The Term Sheet is translated from Georgian. Only the Georgian version of the final Term Sheet is submitted to and approved by the National Bank of Georgia. In case of discrepancies, Georgian version shall prevail.

Joint Stock Company

Georgia Real Estate

(Identification number: 204517399)

Final Term Sheet of the Prospectus

Final Term Sheet prescribes offering terms and represents the Term Sheet of the Final Prospectus.

This document determines offering terms of fixed interest bonds with an aggregate nominal value of up to USD 35,000,000 (thirty-five million). Repayment term: 24 months after issue. Nominal value of each bond at issue: USD 1,000 (thousand). The bonds are scheduled to be issued on October 7, 2022.

Name of security	Bonds of JSC Georgia Real Estate ("GRE", the "Company" or the "Issuer")
Issuer's name, legal form, identification number and contact information	Joint Stock Company Georgia Real Estate, ID No. 204517399, address: 15, A. Kazbegi Avenue, Tbilisi 0160, Georgia. Telephone: +(995 32 2) 444 111 , Email: info@gre.ge, Website: www.GRE.ge
Placement Agent 1's name and contact information	JSC Galt & Taggart (ID No. 211359206) Address: 3, Pushkin Street, 0105, Tbilisi Email: gt@gt.ge; sales@gt.ge Website: https://galtandtaggart.com/en Telephone: (+995 32) 2444-132; (+995 32) 2401-111
Placement Agent 2's name and contact information	JSC TBC Capital (ID No. 204929961) Address: Marjanishvili Street, 0102, Tbilisi Email: info@tbccapital.ge Website: https://www.tbccapital.ge/ Telephone: (+995 32) 227 27 33
Name and contact information of the authority responsible for approving the Prospectus	National Bank of Georgia, address: 1, Zviad Gamsakhurdia's Sanapiro Street, Tbilisi, 0114 Telephone: +995 322 406 406; Email: info@nbg.gov.ge; Website: www.nbg.gov.ge
Date of approval of the Prospectus	*September 20, 2022 (as approved by the NBG)*
Term of effectiveness of the Prospectus	Pursuant to the law, 12 months from the approval of the final offering terms document
Date of approval of the Offering Terms Document	*October 6th, 2022 (as approved by the NBG)*
State registration number of the issue	*GE2700604178-1-04*
International registration number of issue ISIN	*GE2700604178*

The Term Sheet represents an integral part of the Final Prospectus.

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.

Approved by National Bank of Georgia

Signed on behal of JSC Georgia Real Estate:

Signatory:

Name, surname: Guram Akhvlediani
Position: Chief Executive Officer
Signature:
Date:

Signatory:

Name, surname: Givi Koberidze
Position: Chief Financial Officer
Signature:
Date:

Signatory:

Name, surname: Avtandil Namicheishvili
Position: Chairman of the Supervisory Board
Signature:
Date:

Signed on behalf of JSC Galt & Taggart:

Signatory:

Name, surname: Irakli Kirtava

Position: General Director

Signature:

Date:

Signed on behalf of TBC Capital LLC:

Signatory:

Name, surname: Mary Chachanidze

Position: Managing Director

Signature:

Date:

Please refer to the original, Georgian version of the document for relevant signatures & approvals

Information about the Bonds

Primary characteristics of bonds:

