



TBC CAPITAL



GEORGIA  
REAL ESTATE



GALT & TAGGART  
CREATING OPPORTUNITIES

# JSC Georgia Real Estate

Investor Presentation  
July 2024



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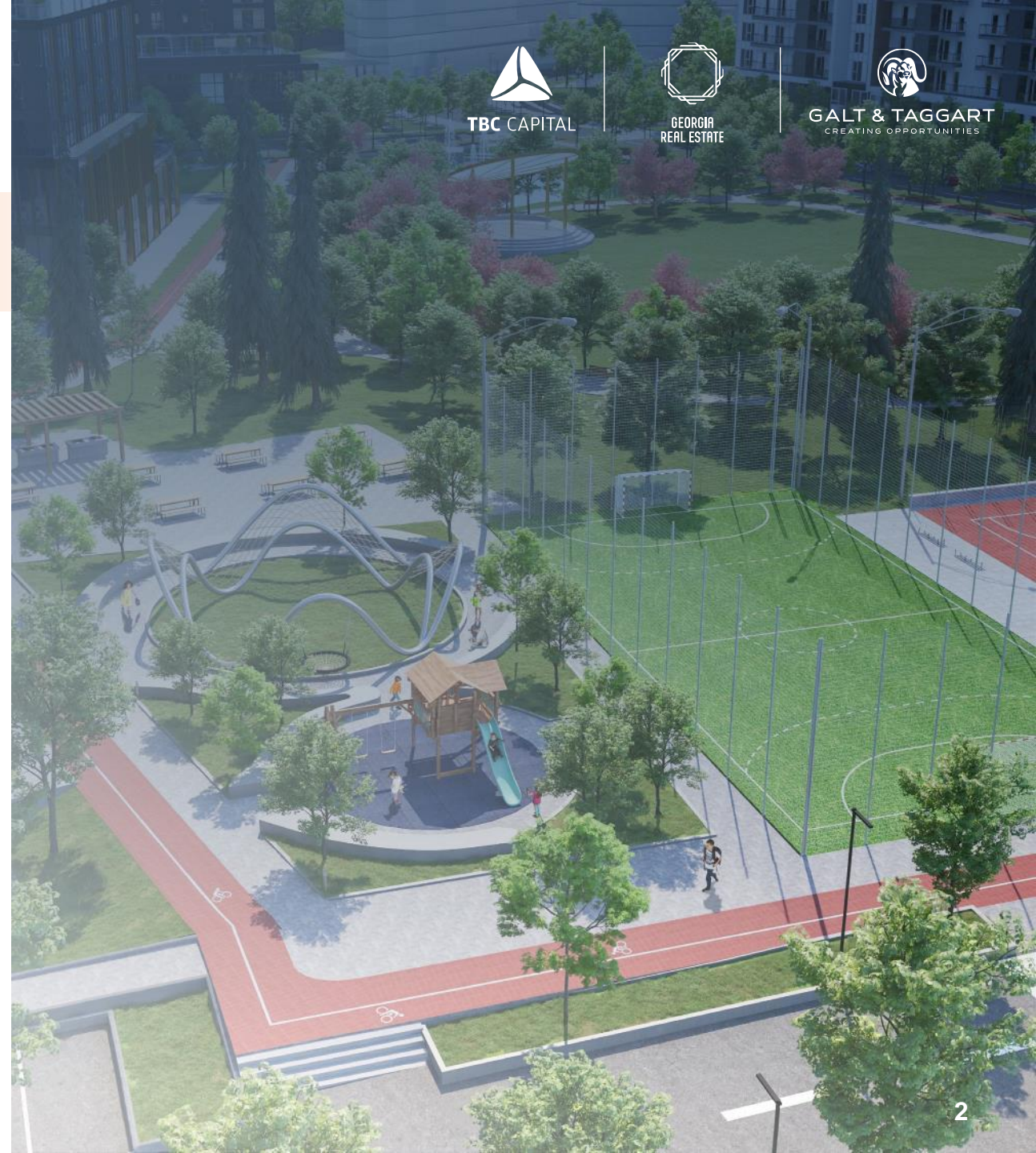
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# INDICATIVE BOND OFFERING TERMS

Final terms will be specified upon the approval of the final Term Sheet



<b>ISSUER</b>	<ul style="list-style-type: none"><li>• JSC Georgia Real Estate</li></ul>
<b>BONDS</b>	<ul style="list-style-type: none"><li>• Direct, Senior Unsecured bonds</li></ul>
<b>ISSUE CURRENCY</b>	<ul style="list-style-type: none"><li>• USD</li></ul>
<b>OFFERING AMOUNT</b>	<ul style="list-style-type: none"><li>• USD 25,000,000</li></ul>
<b>NOMINAL VALUE</b>	<ul style="list-style-type: none"><li>• USD 1,000</li></ul>
<b>MIN. PLACEMENT LOT</b>	<ul style="list-style-type: none"><li>• 1 bond</li></ul>
<b>MATURITY</b>	<ul style="list-style-type: none"><li>• 2 years, with a call option after 12 months at 101% of the principal amount</li></ul>
<b>COUPON RANGE</b>	<ul style="list-style-type: none"><li>• 8.00%-8.50% fixed per annum (to be determined during book-building)</li></ul>
<b>COUPON PAYMENT</b>	<ul style="list-style-type: none"><li>• Semi-annual</li></ul>
<b>ISSUE DATE</b>	<ul style="list-style-type: none"><li>• August 7, 2024</li></ul>
<b>ISSUE PRICE</b>	<ul style="list-style-type: none"><li>• 100% of the principal amount (nominal value) of the bonds</li></ul>
<b>USE OF PROCEEDS</b>	<ul style="list-style-type: none"><li>• Refinancing existing maturing bonds</li></ul>
<b>GOVERNING LAW</b>	<ul style="list-style-type: none"><li>• Georgian Law</li></ul>
<b>LISTING</b>	<ul style="list-style-type: none"><li>• Georgian Stock Exchange</li></ul>
<b>PLACEMENT AGENTS</b>	<ul style="list-style-type: none"><li>• Galt &amp; Taggart   TBC Capital</li></ul>
<b>KEY COVENANTS</b>	<ul style="list-style-type: none"><li>• Please, refer to the next slide (Indebtedness, Dividend Distribution, Cash Retention, etc.)</li></ul>

# PROPOSED TERMS OF THE TENDER OFFER OF 2022s BONDS



<b>OFFEROR</b>	<ul style="list-style-type: none"><li>• JSC Georgia Real Estate</li></ul>
<b>TARGETED BONDS</b>	<ul style="list-style-type: none"><li>• USD 35,000,000 Senior, Unsecured Bonds due October 2024 (ISIN: GE2700604178)</li></ul>
<b>TENDER FORMAT</b>	<ul style="list-style-type: none"><li>• New Issue and Tender</li></ul>
<b>PRIORITY ALLOCATION</b>	<ul style="list-style-type: none"><li>• Priority Allocation into the New Issue for investors indicating their intention to tender</li></ul>
<b>TENDER PRICE</b>	<ul style="list-style-type: none"><li>• 100.5% (plus accrued interest)</li></ul>
<b>LAUNCH DATE</b>	<ul style="list-style-type: none"><li>• July 25, 2024</li></ul>
<b>PARTICIPATION DEADLINE</b>	<ul style="list-style-type: none"><li>• August 2, 2024</li></ul>
<b>SETTLEMENT DATE</b>	<ul style="list-style-type: none"><li>• August 7, 2024</li></ul>
<b>PURPOSE OF THE TENDER</b>	<ul style="list-style-type: none"><li>• To refinance existing bonds with a New Issue of USD 25,000,000 Senior, Unsecured bonds</li></ul>
<b>DEALER MANAGERS</b>	<ul style="list-style-type: none"><li>• Galt &amp; Taggart   TBC Capital</li></ul>

# KEY BOND TERMS AND CONDITIONS

1.	Reorganization, M&A	<ul style="list-style-type: none"><li>- <b>Restriction:</b> No material reorganization or M&amp;A without prior consent from the Bondholders' Representative</li><li>- <b>Exemptions:</b> Successor assumes all material rights &amp; obligations, No event of Default/Potential Event of Default; no Material Adverse Effect, etc.</li></ul>
2.	Disposal/Sale	<ul style="list-style-type: none"><li>- <b>Restriction:</b> No sale or disposal of whole or any part of its revenues or assets</li><li>- <b>Exemptions:</b><ul style="list-style-type: none"><li>- Sale/Disposal under normal course of business (including sales planned related to exiting the issuers' commercial &amp; hospitality businesses);</li><li>- Sale/Disposal on an arm's-length basis, with consent from the Bondholders' Representative and independent Appraisal required for &gt; 10% of the Total Consolidated Asset Value</li></ul></li></ul>
3.	Restricted Payments	<ul style="list-style-type: none"><li>- <b>Restriction:</b> No dividend/redemption of share capital</li><li>- <b>Exemption:</b><ul style="list-style-type: none"><li>- Up to 50% of the Consolidated Net Income adjusted for FX gains/losses starting from 31 December 2022;</li><li>- Up to 100% of the aggregate net cash proceeds from the issuance of its share capital or conversion/exchange of indebtedness into share capital starting from 31 December 2022;</li></ul></li></ul>
4.	Indebtedness/ Guarantees	<ul style="list-style-type: none"><li>- <b>Restriction:</b><ul style="list-style-type: none"><li>- No additional debt or guarantees</li></ul></li><li>- <b>Exemption:</b><ul style="list-style-type: none"><li>- No restriction if consolidated Secured Debt/Assets &lt;= 50% or</li><li>- If consolidated Total Debt/Assets &lt;= 60% and</li><li>- Consent from Bondholders' Representative in case of indebtedness incurred other than under normal course of the issuer's business;</li></ul></li></ul>
5.	Cash Retention Clause	<ul style="list-style-type: none"><li>- <b>Restriction:</b> Cash balance (unrestricted) at any time shall be at least 50% of the bond's next semi-annual coupon payment;</li></ul>

**Note:** Bonds will be issued under Georgian Legislation and subject to jurisdiction of the common courts of Georgia



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# Current Legal Structure & Historic Milestones

Operating nearly 18 years on the market developing innovative products & concepts



## Group business lines and Legal structure



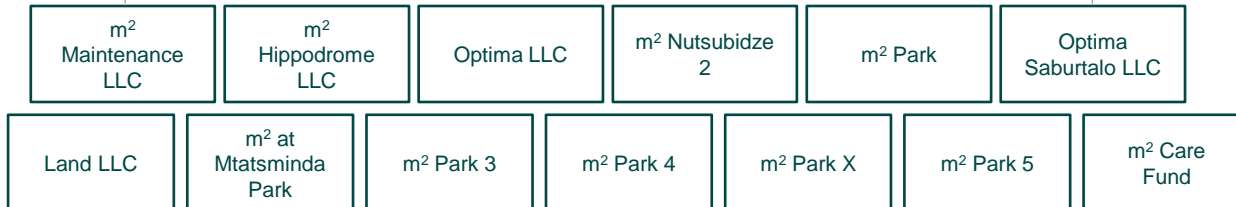
**GEORGIA REAL ESTATE HOLDING  
(GRE GROUP) - Issuer**

**RESIDENTIAL REAL ESTATE**

**Georgia Real Estate  
Management Group**

*\*Gudauri Lodge, GPMG, m2 Kutaisi, m2 will be merged with Georgia Real Estate Management Group*

**m<sup>2</sup> m<sup>2</sup> GROUP LLC**



*\*The company has one operational asset, which is also for sale – Gudauri Lodge (in Gudauri). Additionally, the company has a work-in-progress hotel in Mestia and land in Telavi.*

