercial spaces, company has assets that are under construction and will increase spaces under ownership by 45.4% by 2019. Assets that are under construction are mainly located in the residential complexes of "M2 Real Estate ".

Company overview

In 2018, JSC "M2 Real Estate" (M2, "Parent") initiated a corporate reorganization in order to legally separate its yield-generating segment from Parent's and its subsidiaries' (together referred as "M2 Real Estate *Group"*) as 100% stand-alone subsidiary, which will issue bonds, services by yield-generating properties cash flows.

In April 2018, M2 established a 100% owned subsidiary M2 Commercial Assets, LLC ("the Company") and initiated a plan to transfer part of its commercial properties of the Group's yield-generating segment from various Group's subsidiaries to the Company. As of Prospectus approval date "M2 Real Estate" has invested GEL 47.6mn assets in capital of the Issuer. Other assets will be transferred by acquiring of "M2 Real Estate Group" assets, as it is described in "Use of Proceeds". Transfer of properties of the Group will be fully completed before 3 March 2019.

As transfer of properties of the Group was complete, the Company hired M2 as a management company and fully delegated all of its business operations to M2.

1. Scope of Management Agreement:

Under the Management Agreement Management Company M2 will be responsible for providing property and facility management services pursuant to the Management Agreement in respect of existing and under development real estate properties. Scope of the services to be provided by M2 varies from administrative to advisory support in order to guarantee proper and efficient business operations and financial performance of the Company.

In accordance with the Management Agreement, M2 will charge the Company revenue driven fee for such services. Apart from that the Company will be required to make reimbursement of non-recurring expenses towards Management Company, if the latest bears the cost in first place to prevent prospective losses.

The term of the Management Agreement will commence on 3 December, 2018 for indefinite time and until termination by both parties.

2. Seed portfolio and pipeline assets

2.1. Overview of the seed portfolio

The Company owns three types of real estate: a) office, b) retail, and c) warehouse properties, which are predominantly located in the center of capital city of Tbilisi. Minor part of the properties was developed by the parent company and prevailing majority acquired and re-developed later on by parent company. Each of the three asset types are fully built, commenced and are rent generating through mid and long-term lease.

The table below summarizes the assets comprising the seed portfolio:

Location	City	Owned through	Lease income per annum (excl. VAT)	Approximate value ('000$)	Annual average occupation rate 30 sep 2018
Office:					
Melikishvili BC	Tbilisi	Acquired	488,526	5,200	79.7%
Kazbegi ave.	Tbilisi	Acquired	254,237	2,100	100.0%
I Tower	Tbilisi	Constructed	188,030	2,400	100.0%
Aghmashenebeli ave.	Tbilisi	Acquired	143,234	880	100.0%
Tamarashvili ave.	Tbilisi	Constructed	63,339	492	100.0%
Retail:					
Gldani	Tbilisi	Acquired	275,049	3,000	100.0%
Kazbegi ave.	Tbilisi	Constructed	301,808	3,509	88.9%
Rustaveli st.	Marneuli	Acquired	28,311	300	100.0%
Stalini st.	Gori	Acquired	12,374	200	100.0%
Erekle II ave.	Telavi	Acquired	12,717	110	100.0%
Shartava ave.	Rustavi	Acquired	11,186	88	92.5%
Isani	Tbilisi	Constructed	32,487	275	97.0%
Sh. Nutsubidze str.	Tbilisi	Acquired	12,203	128	100.0%
Warehouse:					
Tbilisi, Iumashevi st. #06	Tbilisi	Acquired	121,717	1,140	82.0%
Tbilisi, Iumashevi st. #03	Tbilisi	Acquired	31,355	510	78.6%
Saq Lada Warehouse	Tbilisi	Constructed	104,746	1,200	100.0%
Total			**2,081,319**	**22,004**	**94.3%**

2.2. Pipeline assets

The Company has following on-going developments, which will be added to the assets portfolio.

The table below summarizes the pipeline assets portfolio:

Location	City	Owned through	Lease income per annum (excl. VAT)	Approximate value ('000$)	Annual average occupation rate 30 sep 2018
Office:					
Kazbegi ave.	Tbilisi	Constructed		4,780	n/a
Chavchavadze ave.	Tbilisi	Constructed		1,106	n/a
Kazbegi ave	Tbilisi	Constructed		528	n/a
Kazbegi ave.	Tbilisi	Constructed		739	n/a
New hippodrome	Tbilisi	Constructed	61,017	471	100%

Retail:					
New hippodrome	Tbilisi	Constructed		2,272	n/a
Kazbegi ave	Tbilisi	Constructed		3,691	n/a
Chavchavadze ave.	Tbilisi	Constructed	292,302	3,038	100%
Total			**353,319**	**16,625**	**100.0%**

Above presented properties fall into two categories, office and retail and comprise three commercial buildings located on: a) Kazbegi ave., b) Chavchavadze ave. and c) New hippodrome.

New hippodrome and Chavchavadze ave. commercial buildings construction works are planned to be completed by the end of 2018. By the November, 2018 those commercial buildings are on a final stage towards commissioning, like testing of infrastructure etc.

Kazbegi ave. commercial building construction works are planned to be completed by the end of February 2019. Commercial building is comprised of four different blocks (A, B, C and D). A and D blocks are on a final stage towards commissioning, like testing of infrastructure etc. and B and C blocks are on an interior construction stage.

New hippodrome and Chavchavadze ave. commercial buildings are partially rented already. Tenants fo Kazbegi ave. commercial building has been identified and discussion of terms of memorandum has been initiated with several of them.

3. Top tenants

Top tenants of the company occupy c. 33% of the total net leasable area of the Company’s property portfolio and generate c. 69% of total annual gross rent income. On average tenant agreements are signed for 4 years, with automatic prolongation clause for further one year if parties do not terminate the agreement. In rare cases agreement tenor could be as short as one year and as long as 10 years.

Below table represents brief overview of top ten tenants:

Description	
Number of tenants	10
Gross property income p.a., $	1,625,796
Gross property income p.m., $	135,483
Total net leasable area of top tenants	12,436
Average monthly gross rent per square meters ($/m2)	10.9

List of top ten tenants and other details:

Tenant	Monthly revenue excl. VAT (US$, November 2018)	Address	City
Tenant #1	22,073	Khizanishvili str.	Tbilisi
Tenant #2	21,186	Kazbegi ave.	Tbilisi
Tenant #3	15,669	Zh. Sharatva str.	Tbilisi
Tenant #4	11,936	Aghmashenebeli ave.	Tbilisi
Tenant #3	10,340	Kazbegi str.	Tbilisi
Tenant #5	9,687	Melikishvili Business Center	Tbilisi
Tenant #6	8,729	Kakheti Highway	Tbilisi
Tenant #7	7,627	Melikishvili Business Center	Tbilisi
Tenant #8	6,889	Kazbegi ave.	Tbilisi
Tenant #9	6,106	Melikishvili Business Center)	Tbilisi
Tenant #3	5,424	Melikishvili Business Center)	Tbilisi
Tenant #10	5,278	Tamarashvili str.	Tbilisi
Tenant #3	2,359	Rustaveli str.	Marneuli
Tenant #3	1,060	Erekle II ave.	Telavi
Tenant #3	456	Stalini str.	Gori
Tenant #3	426	Iumashevi str.	Tbilisi
Tenant #8	127	Iumashevi str.	Tbilisi
Tenant #8	111	Iumashevi str.	Tbilisi

From the companies in the table above, JSC Insurance Company Aldagi, JSC Bank of Georgia and JSC Georgia Capital represent Company's related entities.

4. Business description

The Company operates three types of real estate: a) office, b) retail, and c) warehouse properties through long term lease agreements. In case of retail and office properties, the Company rents out either refurbished or non-refurbished properties. In case of non-refurbished properties, during the refurbishment period the Company gives the tenant grace period (can be 1 to 12 months) during which the tenant pays less monthly fee (terms depend on the agreement between the parties). If the refurbishment is made by the Company, the tenant reimburses either the lump sum of refurbishment cost to the Company, or the cost is allocated to monthly fees payable by the tenant.