Interest (coupon)	Annual interest (coupon) rate for bonds is 8.50% on the nominal value of the Bonds.
Bond amortization terms	Principal amount of the bonds will be repaid on maturity date.
Interest accrual and payment	The interest is accrued at the abovementioned rate from the date of issuance of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable once every 6 months on April 7 and on October 7. The first payment of accrued interest will be made on April 7, 2023.
Currency of the bonds	The bonds are denominated in US dollars.
Rights and Restrictions related to the Bonds	The Prospectus does not provide for any special rights and limitations related to the bonds.
Limitations to the free exchange of Bonds	The circulation of securities is not limited.
Credit rating of Issuer/Bonds	Bonds are not rated. The Issuer's owner - parent company JSC Georgia Capital has been assigned a credit rating of B+ with a stable outlook by S&P, and B1 with a stable outlook by Moody's. See more details in the subsection "Issuer's Group Structure"
Maturity Date	Repayment of the bonds, i.e. payment of its principal amount and accrued and unpaid interest (if any) will take place on October 7, 2024.
Contact Information of the Registrar	"United Registrar of Securities of Georgia"; (ID. No. 205156374). Tbilisi, 0162, Mosashvili st. #11; Tel.: (995 32) 2251 – 560; E-mail: info@usr.ge
Listing	The Issuer intends, after bond placement has been completed, to apply to the Georgian Stock Exchange for the admittance of bonds to the trading system and exchange listing. According to the management's assessment, company meets all conditions for admission to the stock exchange listing (equity volume, profitability, number of issued securities, etc.). Part of the compliance with the rules of the stock Exchange will be assessed by the stock exchange. See Terms and conditions of listing can at the following link: https://gse.ge/upload/__28.05.2020__6f4d6e87.pdf
Status and Ranking of the Bonds	Bonds constitute an unsecured and unsubordinated obligation of the company. All bonds have an equal, identical legal status, without any precedence over each other. Except as provided by applicable law, the bonds shall have equal status with respect to the right of payment (priority) to the claims of all other unsecured and unsubordinated creditors of the Company.
Dividend policy	Please see the Company's dividend policy which is described in the subsection "Dividend Policy" of the Prospectus. Furthermore, there are certain restrictions on the distribution of dividends which are defined in the Terms and Conditions of the Prospectus.

Information regarding the Offering:

The Offer	Debt securities (bonds) with an aggregate face value of up to USD 35,000,000, maturing on October 7, 2024.
Minimal placement lot	1 bond
Security	Coupon bond (debt security with a fixed interest rate).
Nominal value	USD 1,000 (one thousand).
Quantity of bonds	Up to 35,000 (thirty five thousand).
Total nominal value of the Issue	Up to USD 35,000,000 (thirty five million).
Issue Price	100% of the nominal value of the bond.
Indication of the meeting minutes of the partners (shareholders) and the decisions of the management on the approval of the issue	Decision of the Supervisory Board and the Meeting of Partners dated September 15, 2022.
Bond issue date	The bonds will be issued on October 7, 2022.
Bond Deferred Placement Date	Any date between the issue date of the bonds and the closing date of the offering on which the bond is placed at the deferred placement price.
Bond Deferred Placement price	The nominal value of the bonds plus the interest accrued from the date of issue of the bonds to the date of deferred placement of the bonds.
Offering Completion Date	The period of time from the approval of the final offer terms document to the completion of the offer during which securities may be purchased.
Offering period	The end date of the offer period is defined as the date on which one of the following events occurs: a) expiration of the issue prospectus; b) placement of publicly offered securities in full; c) Termination of public offering;
Maturity Date	Redemption of the bonds, i.e. payment of its principal amount and accrued and unpaid interest (if any) will take place on October 7, 2024.
Currency of the bonds	The bonds are denominated in US dollars.
The ranking of securities in the capital structure in case of insolvency/bankruptcy	In case of bankruptcy, security holders are unsecured creditors. The order provided by the law On Rehabilitation and Collective Satisfaction of Creditors' Claims is as follows: a) bankruptcy regime costs (which, in turn, include the costs of the process provided for in Chapter V of the Civil Procedure Code of Georgia; the compensation of the bankruptcy administrator; and the costs related to the proceedings, including the costs arising from the labor relationship during the bankruptcy proceedings, the cost of property management, as well as the costs of various professional services purchased by the decision of the

	administrator); b) debts arising towards the debtor after the court's ruling on the admissibility of the application for insolvency and opening of the bankruptcy regime, including tax liabilities incurred after the initiation of bankruptcy proceedings; c) preferential claims; d) preferential tax claims; e) unsecured claims, including the amount of taxes incurred prior to the decision on the admissibility of the application for insolvency, which are not covered by other subparagraphs of paragraph 104(1) of the Law on "Rehabilitation and Collective Satisfaction of Creditors" - claims of "bondholders" belong to this category. For more information, see the subsection "Risks related to bond rights" of the Prospectus.
Calculation and paying agent	JSC Galt & Taggart (ID No. 211359206)
Default	If there is an "event of default", the bondholders can declare the current claims due under the conditions specified in the Prospectus and demand from the Issuer the immediate repayment of the bonds and the payment of 100 percent of the principal amount (nominal) and accrued interest (if any) (see the Prospectus chapter " Terms of Issue of the Bonds", subsection 10, "Events of Default").
Reasons of the Offering and Use of Proceeds	The net proceeds from the issue of bonds will be fully used to refinance existing debt obligations (for more information, see the section "Reasons of the Offering and Use of Proceeds").
Net Proceeds	In case of full placement of the issued bonds, the net funds raised from the bonds will not be less than 99% of the total nominal value of the issued bonds.
Selling Restrictions	Bonds will be offered only within the jurisdiction of Georgia, in accordance with the legislation of Georgia.
Governing law	Legislation of Georgia.
Jurisdiction	Disputes related to bonds should be resolved by applying to courts of Georgia, in the manner specified in the Prospectus.
Main terms of Bond Placement Agreement	The agreement places an obligation on Placement Agent 1 and Placement Agent 2 (collectively, the “Placement Agents”) to underwrite the bonds solely on a non-guaranteed basis. It is the duty of each placement agent to help the Issuer to prepare the documents necessary for the placement of the bonds (including the bond prospectus), to act as placement agent and to advise the company regarding the issue, sale and settlement of the bonds.
Placement fee	Placement fee does not exceed 1% of placed bonds. The commission shall be fully covered by the Issuer and no costs will be charged to the investors.