## Historic Milestones

2024	The company acquired a land plot of 15,000 square meters on Nutsubidze Street for 31 million GEL from the state, intended for the implementation of a new project under public investment obligations
2022	Deleveraging Strategy translated into additional Capital Contribution of up to US\$ 40 million from parent; Raised US\$ 10mln from ADB for 'Sveti' Projects Successfully issued US\$35 million US dollar-denominated bonds
2021-2023	As a part of shifting strategy disposal of hospitality & commercial real estate properties - US\$ 89 million in total - US\$ 40.0 million in 2023 - US\$ 4.0 million in 2022 - US\$ 45.0 million in 2021 The part of the proceeds in 2021 were used to repay the US\$ 30 million bonds issued by the commercial real estate business, matured on 31 December 2021, while majority of 2023 proceeds was used to repay loans to financial institutions Sold US\$ 45mln (76% of portfolio) of Commercial RE on 11% premium to book Exit from construction business by selling its subsidiary BK Construction (50% was already sold to its key management personnel in 2020)
2018	Entered Hospitality business segment, gradually acquiring 12 hotel assets on various stage of development across Georgia
2018	Demerger of JSC Bank of Georgia (BGEO) and JSC Georgia Capital (CGEO), with the later becoming company's shareholder
2017	Started separate management for the Commercial Real Estate and Hospitality business lines Entered construction business by acquiring BK Construction Ltd with 26 years of experience in the construction of residential complexes and hotels
2012-2016	Raised US\$ c. 45mln for development of residential real estate complexes and hotel from IFIs – FMO, IFC and GGF
2010	Entered Residential Real Estate development business by commencing construction on Chubinashvili street (successfully completed in 2012)
2006	Founded by JSC Bank of Georgia and acquired several units of real estate

# Strong Capital Market Presence & Funding Diversification

12-year track record of tapping capital market and IFI financing with aggregate value of US\$ 215mln



TBC CAPITAL



GEORGIA REAL ESTATE



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CREATING OPPORTUNITIES

<p><b>USD 5 000 000</b> 9.5% 1-Year Bonds</p> <p>Public Placement April 2014</p>	<p><b>USD 10 000 000</b> 8.42% 1-Year Bonds</p> <p>Public Placement June 2014</p>	<p><b>USD 20 000 000</b> 9.5% 2-Year Bonds</p> <p>Public Placement March 2015</p>	<p><b>USD 25 000 000</b> 7.5% 3-Year Bonds</p> <p>Public Placement October 2016</p>	<p><b>USD 30 000 000</b> 7.5% 3-Year Bonds</p> <p>Public Placement December 2018</p>	<p><b>USD 35 000 000</b> 7.5% 3-Year Bonds</p> <p>Public Placement October 2019</p>	<p><b>USD 35 000 000</b> 8.50% 2-Year Bonds</p> <p>Public Placement October 2022</p>
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<p><b>USD 10mln</b></p> <ul style="list-style-type: none"> <li>Raised <b>USD 10 million</b> from <b>FMO</b> in 2012 for residential project development with the maturity in 2017</li> <li><b>Status:</b> prepaid</li> </ul>	<p><b>USD 5mln</b></p> <ul style="list-style-type: none"> <li>Raised <b>USD 5 million</b> from <b>IFC</b> in February 2014 for residential project, with the maturity in 2016</li> <li><b>Status</b> – prepaid</li> </ul>	<p><b>USD 23mln</b></p> <ul style="list-style-type: none"> <li>Raised <b>US\$ 23 million loan</b> from <b>IFC</b> and <b>GGF</b> for new residential projects development in February 2016, maturing in 2019</li> <li><b>Status</b> – prepaid</li> </ul>	<p><b>USD 7mln</b></p> <ul style="list-style-type: none"> <li>Raised <b>US\$ 7 million loan</b> from <b>IFC</b> for new hospitality project development in October 2017, with maturity in 2026</li> <li><b>Status</b> – prepaid</li> </ul>	<p><b>USD 10mln</b></p> <ul style="list-style-type: none"> <li>Raised <b>US\$ 10 million loan</b> from <b>ADB</b> for 2 Affordable Housing projects ('Sveti' projects) with energy efficiency component</li> <li><b>Status</b> – prepaid</li> </ul>
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- **US\$ 160 million** and 7 public US\$-denominated corporate bonds raised for the **Georgia Real Estate (GRE)/m² Group**;
- **Georgia Real Estate (GRE)/m² Group** also has a long-standing relationship with IFIs, being first to raise IFI financing for residential development in Georgia;
- The company has successfully raised substantial funding of up to \$25mln over the past five years from local commercial banks for residential development projects, ensuring their steady and successful development. Additionally, the company has established strong relationships with nearly all local banks in the Georgian market (company has also obtained funds from local commercial banks for its hospitality business in the past)

# Shareholder Profile

Wholly owned subsidiary of London listed Georgia Capital



GCAP is the Leading investment management company in Georgia, listed on the London Stock Exchange

## THREE FUNDAMENTAL ENABLERS

STRONG  
CORPORATE  
GOVERNANCE

ACCESS TO  
MANAGEMENT

ACCESS TO  
CAPITAL

### ➤ Key facts and figures [31-Mar-24]

GBP 510.24m

Market capitalization

GEL 4.0 bn

Total portfolio value

GEL 3.65 bn

Net asset value (NAV)

GEL 90.04

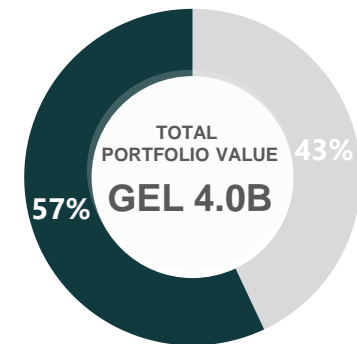
NAV per share

## Diversified shareholder base with 90%+ institutional investors

### ➤ GCAP top 10 shareholders | 31 March 2024

Rank	Shareholder name	Ownership
1	Management & Management Trust	14.35%
2	Gemsstock Ltd	10.94%
3	Allan Gray Ltd	6.88%
4	Lazard Asset Management LLC	5.60%
5	Coeli Frontier Markets AB	4.94%
6	Schroder Investment Management Ltd	3.71%
7	Eaton Vance	3.50%
8	Firebird Management LLC	2.71%
9	RWC	2.53%
10	Motley Fool Asset Management	2.38%
	<b>Total</b>	<b>57.62%</b>

## Portfolio breakdown



■ Listed and observable portfolio

■ Private portfolio



# Shareholder Profile (continued)

Wholly owned subsidiary of London listed Georgia Capital



## LISTED AND OBSERVABLE PORTFOLIO

Value: GEL 1,705m  
42.9% of the total portfolio value

**BANK OF GEORGIA**

Value: GEL 1,543m

**WATER UTILITY**

Value: GEL 162m

## PRIVATE PORTFOLIO - CONTROLLING STAKES IN MARKET-LEADING GEORGIAN BRANDS

Value: GEL 2,266m  
57.1% of the total portfolio value

### LARGE PORTFOLIO COMPANIES

**RETAIL (PHARMACY)**

Value: GEL 694m

**HOSPITALS**

Value: GEL 314m

**INSURANCE (P&C AND MEDICAL)**

Value: GEL 377m

### INVESTMENT STAGE PORTFOLIO COMPANIES

**RENEWABLE ENERGY**

Value: GEL 266m

**EDUCATION**

Value: GEL 202m

**CLINICS AND DIAGNOSTICS**

Value: GEL 126m

**OTHER BUSINESSES**

Value: GEL 289m

## Key Management



**Guram Akhvlediani, CEO of GRE** – Guram joined Georgia Real Estate as Chief Technical Officer in 2021 and from September 2022 he was appointed as Chief Executive Officer of GRE. In 2015-2021 Guram worked in GGU as Head of Investment Planning and Project Management Departments, overseeing CAPEX portfolio and commencement of several renewable energy projects. Prior to joining GGU, he worked in Ontario Power Generation, one of the largest power producers in North America, as Investment & Financial Analyst. Guram holds BA degree in Economics from University of Toronto and MA in Economics from York University



**Givi Koberidze, CFO of GRE, Chairman of m<sup>2</sup>** – Before joining GRE Givi was holding several positions in GRE's parent company – Georgia Capital, most recently being Vice President in Strategy Department. Prior to his roles at GCAP, he served at EY Strategy and Transactions (SaT) Services. He has BBA degree from Free University of Tbilisi in Business Administration with major in Finance

## Supervisory Board Composition



**Avtandil Namicheishvili, Chairman of GRE** – In addition to his role as a deputy CEO at JSC Georgia Capital (GCAP), Avtandil also serves as a chairman of the Group's water utility, renewable energy, beverages, housing development and hospitality & commercial real estate businesses. Formerly he was BGEO Group General Counsel. Prior, was a Partner at a leading Georgian law firm. Holds LL.M. in international business law from Central European University, Hungary



**Irakli Gilauri, Member of Board of GRE** – Chairman and CEO of Georgia Capital. Formerly served as the CEO of BGEO Group from 2011 to May 2018, previously CFO of Bank of Georgia from 2004 and CEO from 2006. Prior, he was an EBRD banker. Mr. Gilauri has up to 20 years of experience in banking, investment and finance. Over the last decade, Irakli's leadership at BGEO/GCAP has been instrumental in creating major players in number of Georgian industries, including banking, healthcare, utilities, real estate, etc.. Holds an MS in banking from Cass Business School



**Giorgi Vakhtangishvili, Member of Board of GRE, Member of Board of m<sup>2</sup>**  
Giorgi joined GRE as CEO in 2021, in addition to his CEO role (and previously, CFO) at GGU (the holding company of Georgia Capital's water utility and renewable energy businesses). Prior to roles in GGU, Giorgi served as CEO of m<sup>2</sup> Real Estate in 2012-2015 period. He also held different managerial positions at BGEO Group's companies. Holds a BBA degree from European School of Management (ESM)



**Giorgi Alpaidze - Member of the Supervisory Board of GRE, Chairman of GRE's Audit Committee, and CFO of GCAP** – Giorgi is the Deputy CEO (CFO) of Georgia Capital and a member of the supervisory board of various businesses within the group. Until 2018, he was the CFO of the BGEO Group and previously led the group's finance, fundraising, and investor relations. Giorgi began his career at Ernst & Young's Georgia office and moved to the US office in 2010, where he worked as a senior manager until 2016 (in the New York office). He holds the title of Certified Public Accountant (CPA) in the US and a Bachelor's degree in Business Administration from ESM Tbilisi.



**Ioseb Kurdadze – Independent Member of the Supervisory Board and Audit Committee of GRE** – From 2005 to 2012, Ioseb held various positions in the municipal governments of Tbilisi and Khashuri, including lawyer, head of the legal department, and deputy chairman. He managed legal documentation, contracts, and court representations. Since 2012, he has worked with JSC Bank of Georgia, rising to head of the corporate and internal support team and deputy head of the legal department. From 2018 to 2019, he was the head of the legal support department at JSC Liberty Bank.