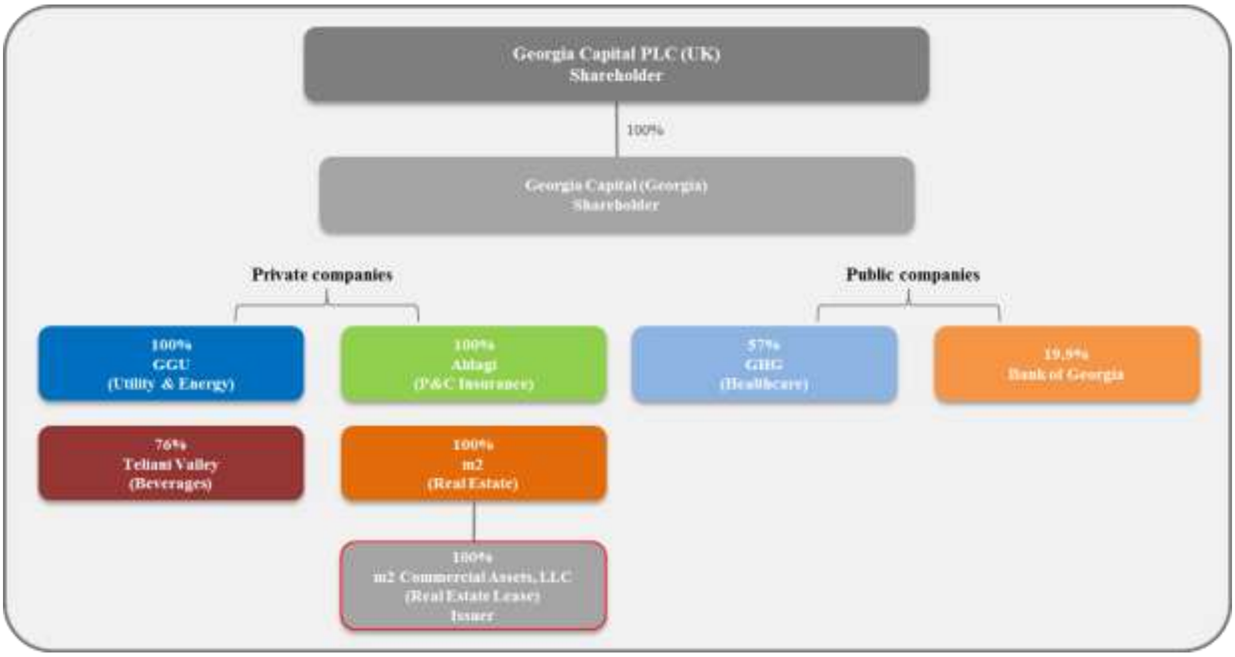
In case of some properties, mostly for warehouses and for only one office property (Melikishvili Business Center) the Company pays the utilities and collects respective utility revenue from its tenants.

Revenue is recognized on monthly basis. In case of foreign currency denominated lease agreements (which are only US dollars), revenue recognition occurs in local currency based on the rent fee amount and respective NBG exchange rate. In case of local denominated lease agreements, revenue recognition occurs based on respective agreement amount. Utility costs reimbursementis also recognized in local currency according to the square meters occupied by the tenants or based on the water and electricity meter reports. Utility revenue is reported in rent fee line and does not have a separate revenue line in the Company's profit and loss statement.

5. <u>Shareholding structure</u>

Ultimate shareholder of the Company is Georgia Capital PLC, UK incorporated holding company listed on the premium listing segment of the Main Market of the London Stock Exchange. The Company was established in April 2018, by M2 as a 100% subsidiary. The reason for establishment was M2's new initiative to transfer part of its yield generating commercial properties and issue public bonds through new company, M2 Commercial Assets.

Below chart illustrates shareholding structure of the Company:



Future strategy

The primary strategy of the Company is to manage sustainable cash flow over long-term period and capital appreciation. To achieve this objective, the management company will proactively manage the existing property portfolio and increase the productivity of operations.

The Company does not intend to make any future developments, neither via acquisitions nor via own developments.

As previously mentioned under the Management Agreement the Company outsources all of its operations to Management Company. Fee for such services are revenue driven and payable on a monthly basis. Only expenses, which will appear on the Company's financial statements, other than management fee, are: property insurance, office utility, office security, maintenance (small day-to-day expenses, other than maintenance capex), property tax expenses and bond's coupon payments.

EBITDA margin of the Company is planned to be around 77%. No increase in revenue, other than increase applicable to under construction property commencement and occupancy rate increase, is planned, which is in line with the Company's future strategy, to enhance its operations and make no additional developments.

Analysis of Carve-out Financial statements:

Table below represents forecast of Company's revenues and costs

P&L ('000$)	**Q42018**	31-Dec-2019	31-Dec-2020	31-Dec-2021
Rental Income	594	3,538	4,202	4,250
Property operating expense	(92)	(556)	(563)	(563)
Net rental income	**502**	**2,982**	**3,640**	**3,687**
Net gain from revaluation of investment property	-	-	-	-
Net gain from revaluation	-	-	-	-
Operating costs	**(50)**	**(283)**	**(336)**	**(340)**
Coupon payment	-	(2,339)	(2,352)	(2,556)
Profit before income tax expense	**452**	**360**	**952**	**791**
Income tax (expense)/benefit	-	-	-	-
Profit for the year	**452**	**360**	**952**	**791**

P &L di sc ussi ons:

Description (GEL '000)	**30-Sep-18**	**30-Sep-17**	**31-Dec-17**	**31-Dec-16**
Rental Income	3,623	2,628	3,628	2,758
Property operating expense	(556)	(422)	(615)	(531)
Net rental income	**3,067**	**2,206**	**3,013**	**2,227**
Net rental margin	*84.7%*	*83.9%*	*83.0%*	*80.7%*

Rental incomes of the Company increased year on year as additional properties were added to the property portfolio. As of 31 December 2015 the Company operated 13 properties. In 2016 ITower office was added to the property portfolio. In 2017 four new offices were added to the property portfolio. So increase of rental revenue in 2017 by 31.5% compared to 2016 is attributable to property addition and rental rates and occupancy rates improvement on existing retail and office properties.

In 2018 new office property, Melikishvili Business Center was added to the property portfolio. So increase of rental revenue in 9M2018 by 37.9% compared to the same period of 2017 is attributable to property addition and rental rate and occupancy rates improvement on existing retail and office properties.

Net rental margin (NRM) decreased by 2.3% points in 2017 compared to 2016, increased by 4.7% points in 9M2018 compared to 2017 and increased by 0.8% points in 9M2018 compared to 9M2017. Decrease of NRM in 2017 was mainly attributable to increase of property tax. In 9M2017 and 9M2018 NRM increased as new properties were added to the property portfolio and rental rates and occupancy rates were improved on existing properties, while property operating expense was not increasing in line with the revenue increase.

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Net gain from revaluation of investment property	-	805	805	2,121
Net gain from revaluation of investment property under construction	692	21,380	21,380	-
Net gain from revaluation	**692**	**22,185**	**22,185**	**2,121**

The Company conducts revaluation of investment property and investment property under construction every year. Latest revaluation was performed by an accredited independent valuator in December 2018. Market comparison and income approaches were used to value the investment properties.

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Employee benefits expense	(180)	(215)	(268)	(165)
Other general and administrative expenses	(109)	(86)	(274)	(64)
Operating costs	**(753)**	**(301)**	**(542)**	**(229)**
Profit before interest and income tax expense	**3,470**	**24,090**	**24,656**	**4,119**

Employee benefits expense and other general and administrative expenses increased in 2017 compared to 2016 due to the following event: in 2017 M2, the previous operator (partially owned directly or through subsidiaries) of the property portfolio has acquired construction company, BK Construction LLC. For accounting purposes, M2 was allocating all of its operating costs to its different business lines according to the revenue share of each business line. So after the acquisition of construction company, overall operating costs of M2 increased and so did the share of allocated costs to the yield generating assets (now the Company). In 9M2018 and 9M2017 operating costs stood at almost the same level and in line with generating revenue share.

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Interest expense	(464)	-	-	-
Income tax (expense)/benefit	-	-	-	851
Profit for the year	**3,006**	**24,090**	**24,656**	**4,970**

Under the new regulation (amendments to the Georgian tax law in respect of corporate income tax) enacted from 1 January 2017 all Georgian companies except the banks, insurance companies and microfinance organization, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned.

Following the enactment of the amendments, as at 31 December 2016 the Company reversed in full its deferred tax assets and liabilities based on IAS 12 Income Taxes requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017, recognizing GEL 1,151K as income tax benefit for the period and GEL 300K as current income tax charge for the period. So GEL 851K appeared as an income tax benefit.

Balance sheet discussions:

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Non-current assets				
Investment property	55,201	39,338	41,172	40,713
Investment property under construction	31,939	36,754	33,428	1,390
Total Non-current assets	**87,140**	**76,092**	**74,600**	**42,103**

Investment property increase for above presented periods is attributable to: a) property addition to property portfolio, either via acquisition or own construction, b) net gain on property revaluation (as mentioned above, the Company conducts revaluation every year) and c) currency translation effect.

In 2017 four new offices were added to the property portfolio, with the value of GEL 1.4 mn and in 9M2018 Melikishvili Business Center was added to the property portfolio, with the value of GEL 13.3 mn.

Significant increase of investment property under construction in 2017 compared to 2016 is attributable to revaluation of investment property under construction by the end of 2017. Before that in 2016 the Company determined that fair values were not reliably determinable and thus investment properties under construction were measured at cost.

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Current assets				
Prepayments and other assets	950	481	910	231
Trade and other receivables	741	268	342	304
Total Current assets	**1,691**	**749**	**1,252**	**535**
Total assets	**88,831**	**76,841**	**75,852**	**42,638**

Increase of prepayments and other assets in 2017 compared to 2016 is mainly attributable to increase in VAT prepayment driven by ongoing under construction projects (balance of VAT prepayment as of 31 December 2017 was GEL 895K).