Possible payments imposed on investors

Fees associated with placement of the Bonds are reimbursed in full by the Issuer and the investor will not incur any additional costs under the offer.

Conflicts of interest connected with the Offering

The Issuer and the Placement Agent 1, also acting as the Calculation and Paying Agent (Galt & Taggart) are indirectly related, with the Issuer representing 100% indirect subsidiary of Georgia Capital PLC[1] ("GCAP", "Ultimate Parent") who also indirectly holds 19.90% non-voting equity interest in the Bank of Georgia Group PLC, holding 100% of the JSC Galt & Taggart. Although, such connection could be potentially considered as certain risk factor from the potential investors's perspective, the Issuer considers this to be non-material considering the non-voting nature of Ultimate Parent's equity interest in the Placement Agent 1, the fact that members of governing bodies of these companies are fully and completely seggregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

The Issuer and the Placement Agent 2 (TBC Capital LLC), Auditors of the Issuer and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest among them.

The issuer is not aware of any other existing or potential conflicts of interest related to the Offering.

[1] *Through JSC "Georgia Capital" (ID 404549690) – for more details please view issuer's legal structure in the Prospectus subsection "General Overview of Prospectus, Key Information about the Issuer"*

4 October, 2022

Official Letter depicting immaterial change by

JSC “Georgia Real Estate“

Within the Prospectus of the JSC “Georgia Real Estate“ (ID 204517399) amounting in total USD 35,000,000 (thirty-five million) nominal amount in total, approved by the National Bank of Georgia’s Decree N281, dated September 20th, 2022, several immaterial change is being made.

Reason for Change: The reason for the change is the correction of the non-essential technical errors described below in the Prospectus and the clarification of information about the changes made in the composition of the company's Supervisory Board and Audit Committee according to the procedure agreed with the National Bank of Georgia.

Description of Change:

1. On page 108 of the Prospectus, in the subsection "Financial information about the issuer's assets and liabilities, financial position and profit and loss", in the heading of the balance sheet, the audited information of June 31, 2022 and 2021 should be clarified as the unaudited information of June 30, 2022 and 2021.
2. On page 18 of the Prospectus, in the subsection of the prospectus “Key financial indicators”, in the presented table of key financial ratios, the information for all presented dates should be specified as unaudited, as the directly calculated financial ratios are based on audited information, but are not themselves audited.
3. In the entire Prospectus, where the reference “Ernst & Young” is used, it should be replaced by “EY LLC”.
4. On page 120 of the Prospectus, the wording of sub-section c) of sub-chapter 5 of the "Terms and Conditions of the Bond" ("5. Covenants, (c) Mergers") shall be formulated as follows:

„(I) The Issuer shall not, without the prior written consent of the Bondholders' Representative, (c.1) enter into any reorganisation (whether by way of a merger, division, or transformation to another legal form) or undergo any other type of corporate reconstruction or (c.2) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(i) Immediately after the transaction referred to in (c.1) or (c.2) 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;

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

(iii) the relevant transaction referred to in (c.1) or (c.2) above does not result in a material adverse effect

(II) The Issuer shall procure that, without the prior written consent of the “Bondholders’ Representative”, no Material Subsidiary shall: (c.1) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction r (c.2) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries’ properties or assets, unless, in any case:

(i) immediately after the transaction referred to in (c.1) or (c.2) above

(a.) such Material Subsidiary shall be the Successor Entity; or

(b.) the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary 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;

(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 (c.1) or (c.2) above shall not result in a Material Adverse Effect.