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# Residential Real Estate Development Business

Unmatched track record with 11 fully completed projects with 100% Sales Completion



PROJECTS		DEVELOPED AND SOLD			SALES (US\$ MILLION)	
		NET SELLABLE AREA (SQ.M)	NUMBER OF APARTMENTS	COMPLETION YEAR		
COMPLETED PROJECTS	1	Chubinashvili street	9,366	123	2012	10
	2	Tamarashvili street	40,717	525	2016	49
	3	Kazbegi street	21,937	295	2016	31
	4	Nutsubidze street	15,757	221	2015	17
	5	Tamarashvili street II	21,499	270	2016	25
	6	Moscow avenue	15,053	238	2016	12
	7	Skyline	3,989	19	2017	8
	8	Kartozia street	58,443	801	2018	65
	9	50 Chavchavadze ave.	7,291	82	2018	16
	10	Kazbegi street II	27,564	302	2019	47
	11	10 Melikishvili ave.	2,527	16	2020	4
<b>TOTAL</b>		<b>224,143</b>	<b>2,892</b>	<b>2020</b>	<b>284</b>	



- m<sup>2</sup> has completed 11 projects since its inception and sold 100% of apartments prior to project completion, total of 2,892 apartments with sales value of \$284mln
- The company was the first on the market to offer its customers turnkey apartments with fine-tuned infrastructure

# Residential Real Estate Development Business

5 Ongoing and 1 Pipeline projects, with c. 5,500 apartments for sale



PROJECTS			PROJECT IN NUMBERS		SALES PROGRESS	CONTRACTED CASH	PROJECT START DATE	COMPLETION DATE
			NET SELLABLE AREA (SQ.M)*	NUMBER OF APARTMENTS				
ONGOING PROJECTS	m <sup>3</sup>	Stage I	22,089	391	100%	-	Feb-19	Apr-23
		Stage II	38,523	560	100%	3.3	Dec-19	Sep-24
		Stage III	64,948	976	96%	7.2	Nov-20	Jun-24
		Stage IV	41,852	422	51%	16.9	Dec-22	Jun-26
		Stage V	7,320	96	69%	4.6	Nov-23	Jun-26
	Sveti	Nutsubidze	28,132	411	96%	3.9	Apr-20	Dec-24
		Mirtskhulava	94,767	1,472	92%	13.7	Apr-20	Jun-25
		Chkondideli	50,635	817	94%	2.9	May-20	Sep-24
		Mtatsminda	24,124	175	42%	5.7	May-23	Dec-25
	<b>TOTAL</b>			<b>372,391</b>	<b>5,320</b>	<b>90%</b>	<b>58.2</b>	<b>Feb-19</b>
NEW PROJECT	m <sup>3</sup>	Stage VI	12,016	176	0%	-	Aug-24	Dec-26
<b>GRAND TOTAL</b>			<b>384,407</b>	<b>5,496</b>	<b>90%</b>	<b>58.2</b>	<b>Feb-19</b>	<b>Dec-26</b>

## HIGHLIGHTS

- ❑ By the end of May-24, 90% of the apartments in ongoing projects has been sold, leaving only 10% of apartments available (552 out of 5,300+)
- ❑ Over 85% of total apartment sales are to Georgian citizens, indicating strong local demand and preference for GRE projects
- ❑ Works are completed in 20 blocks:
  - ❑ 4 block in Stage I & II;
  - ❑ 2 in Stage III; and
  - ❑ 17 in Sveti projects
- ❑ The rest of Phase III and Sveti will be completed by YE24, with only two blocks postponed in 2025
- ❑ Phase VI presales will commence in Aug-24, adding 176 apartments
- ❑ Contracted cash refers to funds owed by clients with installment payments for property purchases. This cash is highly reliable, with a historical default rate of less than 1%

# Residential Real Estate Development Business

## m<sup>3</sup> Project Overview



**SQ.M 147 K**

Apartments sold (sq.m  
28k remaining)

**2,171**

Apartments sold  
(274 remaining)

**US\$ 32 mn**

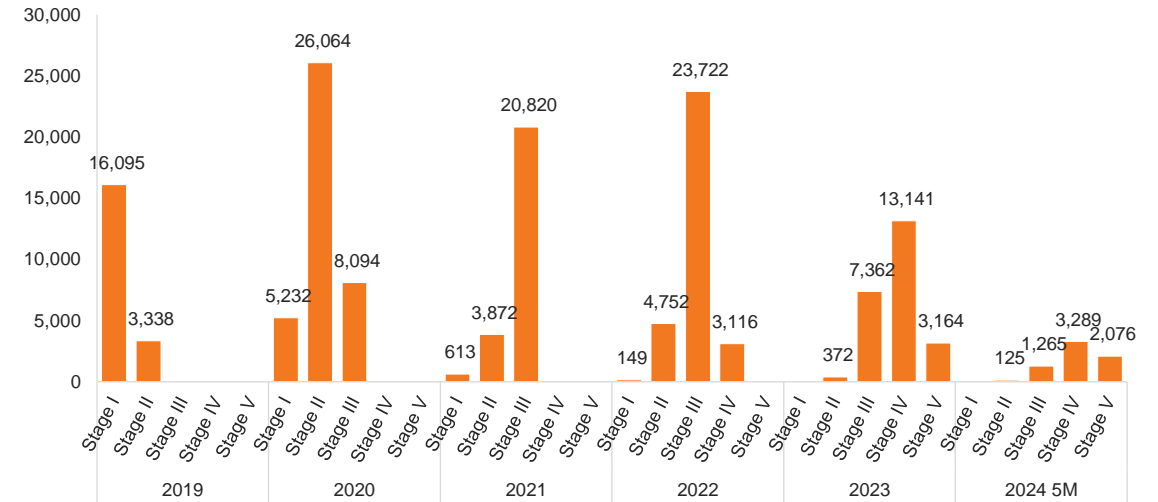
contracted  
cashflow

**SQ.M 18.3 K**

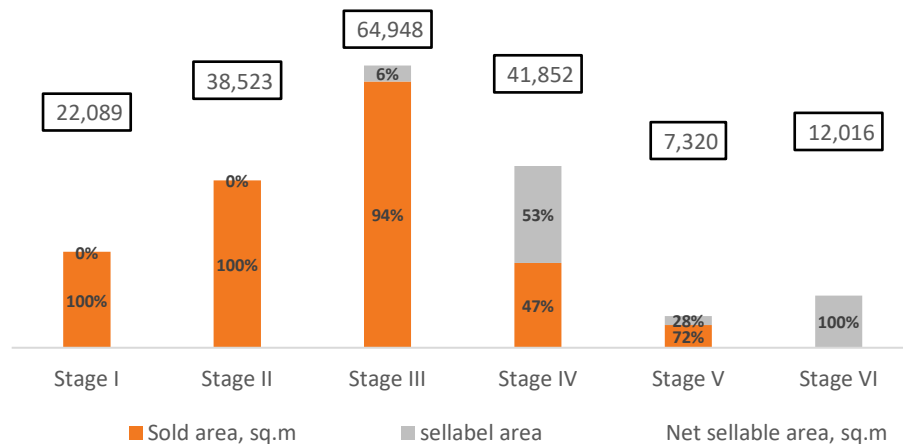
Commercial unit to be  
sold



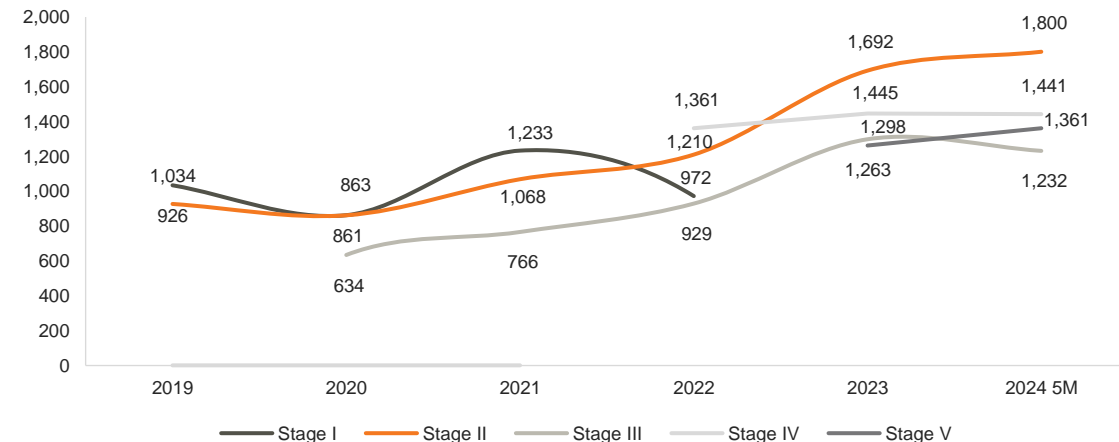
Historical sales of I-III, Highlight (Stage IV) and Stage V, sold area, sq.m:



Project status by stages and apartments square meters:



Historical prices of I-III, Highlight (Stage IV) and Stage V, US\$/sq.m:





# Residential Real Estate Development Business

## 'Sveti' Project Overview



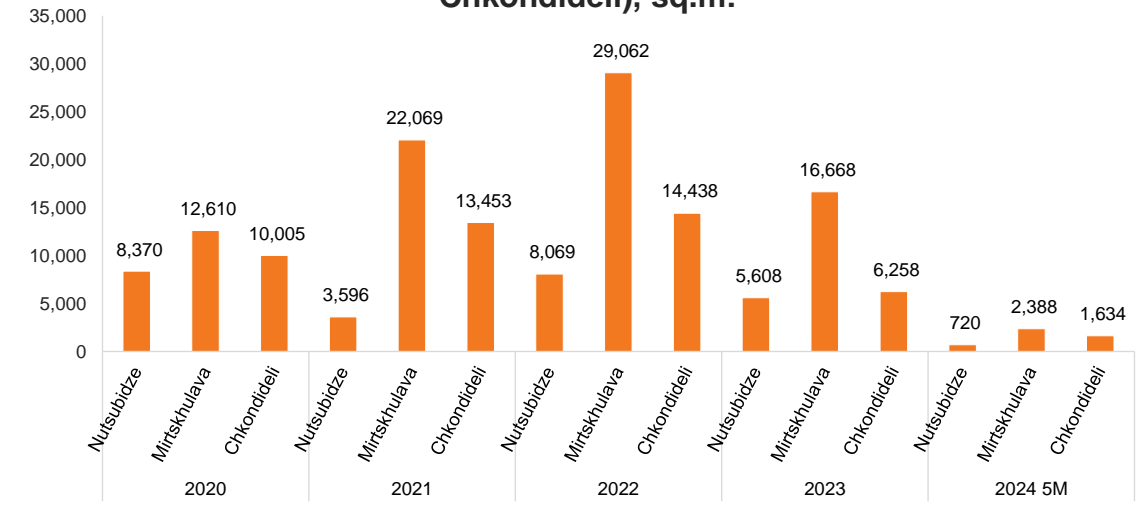
**SQ.M 155 K**  
Apartments sold (sq.m 19k remaining)