Trade and other receivables of the Company are mostly comprised of receivables from rental. These receivables are mostly denominated in USD and are due from 1 to 3 months from the reporting date. Increase of trade and other receivable are in line with increase of revenue, except of almost triple increase in 9M2018 compared to 9M2017, which is due to increase of allocated portion of trade and other receivables balance as Melikishvili Business Center was added to the property portfolio.

Description (GEL '000)	30-Sep-18	30-Sep-17	31-Dec-17	31-Dec-16
Invested capital	**76,598**	**76,633**	**75,605**	**41,442**
Current liabilities				
Current income tax liabilities	-	-	-	431
Trade and other payables	102	39	126	478
Other liabilities	308	169	121	287
Total current liabilities	**410**	**208**	**247**	**1,196**
Long-Term liabilities	**11,823**	**-**	**-**	**-**
Total invested capital and liabilities	**88,831**	**76,841**	**75,852**	**42,638**

Investment capital reflects contributions from M2 to the Company's capital which mostly include cost of acquisition and construction cost of investment property incurred by the M2 on behalf of the Company.

Trade and other payables and other liabilities are mostly comprised of rental payables and other accruals respectively. Those liabilities are driven as an allocation to yield generating assets revenue share from the total trade and other payables and other liabilities of M2, previous operators of the property portfolio.

M2 commercial assets

Ratios	30-sep-18*	30-sep-18	31-dec-17	31-dec-16
a) **Financial Leverage Ratios**				
Long-term Debt to equity	3.29	0.15	-	-
Return on Capital employed	0.03	0.04	0.33	0.10
Interest Coverage ratio	5.99	5.99	N/A	N/A
Total Debt Ratio	0.77	0.14	0.00	0.03
b) **Profitability Ratios**				
ROA	4%	5%	33%	12%
ROE	16%	5%	33%	12%
Gross profit margin	85%	85%	83%	81%
Operating profit margin	77%	77%	68%	72%
Net profit margin	64%	64%	68%	103%
c) **Liquidity Ratios**				
Liquid Assets/Total Assets	2%	2%	1.7%	1.3%
Liquid Assets/Current Liabilities	4.12	4.12	5.07	0.45
Working Capital turnover	3.77	3.77	3.61	N/A

Current Ratio	4.12	4.12	5.07	0.45
d) **Operating Ratios**				
Fixed Asset turnover	5%	6%	5%	7%

*Ratios are calculated considering US$ 30mn Bond issuance by the Company, invested capital was reduced and every other indicator remained unchanged. N/A means there is not enough information for the specific period or value is not relevant.

Note: to illustrate real profitability, net income is adjusted by revaluation in calculation of relevant ratios.

M2 Real estate

Ratios	30-sep-18	31-dec-17	31-dec-16
a) **Financial Leverage Ratios**			
Long-term Debt to equity	1.14	0.75	1.09
Return on Capital employed	0.00	0.01	0.03
Interest Coverage ratio	(0.33)	11.5	48.5
Total Debt Ratio	0.59	0.53	0.64
b) **Profitability Ratios**			
ROA	N/A	7%	3%
ROE	N/A	14%	8%
Gross profit margin	15%	12%	17%
Operating profit margin	(0.9%)	2%	10%
Net profit margin	(3%)	1%	8%
c) **Liquidity Ratio**			
Liquid Assets/Total Assets	24%	24%	32%
Liquid Assets/Current Liabilities	2.01	1.09	1.62
Working Capital turnover	1.34	1.66	1.57
Current Ratio	2.81	1.76	1.86
d) **Operating Ratios**			
Fixed Asset turnover	45%	46%	46%

POLICIES AND PROCEDURES

Pricing policy

Prior to entering into any lease agreement the Company analyses market lease prices for potentially leasable property and reflects finding results in a lease agreement. In certain case the Company manages to apply premium to the market lease prices due to better quality facilities and the Company's trustworthiness.

Lease agreement procedures

The company differentiates lease agreements per property types. Retail and office properties are leased for a minimum of 1 year period and have an automatic prolongation clause. In most of the cases those agreements have an advance payment clause equal to 1 to 3 months lease fee.

Warehouse lease agreements are mainly signed for 11 months period, but in case the tenant has a good payment history, the Company may enter into long-term lease agreement (2 to 10 years period lease agreements are in place) with an automatic prolongation clause. For those agreements it is less typical to have an advance payment clause.

Lease agreements can be signed in local and foreign currencies (US dollars only). Most of the agreements are signed in US dollars. Agreement terms are not modified after they are signed, but in certain cases, like drastic currency fluctuation or significant damage from the tenant side etc. leaser rights to reconsider certain terms of the agreement are reinforced by special clause.

MANAGEMENT AND EMPLOYEES

Overview

The Company's supreme governing body is the General Meeting of the shareholders (**"General Meeting"**). The general director of the Company (**"General Director"**) who is responsible for day-to-day operations and is vested with the representative authority is appointed by the General Meeting.

General Meeting

General Meeting of the Company is held once in a year for the purposes to discuss the Company's financial performance and its future plans. General Meeting could be appointed and held as an extraordinary meeting on behalf of the General Director or shareholder with more than a 10% of shares of the Company.

General Director

Day-to-day management and representation of the Company is vested upon the General Director in accordance with the Company's charter.

The General Director shall lead the Company business diligently and faithfully, observing the provision of the charter and requirements of applicable laws.

Governance

According to the management agreement the Company is fully governed by management company. Governance of management company is as follows:

Irakli Burdiladze - *CEO, Managing Partner, Member of Supervisory Board*

Irakli Burdiladze is the CEO of JSC m² Real Estate. He previously served as the deputy CEO of JSC Bank of Georgia, in charge of operations. Prior to this appointment, in 2006-2007 Irakli has served as the Chief Financial Officer of Bank of Georgia. Immediately prior to joining Bank of Georgia Irakli served as the Chief Financial Officer of GMT Group, a leading real estate developer and operator in Georgia. Irakli has received a graduate degree in International Economics and International Relations from the Johns Hopkins University School of Advanced International Studies in Washington D.C. and is a graduate of the Tbilisi State University with an undergraduate degree in International Relations**.**

Shota Berekashvili - *Managing Partner, in charge of Construction Management*

In 2000 graduated from the Columbia University, New York receiving Bachelor's degree in Political Science and Economics. From 1999 to 2001 worked on Wall Street as the project coordinator for consulting company "Basic International Development Corporation". In 2002 graduated from Cass Business School London (City University) with Master's Degree in Corporate Finance and Risk Management. From 2002 to 2003 worked in credit research group for Investment Grade Hedge Fund "Elgin Capital". From 2003 to 2008 was Financial Director of "BM Capital" From 2009 is Mr. Berekashvili is the President of "BK Capital" and since 2017 is the Deputy CEO of m² Real Estate in charge of Construction Management.

Giorgi Natroshvili - *Deputy CEO Finance and Operations*

Giorgi Natroshvili is the Deputy CEO of “JSC m² Real Estate” in charge of Finance and Operations. Before joining m² he was holding several financial positions in one of the leading telecommunications company of Georgia – Geocell. Most recently he was head of financial planning, reporting and business control section. Prior to Geocell he gained experience at Ernst & Young as an auditor and as a FP&A specialist at Japan Tobacco International. Giorgi has graduated from Free University of Tbilisi for bachelor's degree in business administration with major in finance before earning CFA charter in 2016.

Shorena Darchiashvili - *Deputy CEO Sales and Marketing*

Shorena Darchiashvili was appointed as a Deputy Director General in charge of Sales and Marketing since August, 2013. From 2010 to 2013, she served as the Head of Internal Brand Management Unit of JSC Bank of Georgia. Prior to joining the Bank of Georgia Group, Shorena had worked on managerial positions of sales and marketing departments at various real estate developers operating in Georgia. She also has a professional experience of an advertising consultant in marketing communications for the leading advertising companies of Georgia (Sarke, Butterfly). Shorena did her graduate degree in marketing and international business at the BA Mosbach, Germany and the Bachelor’s degree at European School of Management (ESM).

Nikoloz Jalagania - *Deputy CEO Legal, Administrative Support and Human Resources Management Department*

Nikoloz Jalagania has been employed by the company since 2010. He was the head of Legal Department from March 2013 to May 2015. Prior to his employment with „m² Real Estate”, he had been providing legal services to a number of private companies. In 2000-2003, he worked at the Supreme Court of Georgia. He holds a BA degree in Law obtained from the Tbilisi State University and is a member of the Lawyers’ Association of Georgia.