(III) Notwithstanding the foregoing, any Material Subsidiary is authorized to consolidate with, merge with (in any form of reorganisation) the Issuer or a Subsidiary (which after the transaction described herein will be deemed to be a Material Subsidiary for the purposes of this Prospectus) or sell, alienate, transfer, lease or otherwise dispose of, in one transaction or a series of related transactions, directly or indirectly, all or substantially all of its assets.

(IV) This paragraph 5(c) shall not apply to (i) transactions between the Issuer and any of its wholly-owned Subsidiaries, (ii) any 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 in the ordinary course of conducting its business, or (iv) any present or future assets or revenues or any part thereof that are subject to any securitisation or any receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the conditions of parapraph (g) of the definition of “Permitted Security Interests” are satisfied.

5. The changes in the composition of the management, supervisory board and audit committee indicated on page 95 of the Prospectus, in the subsection "Governing body and management", entered into force in accordance with the amendment to the issuer's charter dated October 4, 2022 and the minute of the meeting of the company's supervisory board held on October 4.

6. On page 112/113 of the Prospectus, in the subsection "The list of documents that are referred to / indicated in the registration document", the application number for the updated charter in accordance with paragraph 5 of the official letter of the present amendments of the company should be specified as: B22123418.

7. On page 3/4 of the Bond Prospectus, for the avoidance of any doubt, the "and" connection between sub-clauses ii) and iii) presented in the wording of the Investor's Confirmation shall be replaced by the "and/or" connection and shall be formulated as follows:

The investor’s confirmation: the attached Prospectus is delivered to the investor at his/her/its request and on the basis that the investor has confirmed to the Placement Agents: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (995 32) 2401-111; Email: st@gt.ge (hereinafter referred to as the “Placement Agent 1”), TBC Capital LLC (ID No. 204929961), address: 7, Marjanishvili street, Tbilisi 0102, Georgia, tel.: (995 32) 227-27-27; Email: info@tbccapital.ge (hereinafter referred to as the “Placement Agent 2”) and GRPO that the investor (i) is located outside the United States of America and is not a US person (as defined in Regulation S under the United States Securities Act of 1933), and (ii) is outside the United Kingdom and

European Economic Area, **and/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.

Probable impact of the change on the decision of existing or potential investors:

Based on the fact that the changes presented above are immaterial and serve to correct a technical errors in the Prospectus or to clarify information about the changes specified in the Prospectus, according to the issuer, the changes will not have an impact on the decision of either existing or potential investors.

Notwithstanding the above, the official letter reflecting this change will become an integral part of the final Prospectus, after which the said communication to existing or potential investors will be carried out in the form of the final Prospectus.

Signed on behal of JSC Georgian Real Estate:

Signatory:

Name, surname: Guram Akhvlediani
Position: Chief Executive Officer
Signature:
Date:

Signatory:

Name, surname: Givi Koberidze
Position: Chief Financial Officer
Signature:
Date:

Signatory:

Name, surname: Avtandil Namicheishvili
Position: Chairman of the Supervisory Board
Signature:
Date:

Signed on behalf of JSC Galt & Taggart:

Signatory:

Name, surname: Otar Sharikadze

Position: Managing Director

Signature:

Date:

Signed on behalf of TBS Capital LLC:

Signatory:

Name, surname: Mary Chachanidze

Position: Managing Director

Signature:

Date:

The Prospectus is translated from Georgian. Only the Georgian version of the Prospectus has been submitted to and approved by the National Bank of Georgia. In case of discrepancies, Georgian version shall prevail.

Joint Stock Company

Georgia Real Estate

(Identification number: 204517399)

Bond Prospectus

Bonds of up to US$ 35,000,000 (thirty five million) total principal/nominal amount and detailed terms determined by the Final Term Sheet document and the Prospectus.

Bonds represent an unsecured and unsubordinated liabilities of the company.

JSC Georgia Real Estate (hereafter referred to as **GRE,** the "**Company**" or the "**Issuer**") accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief (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. Furthermore, the Prospectus contains *all the material facts known to the Company and there has not been intentionally omitted information, which could affect the content of the Prospectus*.

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.