**2,524**  
Apartments sold (176 remaining)

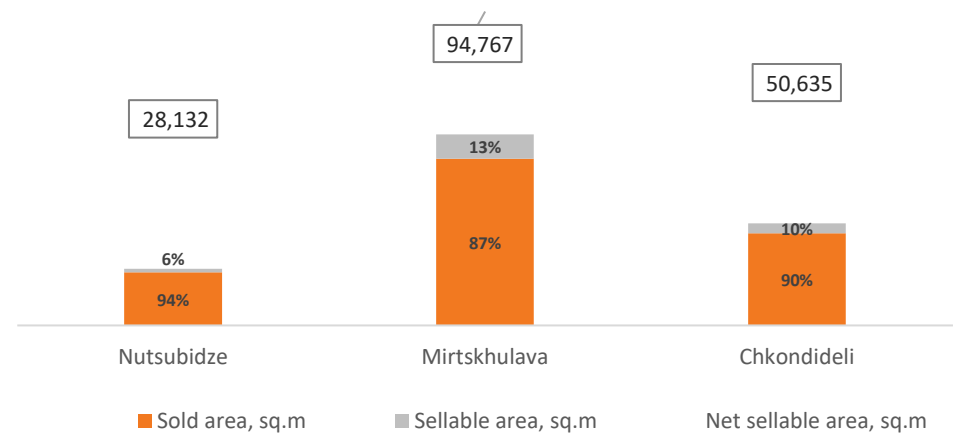
**US\$ 21 mn**  
contracted cashflow



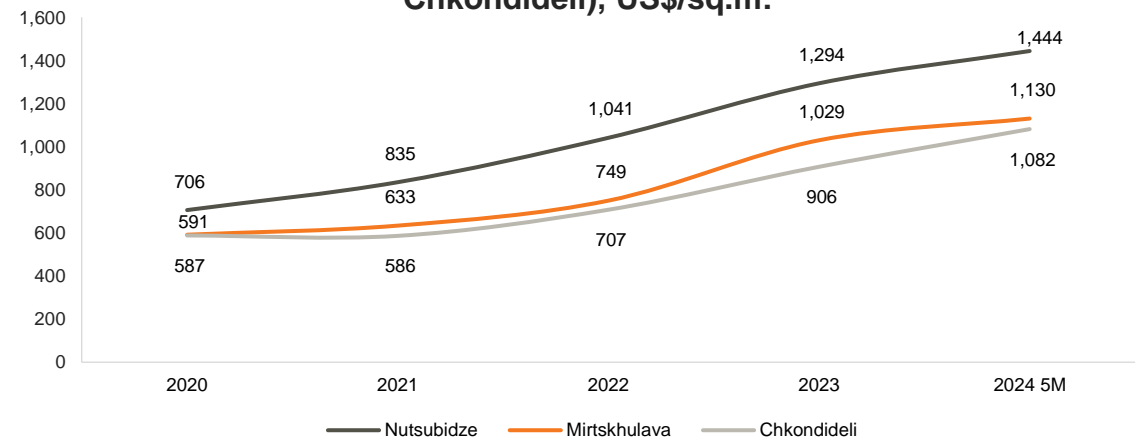
**Historical sales of "Sveti" projects (Nutsubidze, Mirtskhulava, Chkondideli), sq.m:**



**Project status by stages and apartments square meters:**



**Historical prices of "Sveti" projects (Nutsubidze, Mirtskhulava, Chkondideli), US\$/sq.m:**



# Residential Real Estate Development Business

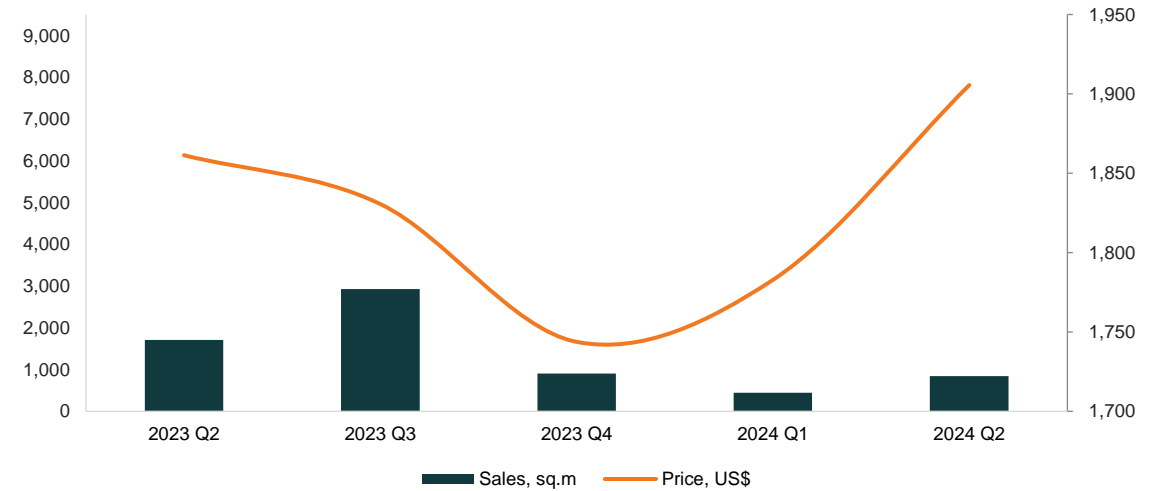
## 'Mtatsminda' Project Overview



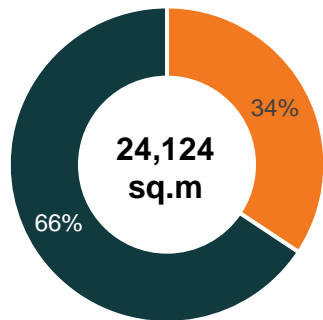
<b>SQ.M 8.3 K</b> sold (sq.m 15.8k remaining)	<b>73</b> Apartments sold (102 remaining)	<b>1<sup>st</sup></b> Franchise project
--	---	--



Historical sales (sq.m) & prices (US\$/sq.m) of "Mtatsminda Park" project :



Apartments square meters



■ Sold area, sq.m
 ■ sellable area



# Hospitality Business Overview

1 Operational hotel in Gudauri and 1 in development up for sale together with vacant land plots



## GUDAURI LODGE

121 KEYS

19,700 Guests  
(1Q24)

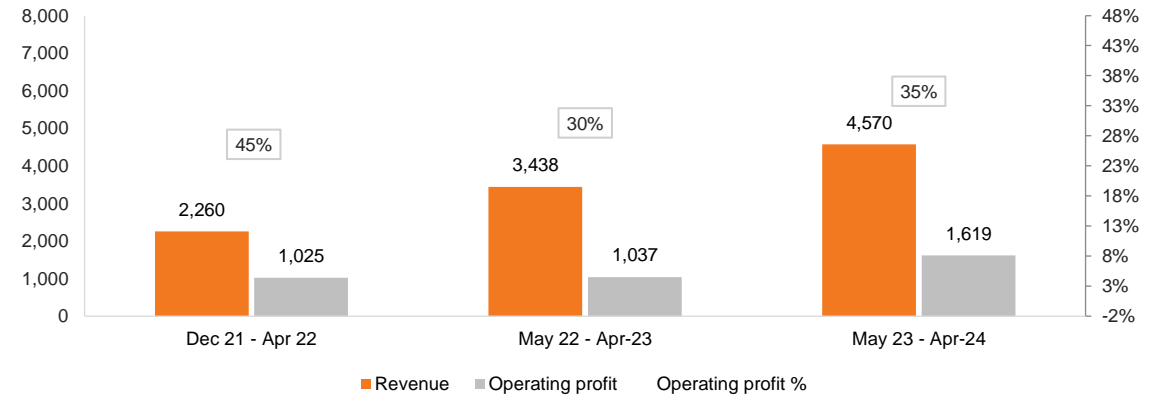
Avg. 3.2 nights

- GRE and GCAP made the decision to exit from the Hospitality and Commercial Real Estate business lines. However, management continues to operate "Gudauri Lodge," which is currently for sale.
- GRE also owns work in process hotel in Mestia and land plot in Telavi

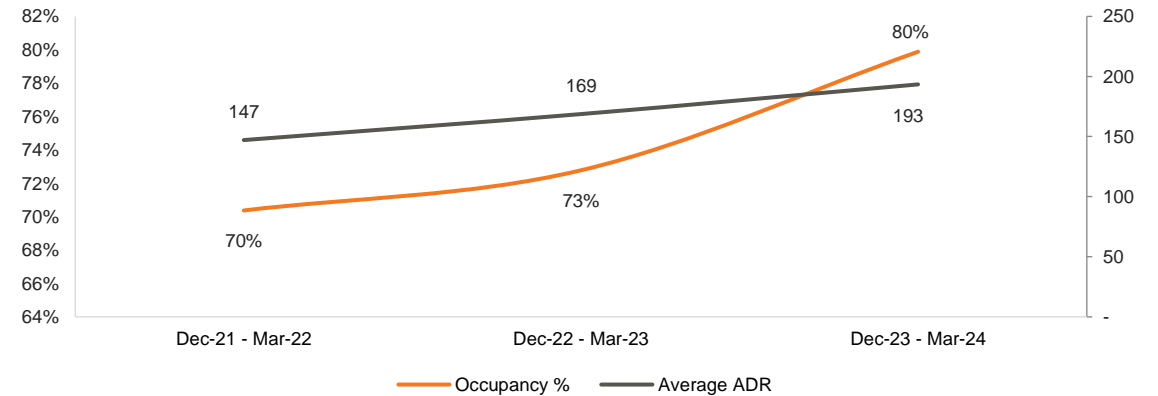
Gudauri, Kazbegi



### Gudauri Lodge Profitability, US\$, 000'



### Gudauri Lodge seasonal occupancy rate & ADR, US\$





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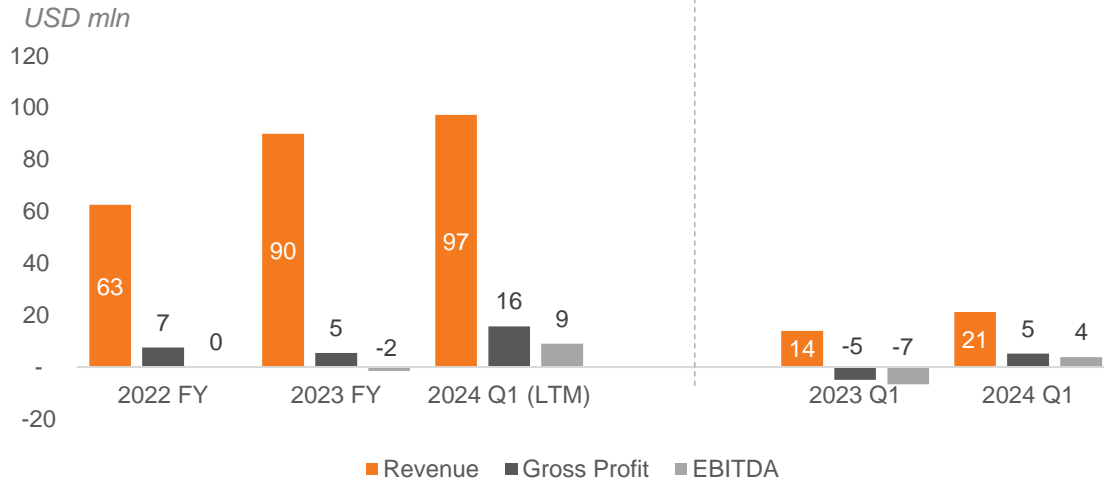


# REVENUE & COST OF SALES

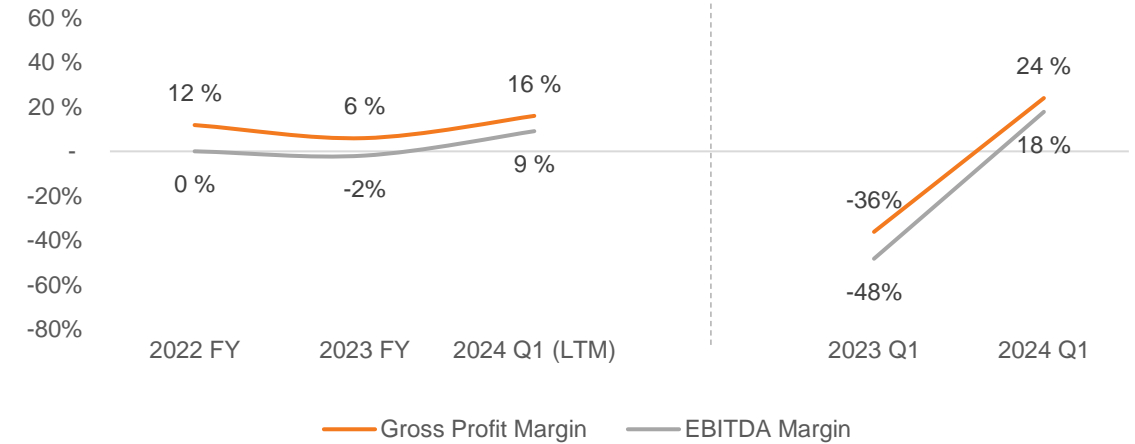
Robust revenue growth and improving profitability



Revenue growth rate in 2023 reached 44% YoY (2024 Q1: 53% YoY)...