Nato Bochorishvili - *Deputy CEO in charge of Property Management*

Nato Bochorishvili is in charge of Property Management at JSC m² Real Estate. Prior to joining JSC m² Real Estate she was worked at a Swiss based Business & Finance Consulting and was managing Promoting Access to Finance and Agri Insurance project. Prior to Business & Finance Consulting, Nato spent 11 years at JSC Procredit Bank holding various positions in loan origination, business development and marketing. Nato Bochorishvili holds Master’s Degree in finance from Caucasus University and Bachelor’s Degree in International Relations from Tbilisi State University.

Rusudan Sanadze - *Deputy CEO in charge of Technical Supervision and Quality Assurance*

Rusudan Sanadze has been the Head of the Development and Project Management Department of “m² Real Estate” since December, 2017. She joined m² in February 2017 as a project consultant. In 2014-2016, she was the Director of Business Development, at “Tegeta Motors”; she was in charge of SAP and IT departments. In 2013-2014, she was the Head of the Risk Management Center for the company “Georgian Card”. Before that, she had been working on managerial positions at various IT companies. In addition, she was engaged in scientific work at the German University (CAU, UdS, TUM); she has a PhD academic degree. At present, she is an Associate Professor of Iv.Javakhishvili Tbilisi State University.

David Mdzeluri - *Deputy CEO in charge of Security*

David Mdzeluri is the Deputy CEO in charge of Security of “m² Real Estate”. In 2015-2017, prior to arriving in m², he was a Regional Manager of the Problem Assets Department at the Bank of Georgia. In 2006-2015, he worked in the Public Sector: Ministries of Regional Development and Infrastructure, Internal Affairs, Environmental Protection and Natural Resources, and Finance. He graduated from the Academy of Physical Education and Sports, and in 2008-2009, he studied at the Warsaw Police Academy.

Nato Kitiashvili - *Deputy CEO in charge of permits, licenses and legal support*

Nato Kitiashvili has been m²’s Deputy CEO in charge of permits, licenses and legal support since December 1st, 2017. In 2016-2017, she held the position of the Head of Legal Affairs Department at the Tbilisi City Hall, later being promoted to the Deputy Mayor of Tbilisi. In 2008-2015, she worked at various leading positions in the legal department of the Administration of the Government of Georgia, and for the Parliamentary Secretary of the Government of Georgia. She holds Bachelor’s and Master’s degrees from the Ivane Javakhishvili Tbilisi State University, and is currently working on her PhD dissertation. Nato has a 9-year working experience at the Ivane Javakhishvili Tbilisi State University’s Faculty of Law. She has held the position of an associate professor at UNIGEO since 2018.

Nino Kvirikashvili – Deputy CEO in charge of Business Development

Nino Kvirikashvili has been Deputy CEO in charge of Business Development of M2 Real Estate since September 2018. Prior to joining m2, Nino worked as Senior Investment officer at JSC Georgia Capital, parent company of JSC M2 Real Estate. She joined Georgia Capital as Investment Officer. In 2015-16 Nino worked as auditor at assurance department of Ernst&Young. Prior to that, she worked at Corporate Banking Sales department of Bank of Georgia. Nino holds bachelor's degree in business administration with major in finance from Free University of Tbilisi.

Supervisory Board

Irakli Gilauri - *Chairman of Board*

Chairman and CEO at JSC Georgia Capital, parent company of JSC M2 Real Estate. Formerly CEO of BGEO Group since 2011, joined as CFO of Bank of Georgia in 2004. Mr Gilauri was appointed Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was EBRD (European Bank for Reconstruction and Development) banker. Over the last decade, Irakli’s leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and wine. Holds an MS in banking from CASS Business School.

Ekaterina Shavgulidze - *Member of Board*

Chief Investment Officer at JSC Georgia Capital, parent company of JSC M2 Real Estate. Formerly served as Head of Funding and Investor Relations in BGEO Group. Joined BGEO as a CEO of healthcare services business in 2011. Most recently Eka played a key role in the GHG IPO as a Group Head of IR. Prior, she was an Associate Finance Director at AstraZeneca, UK. Holds an MBA from Wharton Business School.

Avto Namicheishvili - *Member of Board*

Deputy CEO at JSC Georgia Capital, parent company of JSC M2 Real Estate, formerly BGEO Group General Counsel. Joined as a General Counsel at the Bank in 2007, and has since played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, was a Partner at a leading Georgian law firm. Holds LLM in international business law from Central European University, Hungary.

Irakli Burdiladze - *CEO, Managing Partner, Member of Supervisory Board*

Irakli Burdiladze is the CEO of JSC m² Real Estate. He previously served as the deputy CEO of JSC Bank of Georgia, in charge of operations. Prior to this appointment, in 2006-2007 Irakli has served as the Chief Financial Officer of Bank of Georgia. Immediately prior to joining Bank of Georgia Irakli served as the Chief Financial Officer of GMT Group, a leading real estate developer and operator in Georgia. Irakli has received a graduate degree in International Economics and International Relations from the Johns Hopkins University School of Advanced International Studies in Washington D.C. and is a graduate of the Tbilisi State University with an undergraduate degree in International Relations**.**

Kim Bradley - *Independent Non-Executive Director, Chairman of the Investment committee at Georgia Capital, Adviser to m2 Board*

Kim Bradley was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves on the Remuneration and Nomination committees, and as Chairman of the Investment Committee. Mr Bradley previously served as an Independent Non-Executive Director of BGEO Group PLC from December 2013 until May 2018. Mr Bradley served as Chairman of BGEO Group PLC's Risk Committee and as a member of BGEO Group PLC's Audit and Nomination Committees. Mr Bradley retired from Goldman Sachs in early 2013, following 15 years as a professional in the Real Estate Principal Investments and Realty Management divisions, where he focused on investment in both European real estate and distressed debt. In addition to his investment activities, Mr Bradley led Goldman Sachs' asset management affiliates in France, Italy and Germany, where he was involved in financial and tax auditors as well as the management of internal audit activities. He has also served as President of Societa Gestione Crediti, a member of the Board of Directors of Capitalia Service Joint Venture in Italy and Chairman of the Shareholders Board at Archon Capital Bank Deutschland in Germany. Prior to Goldman Sachs, he served as a Senior Executive at GE Capital for seven years in both the United States and Europe, where his activities included real estate workouts and restructuring, as well as acquisitions. Prior to GE Capital, Mr Bradley held senior executive positions at Manufacturers Hanover Trust (now part of JP Morgan) and Dollar Dry Dock Bank. He has also served as a Peace Corps volunteer and as a consultant with the US Agency for International Development in Cameroon. Mr Bradley serves as a director of a mental health charity, Gould Farm. Mr Bradley holds an MAin International Affairs from the Columbia University School of International Affairs and an undergraduate degree in English Literature from the University of Arizona.

Employees

The Company employs one employee - Chief Executive Officer, Mr. Giorgi Natroshvili.

Remuneration and Benefits

Key management personnel of the Company are that of its parent company, M2. Company's share of the compensation of key management personnel recognized in these carve-out financial statements comprised:

Description (GEL '000)	31-Dec-17	31-Dec-16
Share-based compensation	128	92
Salary	23	17
Cash bonus	12	9
Total	**163**	**118**

Litigation Statement

As of the date of this Prospectus, no Director or senior manager, for at least the previous five years, has:

- any convictions in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the administrative management or supervisory bodies of any company at the time of or preceding bankruptcy, receivership or liquidation;
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

RELATED PARTY TRANSACTIONS

Related Party Transactions

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	2017			*2016*		
	Parent[1]	*Entities under common control*[2]	*Key management personnel*	*Parent*	*Entities under common control*	*Key management personnel*
Balances as at 31 December						
Accounts receivable	15	51	-	15	75	-
Accounts payable	-	17	-	-	17	-
Transactions for the year ended 31 December						
Employee benefits expense	-	-	163	-	-	118
Rental income	29	1,187	-	12	708	-
Rental expense	-	29	-	-	14	-
Insurance expense	-	7	-	-	2	-
Other general and administrative expense	-	4	-	-	3	-

1 As at 31 December 2017, 31 December 2016 and 1 January 2016 and in the years then ended Parent includes balances and transactions with M2 Real Estate JSC.

2 Entities under common control include BGEO Company PLC subsidiaries, except those included in Parent category.

There were no outstanding balances on transactions with related parties as at 1 January 2016.

Transactions with the Parent also include costs of acquisition and construction of investment property incurred by the Parent on behalf of the Company (discussed in the financial analysis of this prospectus, in the *invested capital* topic).

Conflict of Interest

The Issuer, Placement Agent, Calculation and Paying Agent and Registrar are the related persons. The members of the management boards (management board/board of directors) of such persons may be also on the management board of other related persons. Notwithstanding the fact, that the respective persons (and the members of their management board) act in accordance with the requirements of the applicable legislation (including with respect to conflict of interest) with respect to the approval/entering into the transactions related to Bond issuance and all such transactions are entered into on arm's-length terms, the conflict of interest may pose additional risk factor for the investors.