Persons responsible for preparation of the document:

Giorgi Vakhtangishvili - Chief Executive Officer of JSC Georgia Real Estate

Givi Koberidze - Chief Financial Officer of JSC Georgia Real Estate

Signed on behal of JSC Georgia Real Estate:

Signatory:

Name, surname: Giorgi Vakhtangishvili
Position: Chief Executive Officer
Signature:
Date:

Signatory:

Name, surname: Givi Koberidze
Position: Chief Financial Officer
Signature:
Date:

Signatory:

Name, surname: Avtandil Namicheishvili
Position: Chairman of the Supervisory Board
Signature:
Date:

Signed on behalf of JSC Galt & Taggart:

Signatory:

Name, surname: Irakli Kirtava
Position: General Director
Signature:
Date:
Signed on behalf of "TBC Capital" LLC:

Signatory:

Name, surname: Mary Chachanidze
Position: Managing Director
Signature:
Date:

Please refer to the original, Georgian version of the prospectus for relevant signatures & approvals

IMPORTANT INFORMATION FOR THE INVESTORS:

Prospective investor must read the following disclaimer before continuing. The 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), an 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/she acknowledges that this electronic transmission (with attached Prospectus) is confidential and intended only for the addressee. Therefore the investor agrees that he/she will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

Body responsible for approving the Prospectus:

National Bank of Georgia – address: 2, Zviad Gamsakhurdia's Sanapiro street #1, 0114, Tbilisi, Georgia. , Tel: 2 406 406. Email: info@nbg.gov.ge. Website: www.nbg.gov.ge

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.

Furthermore, except for cases expressly provided for by applicable law, no person, including an authorized representative of the Issuer, CEO, CFO, member of the Supervisory Board, Chairperson of the Supervisory Board, Placement Agents, the Calculation and Paying Agent, the Registrar, other advisers of 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. Therefore, the Placement Agent and the advisers of the Company disclaim any liability under the law or other liability they might have in respect of this Prospectus or any other statement made by them.

For the purposes of this Offering, the Placement Agents and Calculation and Paying Agent are acting exclusively for the Issuer and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the Offering. Therefore, they will not be responsible to anyone other than the Company for providing services or for giving advice in relation to the Offering 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 confirmation: the attached Prospectus is delivered to the investor at his/her/its request and on the basis that the investor has confirmed to the Placement Agents: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (995 32) 2401-111; Email: st@gt.ge (hereinafter referred to as the **"Placement Agent 1"**), TBC Capital LLC (ID No. 204929961), address: 7, Marjanishvili street, Tbilisi 0102, Georgia, tel.: (995 32) 227-27-27; Email: info@tbccapital.ge (hereinafter referred to as the **"Placement Agent 2"**) and GRPO that the investor (i) is located outside the United States of America and is not a US person (as defined in Regulation S under the United States Securities Act of 1933), and (ii) is outside the United Kingdom and

European Economic Area, and (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 delivered 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 Prospectus, the investor consents to receiving it in electronic form.

For the avoidance of any doubts, the approved Prospectus published/made publicly available by the NBG shall prevail.

There has been no substantial (material) change after the submission of the Prospectus until its approval, and if some similar change occurs after the submission until the offering, the Prospectus will be updated accordingly.

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

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

Approved by the National Bank of Georgia	Date of approval
--	*September 20, 2022*

Please refer to the original, Georgian version of the prospectus for relevant signatures & approvals

Table of Contents

General overview of Prospectus

Introduction

Name of security	Bonds of JSC Georgia Real Estate ("GRE")
Name, legal form, identification number and contact details of the Issuer	Joint Stock Company Georgia Real Estate, ID No. 204517399, address: 15, A. Kazbegi Avenue, Tbilisi 0160, Georgia. Telephone: +(995 32 2) 444 111 , Email: info@gre.ge, Website: www.GRE.ge
Name and contact information of the Placement Agent 1	JSC Galt & Taggart (ID No. 211359206) Address: 3, Pushkin Street, 0105, Tbilisi Email:gt@gt.ge; sales@gt.ge Website: https://galtandtaggart.com/en Telephone: (+995 32) 2401-111
Name and contact information of the Placement Agent 2	JSC TBC Capital (ID No. 204929961) Address: Marjanishvili Street, 0102, Tbilisi Email: info@tbccapital.ge Website: https://www.tbccapital.ge/ Telephone: (+995 32) 227 27 33
Name and contact information of the body responsible for approving the Prospectus	National Bank of Georgia, address: 2, Sanapiro Street, Tbilisi, 0114 Telephone: +995 322 406 406; Email: info@nbg.gov.ge; Website: www.nbg.gov.ge
Date of approval of the Prospectus	*September 20, 2022 (as approved by the NBG)*

Important information:

The Summary (General Overview) is the integral part of this Prospectus;

Any investment decision made by the investor should be based on the entire Prospectus and not only on the information provided in the General Overview.