...while profitability improved significantly: 2024 Q1 LTM EBITDA Margin 9%...



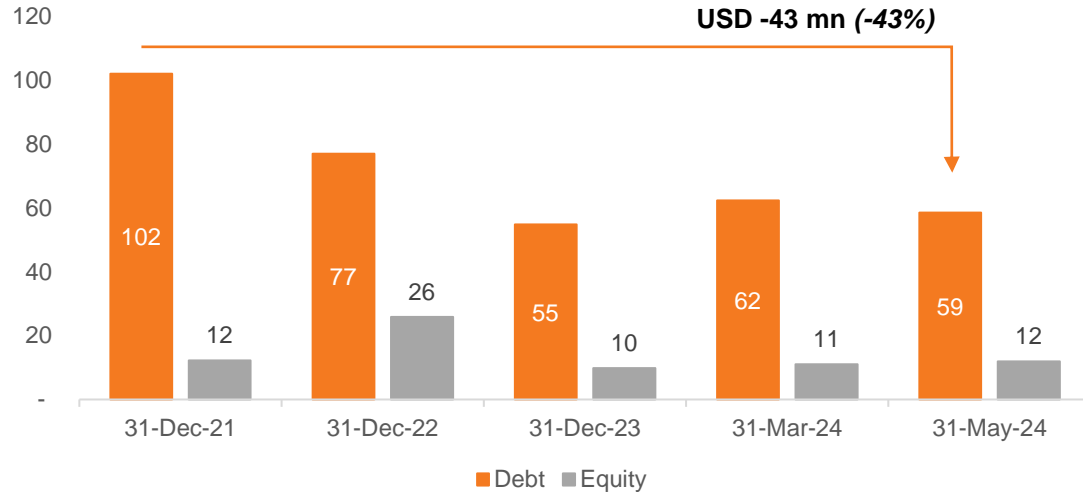
- In 2023, the company's revenue increased by 44% (the growth rate for figures given in GEL, as presented in the financial statements, is 31%) due to rising house prices. Average prices rose by 25-35%. This positive trend continued in the first quarter of 2024.
- Both Gross profit margin and EBITDA margin improved substantially in the first quarter of 2024, reaching 24% and 18% respectively, compared to the same period of the previous year (2023 Q1 – GPM: -36%; EBITDA Margin: -48%).
- In 2023, Cost of Sales increased by 53% (the growth rate for figures given in GEL, as presented in the financial statements, is c.40%) which deteriorated Gross profit margin by 6pp.
- As the company divested from hospitality and commercial real estate businesses, majority of revenue comes on inventory sales (98% of the USD 90 million in revenues in 2023)

# CAPITAL STRUCTURE

## Deleveraging strategy implementation

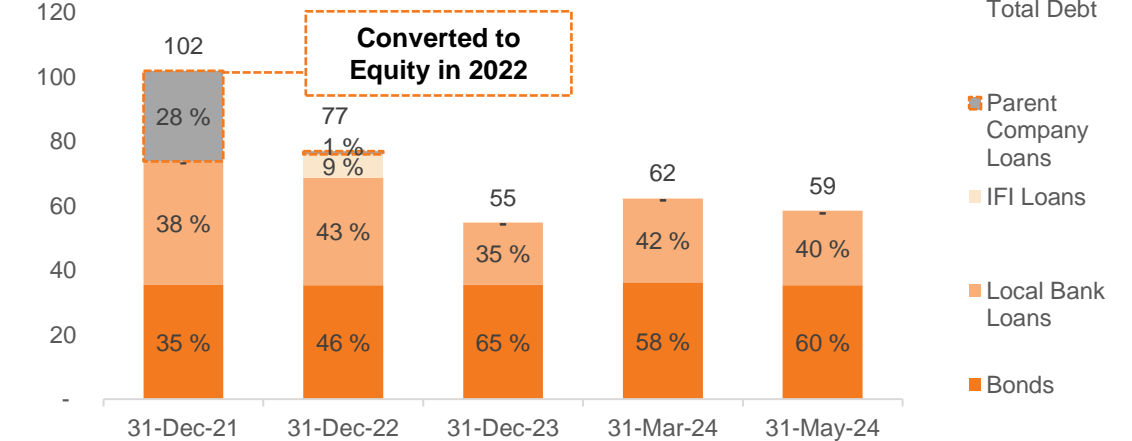
### Debt decreased by 43% from 31-Dec-2021, to 31-May-2024...

USD mn



### ...mostly due to D/E conversion of parent company loan and reduction in loans from local banks

USD mn



- Inline with GCAP deleveraging strategy, in 2022 the Company converted its borrowings from shareholders to equity – this drove down the Company’s indebtedness by 24% (the decrease rate for figures given in GEL, as presented in the financial statements, is 34%).
- In 2023 the Company’s Indebtedness decreased by 29%, or USD 22 mn – due to a) repayment of loans with cash from assets disposal and b) prepayment of ADB loan.
- The USD 4 million debt increase in the first five months of 2024 is due to new loans for residential real estate development projects.
- In 2022, Equity increased by 111% (the growth rate for figures given in GEL, as presented in the financial statements, is 84%), or USD 14 mn – driven by debt-to-equity conversion.
- During 2023, reduction in equity was driven by accumulated loss of USD 18 mn. After that, in the first quarter of 2024, equity increased slightly.

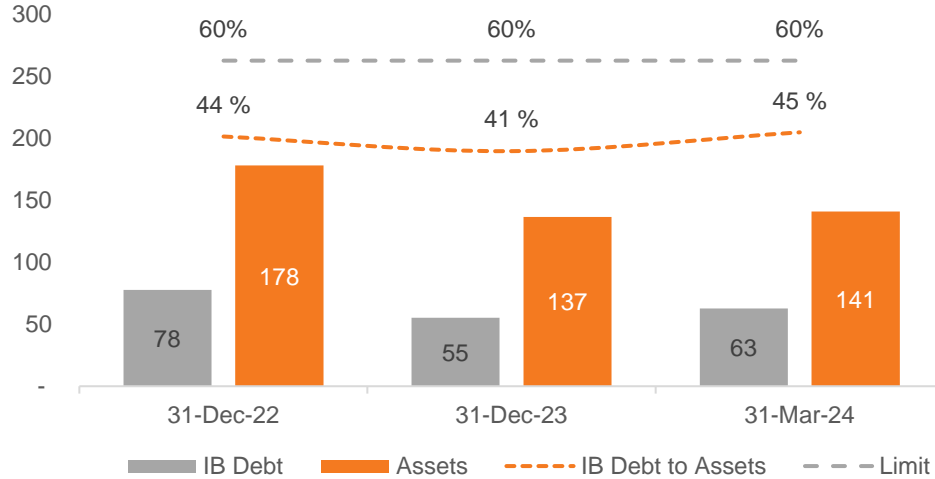
# FINANCIAL COVENANTS

Strong compliance with financial covenants



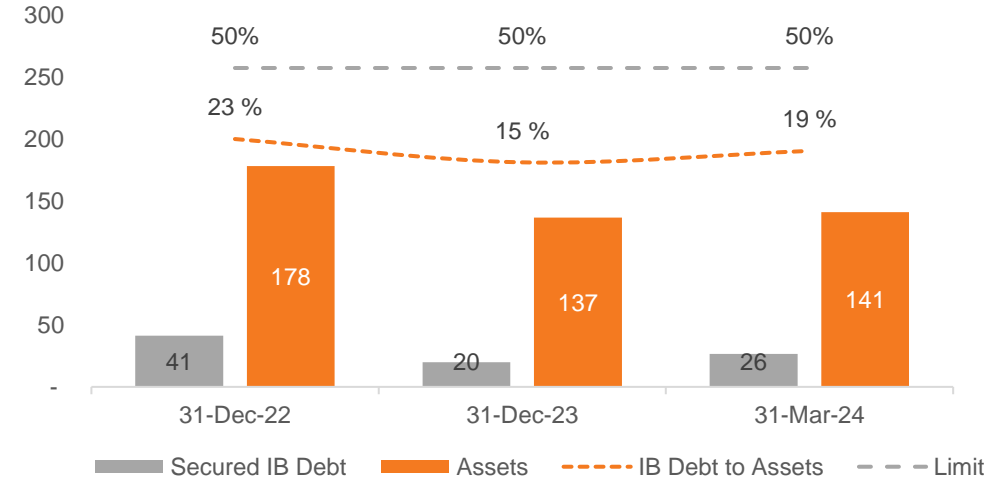
## Interest-bearing Debt to Assets, Limit <= 60%

USD mn



## Secured Interest-bearing Debt to Assets, Limit <= 50%

USD mn

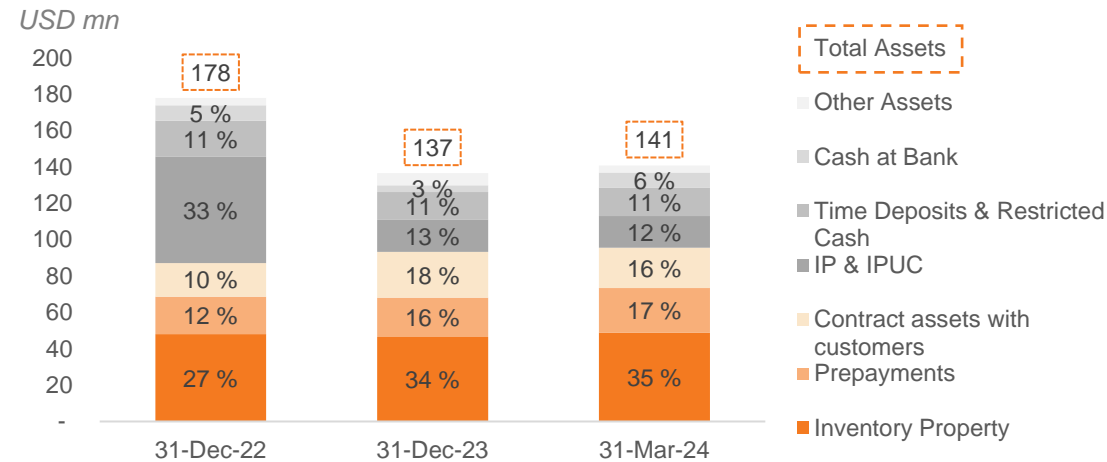


- The Issuer shall not incur new indebtedness if interest-bearing debt exceeds 60% of its assets or if secured interest-bearing debt exceeds 50% of its assets at the time of assuming the new debt.
- The covenants apply to both currently outstanding bonds and the new issuance.
- The Company's IB Debt to Assets volatile in the range of 40%-45% and Secured IB Debt to Assets ratio varies between 15%-25%. Both ratios demonstrate solid compliance with financial covenants.