TERMS AND CONDITIONS OF THE BONDS

The issue of up to US$30,000,000 (thirty million) with fixed interest rate of 7.5% Bonds due 31 December, 2021 was authorised by a resolution of the 100% shareholder of the Company on November 30, 2018. The Bonds and the Bondholders' rights are governed by the Prospectus, including without limitation these Terms and Conditions and by the Agreement on Terms and Conditions of the Bonds between the Issuer and Nodia, Urumashvili and Partners LLC, as the Bondholders' Representative dated 21 December, 2018 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Overview of the Offering*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement.

Copies of the Agreement are available for inspection during usual business hours at the principal office of the Bondholders' Representative: at Nodia, Urumashvili and Partners LLC, Office No. 28, 4th Floor, 71 Vaja-Pshavela Ave,, Tbilisi 0186, Georgia and at the offices of the Issuer: 29 Chavchavadze Ave, Tbilisi 0179, Georgia. In addition to the Prospectus, including these Terms and Conditions, the Bondholders (as defined below), and in certain cases (envisaged by the Prospectus, including these Terms and Conditions), the Nominal Holder of the Bonds, are entitled to the benefit of, are bound by, and are deemed to be subject to the relevant terms of the provisions of the Agreement and such terms apply to them. In Particular, by acquiring the Bond(s) a Bondholder consents and agrees that it is entitled to the benefit of the covenants set forth in Condition 5 of these Terms and Conditions and in Clause 6 of the Agreement (the "**Covenants**") and it will enjoy the rights and obligations deriving from performance, partial performance and/or non-performance of such Covenants only on the condition that it authorizes the Bondholders' Representative to act on its behalf in respect of such Covenants pursuant to Condition 4(a) of these Terms and Conditions. Accordingly neither a Bondholder nor a Nominal Holder has the right to act directly against the Issuer for breach of any of these Covenants and only the Bondholders' Representative may take action against the Issuer in respect of breach of such Covenants, except as provided in Condition 12 of these Terms and Conditions.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued as dematerialized book-entry bonds, in registered form, in denomination of US$1,000.

Title to the Bonds shall be evidenced by registration of ownership rights in (i) the register of securities (the "**Register**") that the Issuer shall procure to be kept by the registrar indicated in “Overview of the Offering” (the "**Registrar**") in accordance with the provisions of the agreement between the Issuer, on the one hand, and the Registrar, on the other hand; and/or (ii) such other registries/records as shall be maintained by any Nominal Holder of the Bonds. The Register and such other registries/records as referred to in the foregoing clause (ii) are hereinafter a "**Registry**."

2. OFFERING AND PLACEMENT OF BONDS, CHANGES TO THE OFFERING AND DISPOSAL OF BONDS

(a) Bond Offering Process

The Placement Agents cares out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement Agents and/or their authorized intermediary/intermediaries are entitled to send the approved Prospectus to potential investors.

Following approval of the Prospectus by the National Bank of Georgia, the Issuer carries out the public offering of the Bonds in accordance with Georgian law. The Issuer will publish a notice on offering of Bonds on its web-site. The Issuer, the Placement Agents and/or a financial intermediary(ies) involved in the placement process will provide to potential investors, in accordance with their preference, electronic link to the Prospectus, its scanned or printed version. The final Prospectus will be provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

Potential investors may express interest of purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agents. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

Final interest (coupon) rate to be accrued on the Bonds is fixed in the process of offering of the Bonds to potential investors (book-building). Such final interest rate falls within the range of interest rate included in the approved preliminary Prospectus and is reflected in the final Prospectus. Fixing the final interest (coupon) rate within the range of interest rate described in the preliminary Prospectus is not considered a material (significant) change and only requires being reflected in the final Prospectus.

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing the Bonds. The Placement Agents must be notified of such decision immediately (no later than 14:00 Tbilisi time of the Business Day following the day when the investor was informed of correction of its application (with respect to the number of the Bonds). Failure to notify the Placement Agents of such decision entitles the Placement Agents, at their discretion, to continue to consider the initial application of the investor (with respect to full number of Bonds requested), or refuse the application.

Following completion of the book-building process, the Placement Agents will make an announcement on determination of the final size of the Offer and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the number of the Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of final size of the Offer, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors ("**Subscribing Investors**").

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

The Issuer will not issue the Bonds pursuant to the Offer described in this Prospectus, or to the extent issued, will revoke any Bonds and return the payments made by the Bondholder(s) for the purchase of the Bond(s), if the Minimum Placement Amount is not subscribed for and placed by the Bond Issuance and Placement Date.

If the total Number of the Bonds issued pursuant to the final Prospectus is not placed by the Offering Completion Date, the Bonds that remain unplaced shall be deemed cancelled and the Issuer shall submit to the National Bank of Georgia information on the number of the issued and placed Bonds and make the announcement to the public pursuant to the requirements of Georgian law.

(b) Changes during Public Offering

If the Issuer decides to change material information about the Bonds, such as the number of securities, price, period of offering, etc., during public offering (period between the commencement of offering until the Issue Date), the Issuer shall take the following steps:

(i) Submits to the National Bank of Georgia an amendment to the Prospectus explaining all changes made to the Prospectus;

(ii) Publishes an announcement on the Issuer's web-site or other means determined by law, indicating all such changes made or proposed; announces cancellation of the offering in the existing form and makes an offer on cancellation of all agreements on the sale of Bonds up to that date;

(iii) Sets time limit of no less than 10 days for investors to respond to cancellation. After this period has passed, the Issuer is entitled to carry out amended public offering.

If the information in relation to any material event is changed in the Prospectus, the investors who have purchased the Bonds are entitled to revoke the purchase and request immediate redemption of Bonds at their principal amount together with any accrued interest. Investors (Bondholders) who have not revoked the purchase of Bonds will be subject to new terms of offering.

If non-material information is changed during public offering, the Issuer must submit to the National Bank of Georgia the document reflecting such new information (change) before incorporating such change in the Prospectus in accordance with the procedure established by the National Bank.

(c) Disposal of the Bonds

The Bonds may be disposed of in accordance with Georgian legislation (including Securities Law) within the jurisdiction of Georgia. Disposal of and transfer of title to Bonds shall be valid only if the title change is registered in the relevant Registry. As soon as possible after placement of Bonds but no later than one month after the Bond placement, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

The Bonds constitute unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. At all times the claims against the Issuer under the Bonds and the Agreement shall rank at least pari passu in right of payment with the claims of all other unsubordinated creditors of the Issuer (subject to Condition 5(a)), save for those claims that are preferred by mandatory provisions of applicable law.

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

(a) By purchasing the Bonds (whether as an initial Bondholder, or as an acquirer (transferee) from an initial Bondholder), each Bondholder and/or Nominal Holder appoints the Bondholders' Representative to act as its agent in all matters relating to the Bonds and in particular those regulated by Condition 5 below and Article 6 of the Agreement, and authorises the Bondholders' Representative to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions, the Agreement and/or applicable laws) in any legal proceedings relating to the Bonds held by such Bondholder and/or such Nominal Holder.

(b) Each Bondholder and/or Nominal Holder shall immediately upon request provide the Bondholders' Representative with any such documents, including a written power of attorney (in form and substance satisfactory to the Bondholders' Representative), that the Bondholders' Representative deems necessary for the purpose of exercising its rights and/or carrying out its duties under, and protecting the Bondholders' interest pursuant to these Terms and Conditions and the Agreement. The Bondholders' Representative is under no obligation to represent a Bondholder which does not, or whose Nominal Holder does not, comply with such request.

(c) A Bondholder (or a Nominal Holder on behalf of a Bondholder) may act directly against the Issuer for breach of its obligation to pay the principal amount of the Bond under Condition 7(a) and Clause 2.2 of the Agreement, and/or breach of its obligation to make any interest payment when due under Condition 6 and Clause 2.2 of the Agreement, or as provided in Condition 12.

5. COVENANTS

(a) **Negative Pledge**: So long as any Bond remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Security Interests (or other legal limitation), other than Permitted Security Interests, on or over any of its or their assets, now owned or hereafter acquired, securing any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Agreement are secured equally and rateably with such other Indebtedness or have the benefit of such security or other arrangements, as the case may be, as are satisfactory to the Bondholders' Representative, or are approved by an Extraordinary Resolution of the Bondholders.

(b) **Continuance of Business, Maintenance of Authorisations and Legal Validity**:

(i) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its corporate existence (except as otherwise permitted by Condition 5(c) (*Mergers*)), and its business and the use of all material intellectual property relating to its business as well as all consents, licences, approvals and authorisations necessary in that regard.

(ii) The Issuer shall do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and take or cause to be taken all measures required by the laws and regulations of Georgia to enable it lawfully to perform its obligations under the Bonds and the Agreement and ensure the legality, validity, enforceability or admissibility in evidence in Georgia of the Bonds and the Agreement.