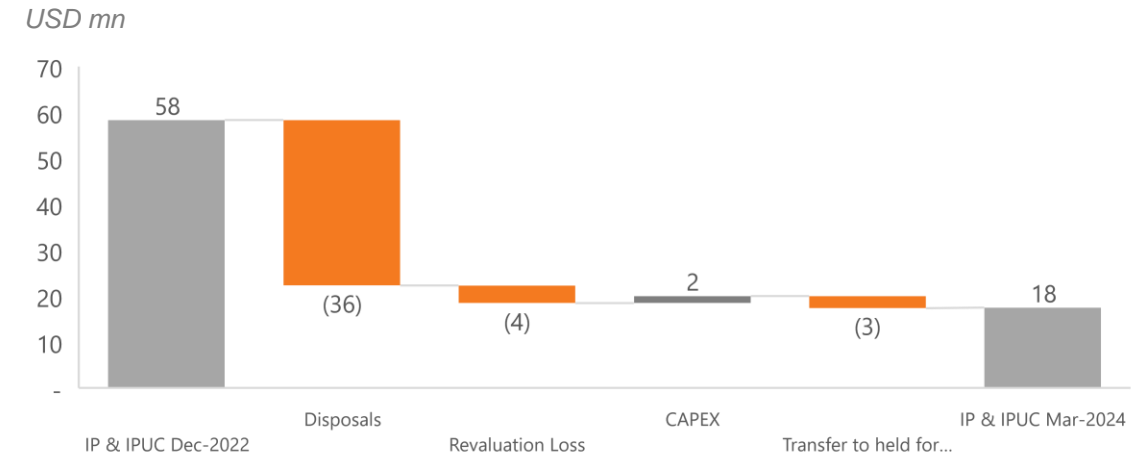
# ASSET BASE

## Shifting focus to residential real estate development

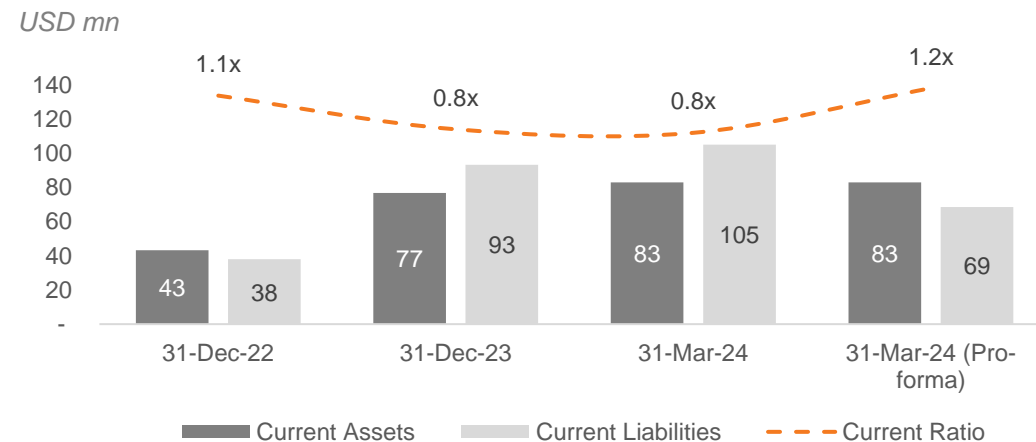
### Total assets decreased by 21% from 31-Dec-2022, to 31-Mar-2024...



### ...due to the strategy of exiting hospitality and commercial real estate



### Excluding bond reclassification effect, the current ratio would be 1.2x



- As of Mar-24, the largest asset on the company's balance sheet is Inventory property at 35%, which includes apartments held for sale, There is 5% increase in inventory property from Dec-23.
- During 2023, the company's assets declined by 23%, or USD 41 mn (the decrease rate for figures given in GEL, as presented in the financial statements, is 24%) – the reason for this reduction is the assets disposal of USD 36 mn (mainly hotels and vacant lands).
- The outstanding bond of USD 35 million (ISIN: GE2700604178) has a maturity date of October 2024. As a result, it is reclassified to current liabilities as of December 31, 2023, and March 31, 2024. Excluding this reclassification, the current ratio stands at 1.2x.



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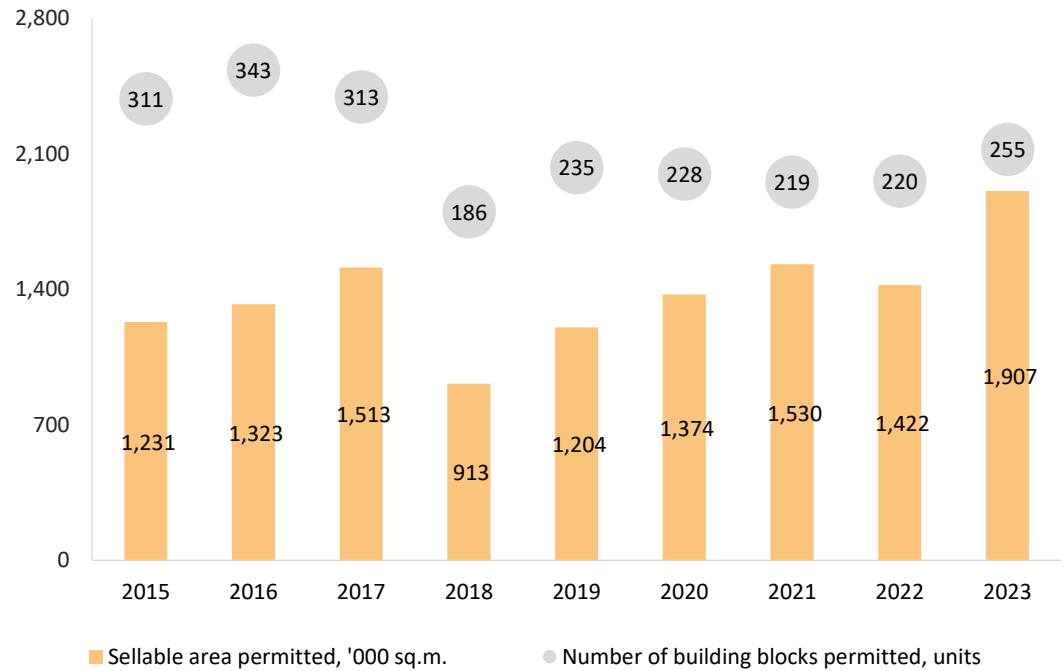
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# Permitted residential area peaked in 2023

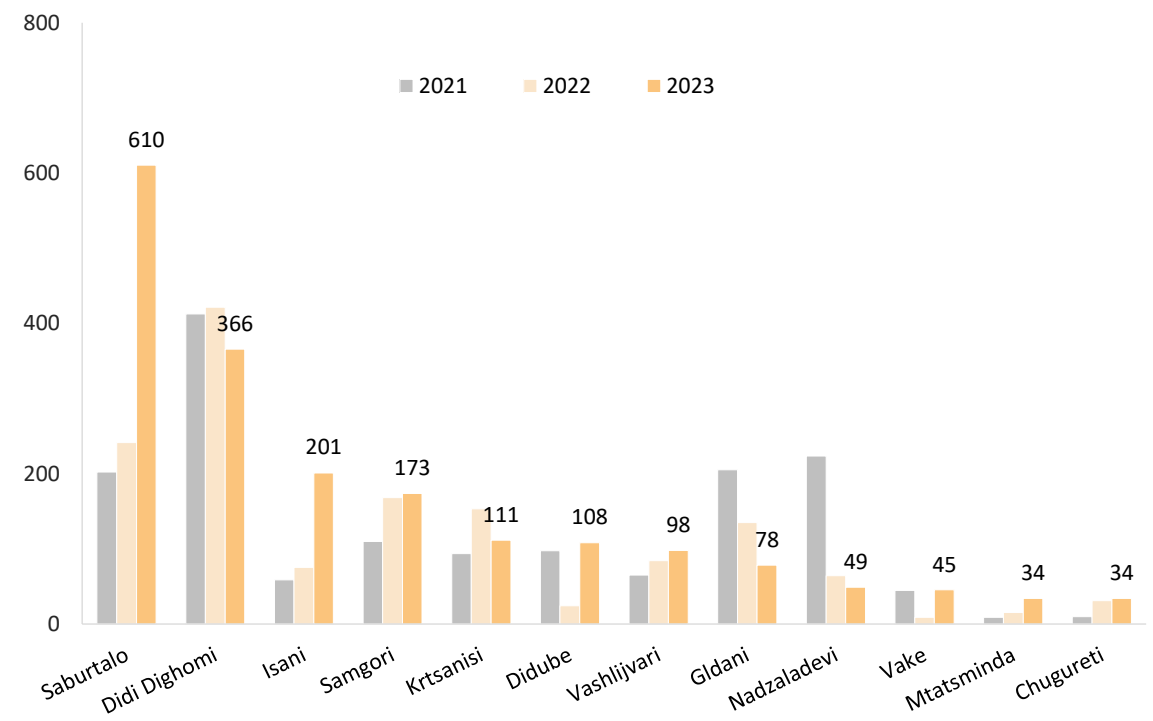
- In Tbilisi there were 255 permits issued for building blocks with record high 1.9mn m<sup>2</sup> of residential area (selling area) in 2023.
- Saburtalo accounted for the biggest permitted area with 610,375 m<sup>2</sup> in 2023, followed by Didi Dighomi (365,671 m<sup>2</sup>) and Isani (200,953 m<sup>2</sup>).

## Construction permits issued for residential real estate in Tbilisi



Source: TAS, Galt & Taggart  
 Note: 1) Includes residential and balcony areas. 2) Only III and IV class multiapartment/multifunctional buildings