(c) **Mergers**: The Issuer shall not, without the prior written consent of the Bondholders' Representative, (x) enter into any reorganisation (whether by way of a merger, division, or transformation to another legal form) or (y) in a single transaction or a series of related transactions, directly or indirectly, merge, unless:

(i) immediately after the transaction referred to in (x) or (y) above:

(A) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume in form and substance satisfactory to the Bondholders' Representative, executed and delivered to the Bondholders' Representative, all the rights and obligations of the Issuer under the Bonds and the Agreement; and

(B) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates; and

(ii) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(iii) the relevant transaction referred to in (x) or (y) above does not result in a material adverse effect.

(d) **Disposals**: Except as otherwise permitted by these Conditions and without prejudice to the provisions of Condition 5(c) (*Mergers*) and Condition 5(e) (*Transactions with Affiliates*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or assets, unless

(i) each such transaction is on arm's-length terms for Fair Market Value; and

(ii) with respect to any such transaction providing for a disposal of revenues or assets constituting more than 2 per cent. of the total consolidated assets of the Issuer determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the disposal, provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) a ny sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; (iii) the leasing, sale and disposal of assets from its inventory in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests", does not, at any time, exceed the greater of US$[1,000,000] or [2] per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period.

(e) **Transactions with Affiliates**:

(i) The Issuer shall not, and shall ensure that none of its Material Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment , conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including inter-company loans, unless the terms of such Affiliate Transaction are (taking into account the standing of the relevant Affiliate) no less favourable to the Issuer or such

Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or any of its Material Subsidiaries.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 10 per cent. of the total consolidated assets of the Group determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Bondholders' Representative a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer or the relevant Material Subsidiary, as the case may be.

(iii) The following items shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:

(A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;

(B) transactions between or among the Issuer and its wholly-owned (100%) Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Issuer;

(D) Any loans or other form of financing from any direct or indirect shareholder(s) of the Issuer made available on the arm’s length basis for the purpose of financing operations; and

(E) Any insurance contracts with Affiliates made available on the arm’s length basis for the purpose of insuring the operations/assets of the Issuer.

(f) **Payment of Taxes and Other Claims**: The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or cause to be paid, before the same shall become overdue all Tax levied or imposed upon, or upon the income, profits or property of, the Issuer and/or its Material Subsidiaries, provided that for the purposes of this Prospectus neither the Issuer nor any Material Subsidiary shall be required to pay or cause to be paid any such Tax or similar claims (a) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (b) the amount of which, together with all such other unpaid Tax or similar claims, does not in the aggregate exceed US $500,000 (or equivalent).

(g) **Restricted Payments**: The Issuer shall not, and shall procure and ensure that each of its Subsidiaries will not, (a) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a pro rata basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any shares or share capital of the Issuer or, prior to scheduled maturity or scheduled repayment, subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if:

(i) at the time of such payment an Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom;

(ii) such Restricted Payment, when aggregated with all other Restricted Payments previously made since 31 December 2017, exceeds the sum of:

(a) 100 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2017 and ending on the last day of the immediately preceding fiscal year or semi-annual financial period; and

(b) 100 per cent. of the aggregate net cash proceeds received by the Issuer subsequent to 31 December 2017 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2017 of any Indebtedness of the Issuer into or for share capital of the Issuer; or

The Issuer takes the responsibility to keep ending cash balance at minimum level of 10% of annual interest expense attributable to Bond, at any reporting period.

(h) **Indebtedness**: The Issuer shall not be permitted to create, incur, assume or otherwise become liable in respect of any Indebtedness, other than:

(i) any Indebtedness, provided that:

(A) total Indebtedness of the Goup excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time exceed [90%] (ninety per cent) of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; and

(B)

(ii) Permitted incurrence of indebtedness: part (i) does not apply to following indebtedness:

(A) Inter-company indebtedness: between issuer and any subsidiary and between any subsidiary and another subsidiary

(i) **Financial Information**:

(i) The Issuer hereby undertakes that it will deliver to the Bondholders' Representative, and also publish on the Issuer's web-site, within 120 days after the end of each of its financial years, copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied for the reporting period and together with the report of the Auditors thereon.

(ii) The Issuer hereby undertakes that it will deliver to the Bondholders' Representative, and also publish on the Issuer's web-site, within 60 days after the end of the second quarter of each of its financial years, copies of the Issuer's unaudited consolidated financial statements for six months, prepared in accordance with IFRS consistently applied for the reporting period.

(iii) If the Bondholders' Representative, acting reasonably, has cause to believe that an Event of Default or Potential Event of Default has occurred, then the Bondholders' Representative may request, and the Issuer shall provide to the Bondholders' Representative without delay, information that is directly relevant to the purported Event of Default or Potential Event of Default. Such information regarding an Event of Default or Potential Event of Default may also be requested by a written request of Bondholders (whether directly or through Nominal Holders) owning more than [25%] of the outstanding Bonds, and in such event the Issuer shall provide the requested information without delay to the Bondholders' Representative and the Bondholders and Nominal Holders who have submitted the above written request. Such a request in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders and/or Nominal Holders. Such a request may also be adopted as an ordinary resolution at a Meeting of Bondholders.

(j) **Maintenance of Insurance**: The Issuer shall, and shall procure that its Material Subsidiaries will, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Material Subsidiary to be of good standing, against loss or damage to the extent that property of similar character is usually so insured by companies in Georgia similarly situated and owning like properties.

(k) **Compliance with Applicable Laws**: The Issuer will at all times comply, and shall procure that each of its Material Subsidiaries complies at all times, in all material respects with all provisions of applicable laws, including directives of governmental authorities and regulations.

(l) **Change of Business**: The Issuer shall procure that no material change is made to the general nature of the business of the Group, taken as a whole, from that carried on at the Issue Date.

6. INTEREST

Each Bond bears interest from and including the Issue Date at the annual rate within the range indicated in – "*Overview of the Offering*" (*see, pg.9)*. The final interest rate will be determined pursuant to Condition 2(a) ("*Bond Offering Process*") and will be reflected in the final Prospectus. The interest is payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year (each an "**Interest Payment Date**"), commencing on 1 April 2019. Each Bond will bear interest until the due date for redemption unless payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

If interest is required to be calculated for a period of less than one year/a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 365-day year.

The period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

7. REDEMPTION AND PURCHASE

(a) **Redemption**: The Issuer may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31 December, 2021. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

(b) **Redemption for Taxation**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders and Nominal Holders who are registered at the Register (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Bondholders' Representative immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts of Tax related to the Bonds as a result of any change in, or amendment to, the laws or regulations of Georgia, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

(c) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

8. PAYMENTS

(a) **Method of Payment**:

(i) Principal and interest on each Bond shall be paid to the Bondholders and Nominal Holders as recorded in the Register at the close of business (18:00) 3 Business Days before the due date for payment thereof (the "**Record Date**"). Payments shall be made by bank transfer in United States dollars to the bank account for such Bondholders and Nominal Holders as recorded in the Register on the Record Date. The Bondholders and Nominal Holders recorded in the Register shall procure that the Registrar has updated, complete and correct information regarding their respective bank account details where any payments pertaining to the Bonds shall be made. None of the Issuer, the Registrar nor the Calculation and Paying Agent shall be responsible for non-payment of any amount due if the Bondholder or Nominal Holder (as the case may be) has failed to provide its bank account details to the Registrar, or to update its bank account details as of the Record Date, as requested by the Issuer or the Registrar for its receipt of payments.

(ii) If the bank account of a Bondholder or Nominal Holder referred to in the previous paragraph is at any bank other than the Calculation and Paying Agent, then any bank transaction fees assessed on the payment (transfer) may be deducted from the payment. If the bank account of the Bondholder or Nominal Holder referred to in the previous paragraph is in any currency other than United States dollars, then the payment may be made to the Bondholder or Nominal Holder (as the case may be) net of currency conversion fees.

(iii) Without prejudice to the Bondholders' rights under these Terms and Conditions to receive full payments of interest and principal when due, if the amount of interest or principal being paid on any due date is less than the amount then due, then the Issuer shall pay or cause to be paid to all Bondholders their respective pro rata shares of the funds available for payment on such date.

(iv) At the request of the Issuer and/or the Registrar trade in Bonds on the secondary market may be prohibited or restricted for the period starting from the Record Date and ending on the date when the relevant payment becomes due and payable.

(b) **Appointment of Agents**: The Calculation and Paying Agent, Placement Agent and the Registrar and their respective specified offices are listed in "*Overview of the Offering*" as well as at the end of the Prospectus. The Calculation and Paying Agent, the Placement Agent, and the Registrar act solely as agents of the Issuer and for the purposes of this Prospectus and offering do not assume any obligation or relationship of agency or trust for or with any Bondholder or Nominal Holder. The Issuer reserves the right at any time with the approval of the Bondholders' Representative to vary or terminate the appointment of Calculation and Paying Agent, Placement Agent or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agent or the Registrar, provided that the Issuer shall at all times maintain (i) a Calculation and Paying Agent, and (ii) a Registrar, in each case, as approved by the Bondholders' Representative.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders by announcement on the Issuer's web-site.

(c) **Calculation and Payment:** any payment to be made in relation to Bonds (including interest) shall be calculated and paid in accordance with the terms of this Prospectus and Georgian law by the Calculation and Paying Agent. Furthermore, the amount(s) due as calculated by the Calculation and Paying Agent, except for manifest error, shall be binding on the Issuer. The Calculation and Paying Agent shall calculate the amounts at least 3 Business Days before the relevant payment date and notify the Issuer. At least 1 Business Day before the relevant payment date, the Issuer must place relevant funds in United States dollars on its bank account maintained with the Calculation and Paying Agent and instruct the latter to transfer such funds. If there are sufficient funds on the Issuer's account, the Calculation and Paying Agent is entitled, but not obliged, to transfer payments due on Bonds without relevant instructions from the Issuer and in case the funds on the Issuer's account are not sufficient - notify the Issuer and Bondholders' Representative accordingly.

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives of Georgia.

(e) **Delay in Payment / Non-Business Days**: Bondholders will not be entitled to any interest, penalty or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day. The due payment will be made on the following Business Day.

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made after deduction of any applicable Georgian withholding tax.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing the Bondholders' Representative at its discretion may, and if so directed by an Extraordinary Resolution shall (provided that the Bondholders' Representative shall have been indemnified to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become due and payable at 100 per cent of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer fails to pay the principal of, any interest or any other sum due on any of the Bonds or due pursuant to the Agreement when due and such failure to pay is not remedied within five days of the due date for payment; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations (other than those in Condition 10(a)) in the Prospectus or the Agreement which default is, in the opinion of the Bondholders' Representative (i) incapable of remedy and is material or repeated; or, (ii) is capable of remedy and it is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Bondholders' Representative; or

(c) **Cross-Default**: (i) any other present or future Indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any other present or future Indebtedness provided that the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds US$ [500,000] or its equivalent in any other currency (as reasonably determined by the Bondholders' Representative); or

(d) **Insolvency**:

(i) the occurrence of any of the following events: (i) the Issuer or any Material Subsidiary initiating liquidation or insolvency proceedings; or (ii) the filing of a claim by any Person in respect of the Issuer or any Material Subsidiary to initiate insolvency proceedings, where such claim is not dismissed within 60 days from the date of filing; or (iii) entry into negotiations between the Issuer and its creditors for an out of court settlement of all or substantially all of the Issuer's debts; or (iv) commencement of liquidation proceedings in respect of the Issuer or any Material Subsidiary based on a decision of a court in a criminal case;

(ii) the Issuer or any Material Subsidiary fails or is unable to pay its debts generally as they become due; or

(iii) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer; or

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer or any Material Subsidiary exceeds US$ [500,000] or the equivalent thereof in any other currency or currencies, or any such unsatisfied judgment, decree or order results in (a) the management of the Issuer or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer or any Material Subsidiary in the conduct of its business being wholly or partially curtailed, (b) all or a majority of the share capital of the Issuer or any Material

Subsidiary or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets being seized, nationalised, expropriated or compulsorily acquired; or

(f) **Execution**: any execution is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, revenues or assets of the Issuer or any Material Subsidiary; or

(g) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its material rights and perform and comply with its payment obligations under the Bonds and the Agreement, its obligations under Condition 5 (*Covenants*) and its other material obligations under the Bonds and the Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds Prospectus, and the Agreement admissible in evidence in the courts of Georgia is not taken, fulfilled or done; or

(h) **Validity and Illegality**: the validity of the Bonds, Prospectus or the Agreement is contested by the Issuer or the Issuer denies any of its obligations under the Bonds, Prospectus or the Agreement or it is, or will become, unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, Prospectus or the Agreement or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

The Issuer has undertaken in the Agreement that it will promptly upon becoming aware of the same inform the Bondholders' Representative of the occurrence of any Event of Default or event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default (a "**Potential Event of Default**").

The Issuer has also undertaken in the Agreement that it shall within 14 days after the issuance of its annual audited financial statements, within 14 days after each Interest Payment Date and also within 14 days of any request by the Bondholders' Representative, send to the Bondholders' Representative a certificate of the Issuer signed by its director (CEO) and its chief financial officer certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as of the date of signing the certificate (the "**Certification Date**") no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Agreement or, if such an event had occurred, giving details of it.

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders**: The Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by the resolution passed at a meeting duly convened and held in accordance with this Prospectus and the Agreement by a majority of at least 75 per cent. of the votes cast (**"Extraordinary Resolution"**) of a modification of any of these Conditions or any provisions of the Agreement. Such a meeting may be convened by Bondholders (and/or Nominal Holders acting on their behalf) holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Bonds for the time being outstanding, or at any Adjourned Meeting two or more persons being or representing more than 25% of the aggregate principal amount of the Bonds for the time being outstanding, or at any subsequent Adjourned Meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes, inter alia, consideration of the following proposals: (i) to change any date fixed for payment of principal or interest in respect of the Bonds; (ii) to alter the method of calculating the amount of any payment in respect of the Bonds; (iii) to change the amount of principal and interest payable in respect of the Bonds; (iv) to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other entity; (v) to change the currency of payments under the Bonds (other than such change as may be required by applicable law); (vi) to change the quorum requirements relating to Bondholders' meetings or the majority required to pass an Extraordinary Resolution; (vii) to alter the governing law of the Agreement; or, (viii) without prejudice to the rights under Condition 12(b) (Modification and Waiver) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any Adjourned Meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

A resolution in writing signed by or on behalf of the Bondholders who for the time being hold 75% or more of the outstanding Bonds will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of the Agreement and Waiver**: The Bondholders' Representative may agree with the Issuer, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Agreement, that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Prospectus and the Agreement or not being capable of modification under the applicable laws), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the these Conditions that is in the opinion of the Bondholders' Representative not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Bondholders' Representative so requires, such modification shall be notified to the Bondholders as soon as practicable pursuant to Condition 14.

(c) **Entitlement of the Bondholders' Representative**: In connection with the exercise of its functions the Bondholders' Representative shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Bondholders' Representative shall not be entitled to require, nor shall any Bondholder or Nominal Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

12. ENFORCEMENT

At any time after the Bonds become due and payable, the Bondholders' Representative may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Agreement and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders and/or Nominal Holders holding at least one-quarter in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Bondholder or Nominal Holder may proceed directly against the Issuer unless the Bondholders' Representative, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. For the avoidance of any doubt, any Bondholder and/or Nominal Holder may institute proceedings at the court (whether individually, or together with other Bondholders and/or Nominal Holders), if (i) at least 3 (three) months have passed since the date when payments on the Bonds became due and payable, (ii) the amount payable has not been paid by the Issuer in full, and (iii) no action has been taken by the Bondholders' Representative for any reason whatsoever.

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

The Agreement contains provisions for the indemnification of the Bondholders' Representative and for its relief from responsibility.

The Bondholders' Representative may rely without liability to Bondholders or Nominal Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Bondholders' Representative or in any other manner) by reference to a monetary cap, methodology or otherwise.

14. NOTICES

Notices to the Bondholders from the Bondholders' Representative shall be made by publication in a widely-circulated Georgian newspaper (such newspaper to be chosen at the sole discretion of the Bondholder's Representative) and sent to the Issuer and the Registrar. Notices to the Bondholders by the Issuer shall be made by publication in a widely-circulated newspaper approved by the Bondholders' Representative and/or on the Issuer's web-site, and sent to the

Bondholders' Representative and the Registrar. The Issuer and/or the Bondholders' Representative may, if they consider it justified in the exercise of their sole discretion, mail notices to all Bondholders and Nominal Holders at their respective addresses in the Register, except that notice of any Adjourned Meeting shall be mailed in such manner to all Bondholders and/or Nominal Holders. In case of a published notice (including without limitation on the Issuer’s web-site), any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the first date on which publication is made.

15. DEFINITIONS

Unless the context shall require otherwise, the expressions used in these Conditions shall have the following meanings:

"**Adjourned Meeting**" means a meeting of the Bondholders which continues a prior meeting at which a quorum was not present for the conduct of business.

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any other Person described in (a);

"**Bondholder**" means the registered owner ("რეგისტრირებული მესაკუთრე") (as such term is defined in the Securities Law) of a Bond.

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks settle payments and are open for general business (including in foreign exchange) in Tbilisi;

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's-length commercial transaction between an informed and willing seller (under no undue pressure or compulsion to sell) and an informed and willing buyer (under no undue pressure or compulsion to buy). A report of the Independent Appraiser of the Fair Market Value of a transaction may be relied upon by the Bondholders' Representative without further enquiry or evidence;

"**Group**" means the Issuer and its Subsidiaries, from time to time, taken as a whole;

"M2 Real Estate group" implies a joint stock company M2 Real Estate (s / c 204517399) and its "subsidiaries".