## Residential permit issuance by district, '000 m<sup>2</sup>

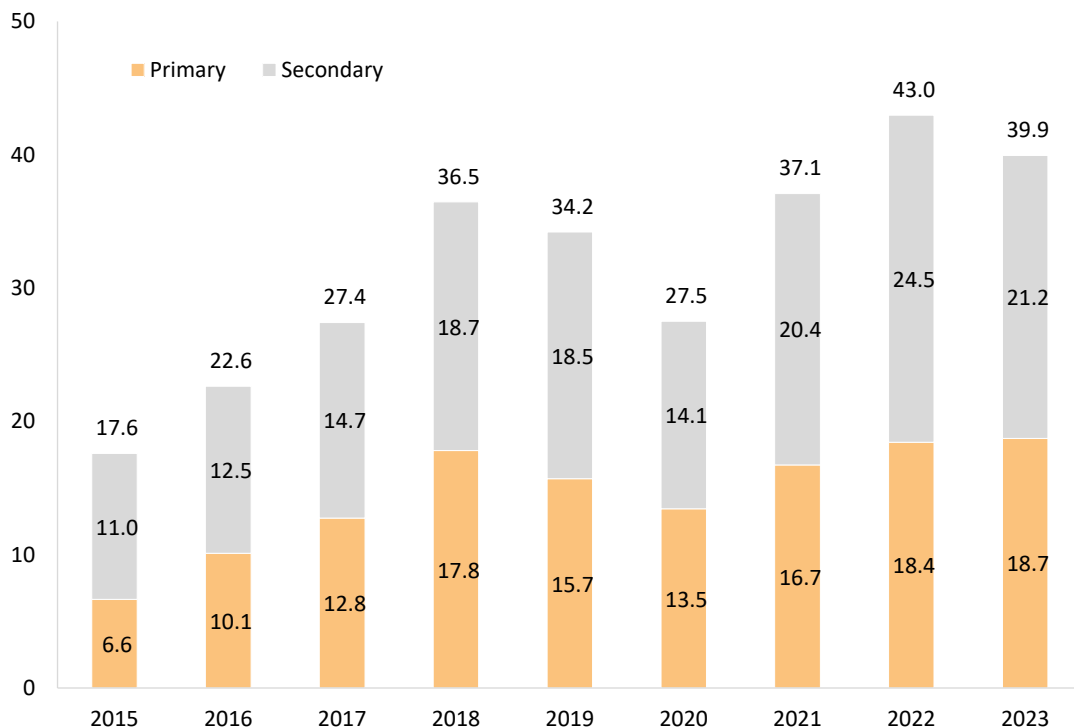


# Number of apartment sales remaining high in 2024 as well

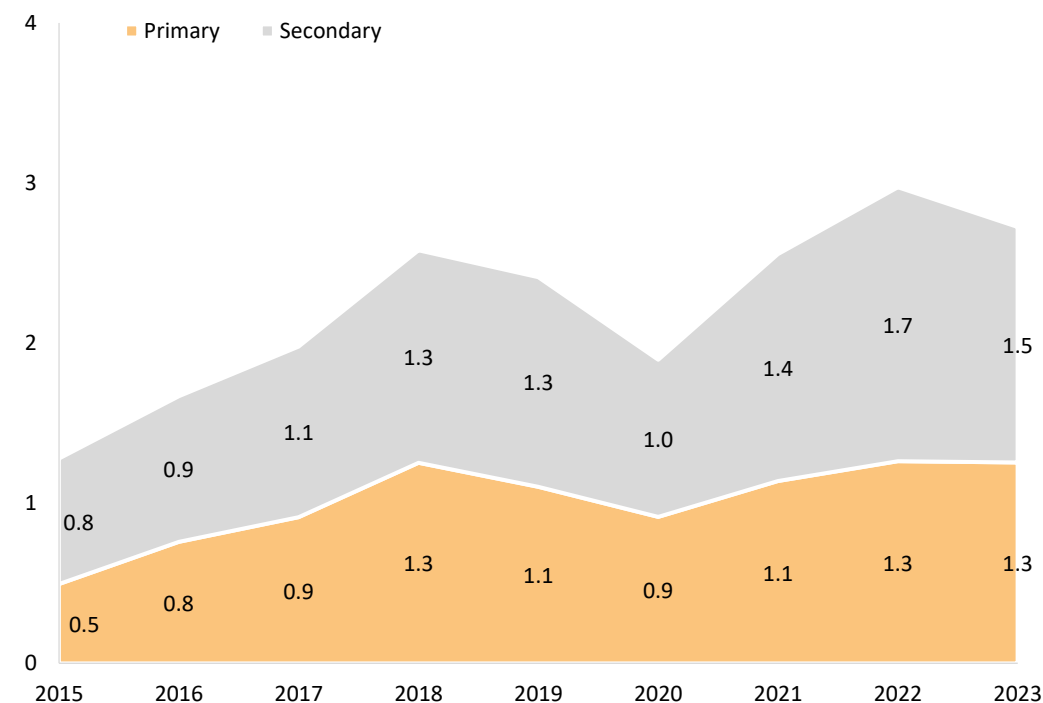


- In 2023, apartment sales experienced a 7.0% y/y decrease due to record high 2022 base, while staying elevated by 7.7% vs 2021
- In 2023, sales were down 7.2% y/y, This decrease was driven exclusively by the secondary market (-13.5% y/y), while the primary market experienced a 1.6% y/y growth.

## Number of apartment sales, '000 units



## Area of apartment sales, mn m<sup>2</sup>

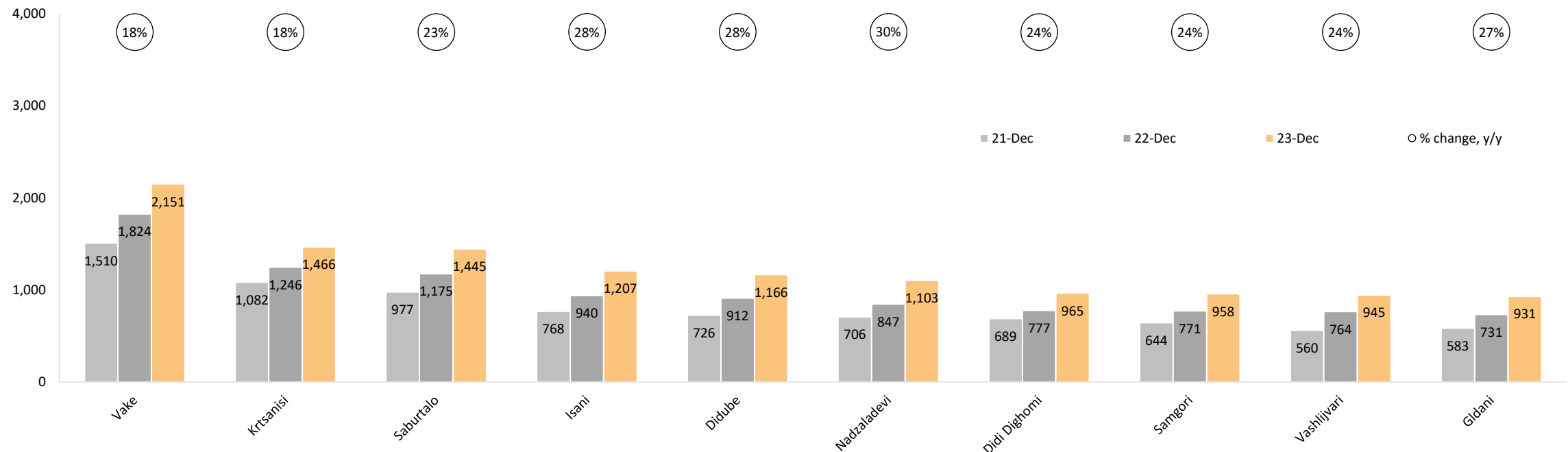


Source: NAPR, Galt & Taggart Research

# Double digit price growth in almost every district year-on-year

- Prices on the primary market are still elevated and experience a small month-over-month growth, mainly attributed to increasing wages

## Real estate prices on primary market for white frame apartments by districts, US\$/m<sup>2</sup>



Source: Galt & Taggart Research



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# Statement of Financial Position, '000 GEL



	<u>31 Mar 2024</u>	<u>31 Dec 2023</u>	<u>31 Dec 2022</u>		<u>31 Mar 2024</u>	<u>31 Dec 2023</u>	<u>31 Dec 2022</u>
<b>Assets</b>				<b>Equity</b>			
<b>Non-current assets</b>				Share capital	8,249	8,249	8,249
Investment property	40,445	40,356	121,285	Share premium	279,145	278,336	274,486
Investment property under construction	6,831	6,812	36,335	Translation and other reserves	5,200	5,200	5,200
Inventory property	65,733	62,144	107,321	Accumulated loss	(262,814)	(265,209)	(217,911)
Property and equipment	7,199	7,656	7,803	<b>Total equity</b>	<b>29,780</b>	<b>26,576</b>	<b>70,024</b>
Right-of-use assets	1,106	1,206	1,644	<b>Non-current liabilities</b>			
Long-term loans issued	288	599	821	Loans received	2,281	23,891	73,151
Long-term contract assets with customers	26,922	28,639	36,611	Debt securities issued	-	-	93,684
Prepayments and other assets	2,646	2,690	4,842	Deferred revenue	61,439	60,546	133,554
Time deposits with credit institutions	4,028	3,452	47,184	Lease liabilities	840	943	1,469
	<b>155,198</b>	<b>153,554</b>	<b>363,846</b>	Retention payable to general contractor	2,643	2,182	809
<b>Current assets</b>				Other liabilities	-	-	5,388
Inventory property	65,667	62,672	22,330	Trade and other payables	-	2,268	-
Prepayments and other assets	63,744	55,610	51,200		<b>67,203</b>	<b>89,830</b>	<b>308,055</b>
Investment securities	-	137	93	<b>Current liabilities</b>			
Short-term contract assets with customers	32,745	39,270	13,291	Short-term portion of long-term loans received	67,765	28,005	39,288
Trade and other receivables	652	786	832	Debt securities issued	97,921	95,591	1,954
Time deposits with credit institutions	32,993	37,107	2,805	Deferred revenue	54,104	69,630	21,781
Restricted cash	4,899	799	3,972	Trade and other payables	37,011	26,983	21,540
Cash at bank	22,670	10,016	22,546	Retention payable to general contractor	4,090	2,855	883
	<b>223,370</b>	<b>206,397</b>	<b>117,069</b>	Lease liabilities	527	525	595
Assets held for sale	1,196	7,250	-	Accruals for employee compensation	591	3,064	3,568
<b>Total assets</b>	<b>379,764</b>	<b>367,201</b>	<b>480,915</b>	Onerous contract provision	2,470	3,757	-
				Advances received	-	3,074	-
				Other liabilities	18,302	17,311	13,227
					<b>282,781</b>	<b>250,795</b>	<b>102,836</b>
				<b>Total liabilities</b>	<b>349,984</b>	<b>340,625</b>	<b>410,891</b>
				<b>Total equity and liabilities</b>	<b>379,764</b>	<b>367,201</b>	<b>480,915</b>

For detailed information, please refer to company's published periodic reports (including annual audited financial reports)

# Statement of P&L, '000 GEL



	<b>1Q24</b>	<b>1Q23</b>	<b>2023</b>	<b>2022</b>
Sales of inventory property	54,061	34,237	231,841	177,226
Cost of sales – inventory property	(42,332)	(49,081)	(219,018)	(156,976)
<b>Gross profit on sale of inventory property</b>	<b>11,729</b>	<b>(14,844)</b>	<b>12,823</b>	<b>20,250</b>
Rental income	2,044	1,836	2,414	2,958
Property operating expense	(88)	(184)	(689)	(959)
<b>Gross profit from rental activities</b>	<b>1,956</b>	<b>1,652</b>	<b>1,725</b>	<b>1,999</b>
Revenue from property management	589	595	2,214	2,236
Cost of property management	(672)	(629)	(2,566)	(2,817)
<b>Gross loss from property management</b>	<b>(83)</b>	<b>(34)</b>	<b>(352)</b>	<b>(581)</b>
<b>Hospitality expenses</b>			-	-
Net loss from revaluation and disposal of investment property	340	(7,503)	(7,387)	(53,221)
Net loss from revaluation and disposal of investment property under construction	(444)	(1,990)	(2,958)	(24,514)
<b>Net loss from revaluation and disposal of investment properties</b>	<b>(104)</b>	<b>(9,493)</b>	<b>(10,345)</b>	<b>(77,735)</b>
Other income, net	1	66	644	519
Administrative employee benefits expense	(2,387)	(2,874)	(10,503)	(12,587)
Other general and administrative expenses	(521)	(662)	(4,355)	(5,148)
Depreciation and amortization	(768)	(632)	(2,676)	(3,205)
Marketing and advertising expense	(549)	(951)	(4,165)	(4,166)
Net loss from disposal of property and equipment	(47)	(17)	(653)	(2,184)
Loss from disposal of a subsidiary	-	-	(839)	-
Expected credit loss (charge) recovery on trade and other receivables	-	459	(279)	210
Loss on inventory property carried at net realisable value	-	-	(2,562)	-
Share-based compensation acceleration costs, management termination costs and other expenses	(809)	(392)	(3,405)	(1,337)
<b>Operating loss</b>	<b>8,418</b>	<b>(27,722)</b>	<b>(24,942)</b>	<b>(83,965)</b>
Finance income	72	222	599	1,002
Finance expense	(5,495)	(7,736)	(23,481)	(28,835)
Net foreign exchange gain	(600)	6,940	526	34,331
<b>Loss before income tax expense</b>	<b>2,395</b>	<b>(28,296)</b>	<b>(47,298)</b>	<b>(77,467)</b>
Income tax expense	-	-	-	-
<b>Loss for the year from continuing operations</b>	<b>2,395</b>	<b>(28,296)</b>	<b>(47,298)</b>	<b>(77,467)</b>
Loss from discontinued operations	-	-	-	-
<b>Loss for the year</b>	<b>2,395</b>	<b>(28,296)</b>	<b>(47,298)</b>	<b>(77,467)</b>