"**Control**", as used in this definition, means the power to direct the management and the policies of the Issuer, whether through the ownership of share capital, by contract or otherwise;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**IFRS Fiscal Period**" means any fiscal period for which the Issuer has produced consolidated financial statements in accordance with IFRS, which have either been audited or reviewed by the Auditors;

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), excluding any letters of credit, guarantees, or other similar instruments issued in the ordinary course of its business;

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services;

(e) all indebtedness of other Persons secured by Security Interests granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest annual financial statements (calculated in accordance with IFRS) of the Person granting the Security Interest) of such Person, whether or not such indebtedness is assumed by such Person;

(f) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;

(g) any amount raised pursuant to any issue of securities which is expressed to be redeemable;

(h) net obligations under any currency or interest rate hedging agreements; and

(i) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing,

and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

"**Independent Appraiser**" means an audit firm or third party expert in the matter to be determined selected by the Issuer and approved by the Bondholders' Representative, provided that such firm or third party appraiser is not an Affiliate of the Issuer;

"**Issue Date**" means the date when the Bonds are issued and placed, as indicated in "*Overview of the Offering*";

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(a) which, for the most recent IFRS Fiscal Period, accounted for more than 5 per cent. of the consolidated revenues of the Group or which, as of the end of the most recent IFRS

Fiscal Period, was the owner of more than 5 per cent. of the total consolidated assets of the Group, determined by reference to the consolidated financial statements of the Issuer prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

"**Nominal Holder**" means the nominal holder of the securities ("ფასიანი ქაღალდის ნომინალური მფლობელი") as such term is defined in the Securities Law;

"**Permitted Security Interests**" means:

(a) Security Interests in existence on the Issue Date;

(b) Security Interests granted by any Subsidiary in favour of the Issuer or any wholly-owned Subsidiary of the Issuer;

(c) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary of the Issuer or becomes a Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Subsidiary of the Issuer (other than those of the Person acquired and its Subsidiaries (if any));

(d) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(e) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition, provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property, transactional expenses and/or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(f) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its business for the purpose of netting debit and credit balances;

(g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues, provided that the aggregate value of assets or revenues subject to such Security Interest when added to the aggregate value of assets or revenues which are the subject of any securitisation of receivables, asset-backed financing or similar financing structure permitted pursuant to Condition 5(d) (*Disposals*), does not, at any such time, exceed 45 per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

(h) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo transaction;

(i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to interest rate and foreign currency hedging operations;

(j) any Security Interests arising by operation of law and in the ordinary course of business including tax and other non-consensual Security Interests; and

(k) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of US$30,000,000 or 35 per cent. of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

(l) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (k), inclusive, provided that fair market value of the corresponding Security (collateral) shall not exceed 70% (seventy per cent) of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or any other entity, whether or not having separate legal personality;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes;

"**Restricted Payment**" has the meaning given to it in Condition 5(g);

"**Securities Law**" means the law of Georgia on Securities Market, adopted on 24 December 1998 as amended from time to time;

"**Security Interest**" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (a) whose affairs and policies the first Person directly or indirectly controls or (b) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting share or other right of ownership;

"**Tax**" means any tax, levy, duty, impost or other charge or withholding of a similar nature, no matter where arising (including interest and penalties thereon and additions thereto) and no matter how levied or determined.

16. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Prospectus and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Georgian law.

(b) **Jurisdiction**: The courts of Georgia shall have exclusive jurisdiction in respect of any disputes which may arise out of or in connection with the Prospectus or the Bonds, (including any claim, dispute or difference regarding their issuance, existence, termination or validity or any non-contractual obligations arising out of or in connection with the Prospectus or the Bonds).

TAXATION OF THE BONDS IN GEORGIA

The following is a general description of certain material Georgian tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers as to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Bonds.

Withholding Tax on Interest

Pursuant to the Tax Code of Georgia, interest paid to Bondholders (whether they are individuals or legal entities, resident or non-resident) will be subject to withholding tax at the source of payment at the rate of 5%. Further, the above-mentioned interest taxed at source shall not be included by a recipient resident individual in his gross income. As to Georgian resident legal entities as well as permanent establishments of non-resident legal entities, they have the right to offset the amount of withholding tax paid on the interest.

Payments of interest on Bonds will be exempt from withholding tax and such payments of interest will not be included in the gross taxable income of Bondholders (whether they are individuals or legal entities, resident or non-resident), so long as the Bonds are publicly-traded securities admitted to trading on stock exchange listing with a free float exceeding 25% as at the end of the reporting year or the previous year ("**Free Float Exemption**"). However, the practical availability of the Free Float Exemption is untested and there is no guarantee that such exemption will not be delayed or will be granted. Moreover, even if the Free Float Exemption is granted, it may be challenged by the tax authorities or may be lost if the 25% free float requirement is no longer met.

Interest paid to Bondholders that are companies registered in countries having beneficial taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15%.

The applicability of Georgian withholding tax on interest may be affected by a double tax treaty between Georgia and the country of residency of the non-resident Bondholder.

Taxation of sale of Bonds - General

Pursuant to the Tax Code of Georgia, there will be no profit and income tax payable on the gain realized from the sale of Bonds if the Free Float Exemption applies. However, the practical availability of the Free Float Exemption is untested and there is no guarantee that such exemption will not be delayed or will be granted. Moreover, even if the Free Float Exemption is granted, it may be challenged by the tax authorities or may be lost if the 25% free float requirement is no longer met.

If the Free Float Exemption does not apply, the following tax liabilities may arise:

Taxation of sale of Bonds by Non-Resident Legal Entity Bondholders

If the Free Float Exemption does not apply, for non-resident legal entities the profit tax of 15% (the tax base being calculated after permitted deductions).will be assessed on the difference between the initial purchase and subsequent sale price. If such sale triggers a tax exposure, the selling non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

Taxation of sale of Bonds by Non-Resident Individual Bondholders

If the Free Float Exemption does not apply, for non-resident individuals the income tax of 20% (the tax base being calculated after permitted deductions) will be assessed on the difference between the initial purchase and subsequent sale price. If such sale triggers a tax exposure, a relevant non-resident individual will be under an obligation to properly report and pay such income tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than two calendar years and not use them in economic activity.

Taxation of sale of Bonds by Resident Legal Entity Bondholders

If the Free Float Exemption does not apply, Georgian resident legal entity will be liable to pay 15% profit tax upon the disposal of the Bonds. The profit tax base will be calculated as the difference between the acquisition and sale prices.

Taxation of sale of Bonds by Resident Individual Bondholders

If the Free Float Exemption does not apply, a Georgian resident individual Bondholder will have to pay income tax at 20% upon the disposal of the Bonds. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than two calendar years and not use them in economic activity.

Tax on Payment of Principal

The principal amount received by the Bondholders on redemption of the Bonds shall not be treated as their taxable income and, therefore, shall not be subject to taxation in Georgia to the extent that the redemption price at maturity does not exceed the original issue price.

Value Added Tax

Sales (supply) of the Bonds are exempt from Value Added Tax in Georgia.

GENERAL INFORMATION

1. It is expected that listing of the Bonds on the GSE's official list and admission of the Bonds to trading the GSE's trading system will be granted on or before one month period after the Bond placement.

2. The Company has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a decision of JSC “M2 Real Estate”.

3. There has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since 31st of December 2017.

4. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

5. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the office of the Company:

   (a) a copy of this Prospectus together with any Supplement to this Prospectus or any further Prospectus;

   (b) the Agreement between the Issuer and Bondholders’ Representative;

   (c) "M2 Real Estate group" carve-out audit report on the historical financial information of the Company set out in the annex to this Prospectus.

6. EY Georgia LLC has consented to the inclusion in the Prospectus of their report in the annex.

INFORMATION ON THE ISSUER, PLACEMENT AGENT, BONDHOLDERS' REPRESENTATIVE, REGISTRAR AND OTHER PARTIES

Issuer

LLC M2 Commercial Assets
(Identification Code: 405263101)

29 Chavchavadze Ave. Tbilisi, Georgia

Placement Agent

JSC Galt & Taggart

79 Aghmashenebeli Avenue
Tbilisi, 0102
Georgia

Bondholders' Representative

Nodia, Urumashvili and Partners LLC

71 Vazha-Pshavela Avenue, Office 28
Tbilisi, 0186
Georgia

Calculation and Paying Agent

JSC Galt & Taggart

79 Aghmashenebeli Avenue
Tbilisi, 0102
Georgia

Registrar

JSC United Securities Registrar of Georgia

11 Mosashvili Str. (7^{th} floor)
Tbilisi, 0179
Georgia

Auditor of 2017 (2016 as comparative information) carve-out financial statements

EY Georgia LLC

44 Kote Apkhazi Str.
Tbilisi, 0105
Georgia

Signed on behalf of LLC M2 Commercial Assets:

Signatory

Name:	*Giorgi Natroshvili*
Position:	*General Director*
Signature:	
Date:	

Signed on behalf of JSC Galt and Taggart:

Signatory

Name:	*Otar Sharikadze*
Position:	*Managing Director*
Signature:	
Date:	