For detailed information, please refer to company's published periodic reports (including annual audited financial reports)

# Statement of Cash Flows, '000 GEL



	1Q24	1Q23	2023	2022		1Q24	1Q23	2023	2022
<b>Cash flows from operating activities</b>					<b>Cash flows from financing activities</b>				
Proceeds from sales of apartments	53,851	53,053	207,893	184,616	Proceeds from debt securities issued	-	-	-	97,253
Cash outflows for development of apartments	(58,051)	(41,767)	(224,576)	(168,649)	Repayment of debt securities issued	-	-	-	(97,260)
Net proceeds from lease and property management	2,123	2,674	2,690	3,251	Proceeds from borrowings	22,439	13,603	51,552	81,759
Cash paid for operating expenses	(6,428)	(8,545)	(19,571)	(21,562)	Repayment of borrowings	(3,808)	(10,717)	(112,496)	(67,884)
Interest received	61	187	538	863	Interest paid on interest-bearing borrowings	(1,390)	(3,173)	(16,271)	(18,310)
Non-income taxes paid	(332)	(1,374)	(4,570)	(7,754)	Repayment of lease liabilities	(127)	(97)	(454)	(1,407)
Other inflow from operating activities	57	175	351	1,188	Interest paid on lease liabilities	(27)	(36)	(127)	(228)
<b>Net cash flows used in operating activities from continuing operations</b>	<b>(8,719)</b>	<b>4,403</b>	<b>(37,245)</b>	<b>(8,047)</b>	Increase in charter capital	-	-	-	19,156
<b>Net cash flows used in operating activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Net cash flows (used in) from continuing financing activities</b>	<b>17,087</b>	<b>(420)</b>	<b>(77,796)</b>	<b>13,079</b>
<b>Net cash flows used in operating activities</b>	<b>(8,719)</b>	<b>4,403</b>	<b>(37,245)</b>	<b>(8,047)</b>	<b>Net cash flows (used in) from discontinued financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>					<b>Net cash flows (used in) from financing activities</b>	<b>17,087</b>	<b>(420)</b>	<b>(77,796)</b>	<b>13,079</b>
Proceeds from sale of investment property and investment property under construction	4,998	76,028	76,276	7,772	Effect of exchange rate changes on cash and cash equivalents	(203)	(2,674)	(3,179)	(7,587)
Capital expenditure on investment property	-	(316)	(3,237)	(3,782)	<b>Net cash flows (used in) from continuing operations</b>	<b>12,654</b>	<b>70,717</b>	<b>(12,530)</b>	<b>(663)</b>
Proceeds from disposal of a subsidiary	-	-	21,492	-	<b>Net cash flows (used in) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Proceeds from disposal of investment securities	-	-	-	1,417	<b>Net decrease in cash and cash equivalents</b>	<b>12,654</b>	<b>70,717</b>	<b>(12,530)</b>	<b>(663)</b>
Proceeds from disposal of other property	-	-	-	-	Cash and cash equivalents at the beginning of the period	10,016	22,546	22,546	23,209
Purchase of property, plant and equipment and intangible assets	(293)	(281)	(766)	(2,836)	<b>Cash and cash equivalents at the end of the period</b>	<b>22,670</b>	<b>93,263</b>	<b>10,016</b>	<b>22,546</b>
Purchase of investment property	-	-	-	-					
Purchase of investment securities	-	-	-	-					
Net transfers from/(to) time deposits	3,538	(5,118)	9,430	341					
Net transfers (to)/from restricted cash	(4,100)	(905)	3,173	(466)					
Loans issued	-	-	(550)	(762)					
Repayment of loans issued	322	-	-	208					
Other cash outflows used in investing activities	24	-	(128)	-					
<b>Net cash flows from continuing investing activities</b>	<b>4,489</b>	<b>69,408</b>	<b>105,690</b>	<b>1,892</b>					
<b>Net cash flows from discontinued investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					
<b>Net cash flows from investing activities</b>	<b>4,489</b>	<b>69,408</b>	<b>105,690</b>	<b>1,892</b>					

For detailed information, please refer to company's published periodic reports (including annual audited financial reports)



# Selected Ratios



	1Q24 (LTM)	2023	2022
<b>1) Financial Leverage Ratios</b>			
Long-term Debt to Equity Ratio	0.10x	0.93x	2.40x
Interest Coverage Ratio (ICR)	0.53x	-1.06x	-2.91x
Total Debt Ratio	0.45x	0.41x	0.44x
Total Debt to Total Capital Ratio	5.69x	5.60x	3.00x
<b>2) Profitability Ratios</b>			
Return on Assets (ROA)	(3.9)%	(11.2)%	(15.2)%
Return on Equity (ROE)	(46.2)%	(97.9)%	(143.4)%
Return on Capital Employed (ROCE)	4.4 %	(8.6)%	(20.1)%
Gross Profit Margin	16.0 %	6.0 %	11.9 %
Operating Profit Margin	4.4 %	(10.5)%	(46.0)%
EBITDA Margin	9.2 %	(1.8)%	0.2 %
EBIT Margin	8.1 %	(2.9)%	(1.6)%
Net Profit Margin	(6.5)%	(20.0)%	(42.5)%
<b>3) Liquidity Ratios</b>			
Liquid Assets to Total Assets	14.8 %	13.0 %	5.4 %
Liquid Assets to Current Liabilities	19.9 %	19.1 %	25.5 %
Current Ratio	79.0 %	82.3 %	113.8 %
<b>4) Operational Ratios</b>			
Fixed Assets Turnover Ratio	372.7 %	214.7 %	87.8 %
Days Inventory Outstanding	216	212	318
Days Receivables Outstanding	8	1	3
Days Payables Outstanding	52	42	49
Cash Conversion Cycle	172	172	272
<b>5) Key Financial Covenants</b>			
Interest-bearing Debt to Assets, Limit <= 60%	44.59 %	40.56 %	43.70 %
Secured Interest-bearing Debt to Assets, Limit <= 50%	18.80 %	14.53 %	23.23 %
<b>6) Selected Ratios from Credit Rating Agencies' Methodologies</b>			
EBIT to Interest Expense	0.98x	-0.29x	-0.10x
Gross Profit Margin	16.0 %	6.0 %	11.9 %
HB and PD Debt to Total Capitalization	85.0 %	84.9 %	75.0 %
Debt to EBITDA	7.17x	-35.61x	734.76x

# RISK FACTORS SPECIFIC TO THE ISSUER'S ACTIVITIES AND THE SECURITIES OFFERED



Investing in obligations inherently involve certain risks. Prospective purchasers of obligations should carefully read and consider the prospects of bonds issuance before making investment decisions. Besides the information provided in the prospectus, potential investors should pay attention to the detailed risks, financial condition, and objectives of the obligations before investing. Any existing negative impact on the company's business, financial condition, and operational results may constitute a risk in fulfilling obligations. If any such risk materializes, this may act negatively regarding the obligations market value. Additionally, other factors are crucial in evaluating risks associated with obligations. The company acknowledges that the factors described constitute significant risks related to investment in its obligations. However, there may be additional risks and uncertainties that the company does not recognize or know. Any such risks and uncertainties may have a similar negative effect. Therefore, the company does not declare that the risks described are exhaustive.

Brief Information on Material Risks Specific to the Issuer's Activities and the Securities Offered

## **Risks Specific to Industry and Economy:**

### **1. The risk of economic instability and investment volatility is high in developing countries such as Georgia:**

- 1.1 Political and governmental instability in Georgia could have a material adverse impact on the local economy and the Company's business;
- 1.2. There are additional risk factors related to investing in emerging markets such as Georgia;
- 1.3. Depreciation of the national currency, Lari, against US\$/other currencies of economically related countries may have a material adverse impact on the Company's business;
- 1.4. As the company operates within Georgia, it will be affected by changes in Georgian economic conditions

### **2. Risks related to neighboring countries and the region:**

- 2.1. Regional tensions may have an adverse impact on the local economy and the Company's business;
- 2.2. Disruptions in Georgia's neighboring markets may affect Georgia's economy.

### **3. Risks related to legislative and judicial systems:**

- 3.1. Challenges may emerge, related to harmonizing the Georgian legislation with that of the EU, required by the DCFTA;
- 3.2. 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 tax laws and policies in Georgia;
- 3.3. 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 impact on the local economy, which could, in turn, have an adverse impact on the business of the Company;
- 3.4. The Company may become subject to legal proceedings by its customers, contractors and regulators.

### **4. Risks related to regulatory framework:**

- 4.1. New regulations in this or other industry may adversely affect the Company's business;
- 4.2. If the Company fails, in future, to comply with any effective regulation concerning the money laundering or financing terrorism or if the company appears to be associated with them, this may adversely impact the company.

# RISK FACTORS SPECIFIC TO THE ISSUER'S ACTIVITIES AND THE SECURITIES OFFERED



## Risks related to the business of the Issuer:

### 5. Risks related to the real estate sale and construction services:

- 5.1. The Company may face risks related to cost, quality of construction materials and contractors during the construction;
- 5.2. The customers may not be able to make all of their payments to the Company;
- 5.3. The Company needs significant funding to support its business and may not be able to obtain necessary funds in a timely manner;
- 5.4. There is a risk related to the construction permits and approvals of projects;
- 5.5. The industry in which company operates is increasingly competitive;
- 5.6. The Company may not be able to sell hotels at a projected price;
- 5.7. Increased supply of newly built residential properties may result in price risk for the Company;
- 5.8. The Company may face property development completion, redevelopment and renovation risks.

### 6. Risks related to the Company's business activities in General:

- 6.1. The fair market value of the properties reflected in the appraisals may be an unreliable indication of its current market value;
- 6.2. The Company may face risks resulting from its consumer segmentation;
- 6.3. The Company may face operational risks inherent to its business activities;
- 6.4. The Company may face risks related to liquidity and Company's ability to settle its liabilities, which could have a material adverse impact on Company's business, financial condition and results of operations;
- 6.5. The company may violate the financial or non-financial covenants defined by the loan obligations;
- 6.6. Company's success in business depends on its ability to attract and retain senior management and key employees;
- 6.7. The Company may become involved in, named as a party to or the subject of, various legal proceedings;
- 6.8. The business is concentrated both geographically and operationally, which might cause diversification risks.

### 7. Risks related to unpredicted events:

- 7.1. Unpredicted events such as natural disasters, state of emergency, pandemic, natural calamity, etc. may have a material adverse impact on the Company;
- 7.2. Incomplete insurance of assets owned by the Company could have a significant adverse impact on the Company's earnings.

## Risks related to the securities to be offered:

### 8. Risks related to market price, liquidity and interest rate of the bonds:

- 8.1. The market price of the bonds may be volatile;
- 8.2. There may not be an active trading market for the bonds;
- 8.3. Investors whose financial activities are denominated in a currency or currency unit other than the bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or potential regulations in currency operations;
- 8.4. The Bonds may be repaid or redeemed prior to the due date.

### 9. Risks relating to the right of bonds:

- 9.1. The bonds constitute unsecured obligations of the Company;
- 9.2. Transfer of the bonds is subject to geographical restrictions or restrictions on investors from other countries;
- 9.3. 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.

### 10. Risks relating to legislative/regulatory framework governing bonds, bondholding, etc.:

- 10.1. Any change of law in Georgia in the future may have a material adverse impact on the bonds, including their GSE listing and taxation of interest on the bonds;
- 10.2. Investors must rely on procedures of the Depository, representative of bondholder and in corresponding cases - nominal holders of the bonds;
- 10.3. An investment in the bonds may involve certain legal investment considerations;
- 10.4. Application for purchase of bonds may be satisfied partially.



**TBC CAPITAL**



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