The Issuer may become liable if the information represented in the General Overview is misleading or inaccurate or is not relevant to the main Prospectus or does not provide the basic information to help investors to make investment decisions with regard to the Bonds.

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/her/its 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. Neither this Prospectus nor any other information supplied by the Company or the Placement Agents in connection with the Bonds and placement is intended to provide an evaluation of the risks involved in investing in Bonds. Each investor is advised to make his/her/its own evaluation of the potential risks involved. In addition, the investor may lose all or part of the total invested amount.

The Prospectus and the information contained therein may be subject to introducing appropriate alterations and additions in case of change of circumstances, which will be reflected in the final Prospectus (e.g. fixing the interest rate, correction of technical deficiency, clarification of the issue size, etc.). The Issuer will inform the investors about such alterations and additions based on the procedure established by the law. 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.

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

No person is authorised to disclose any information or 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 Agents. 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.

This Prospectus should not be construed as legal, investment, business or tax advice. When making an investment decision, all investors should consult with their advisors, as necessary, and determine for themselves whether it is legally permitted to purchase the securities under applicable investment or similar laws or regulations.

Warning

Bond Prospectus is not a simple document and it can be difficult for the investors to thoroughly understand and evaluate the product offered by this Prospectus. 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 the "Risk Factors" section). Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. The issue of the Bonds under the Prospectus is public. Besides, all potential investors 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 (US$) is different from the currency in which the potential investor attracts or implements investments;
iv. Understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate;
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 the ability to bear the applicable risks.

This record is for purposes of warning only and does not constitute a limitation of the Issuer's liability.

References:

The main references used in the Prospectus are as follows:

- Audited annual financial statements for 2021 and 2020 (https://reportal.ge/)
- Semi-annual (unaudited) financial statements of the Issuer for the half-years of 2022 and 2021 (https://reportal.ge/)
- Georgia Capital (https://georgiacapital.ge/)
- National Statistics Office of Georgia (www.geostat.ge)
- National Bank of Georgia (www.nbg.gov.ge)
- Galt & Taggart Research Department (www.gt.ge)
- TBC Capital Research Department (www.tbccapital.ge)
- Georgian government's coronavirus prevention portal (www.stopcov.ge)
- "Our World in Data" (www.ourworldindata.org)
- Reporting portal (https://reportal.ge/)

The responsible persons state that *"when information provided by a third party is used, the source is indicated and a reservation is made that this information has been processed correctly. They are not aware of important facts omitted from this information, which would make the information inaccurate and misleading."*

Key Information about the Issuer

The company was founded in September 2006 by JSC Bank of Georgia. Company started its operations by acquisition of several units of commercial real estate, some of which have been rebuilt and maintained for the purpose of future benefits. In 2010, the first attempt to enter the residential construction market was made through a pilot project involving the construction of affordable housing on Chubinashvili Street. The project was a success and highlighted the high demand for renovated apartments. Until 2019, the company was named "m2 Real Estate", and after 2019, the company operates on the market under the name of "Georgia Real Estate".

The Issuer was the first major player in the residential building market to develop the concept of “Completed apartment renovation” and to offer property management services to buyers after commissioning.

The 100% stake in the company is owned by investment company JSC Georgia Capital, whose sole owner is Georgia Capital PLC, a UK-based holding company traded in the premium segment of the London Stock Exchange. Today, the company occupies an important place in the real estate market of the country.

The Issuer’s group legal structure* as of 30 June 2022 is as follows:

**The Figure shows the issuer's primary business lines and subsidiaries. See detailed information about the issuer's subsidiaries in the subsection: "Principal activities".*

The primary business line of the Company is residential real estate development. In the past, the main directions of the Company also included hospitality and commercial real estate businesses, however, due to recent strategic changes, the company is no longer operating in the commercial real estate business (as of June 30, 2022, 97% of commercial assets have been sold, excluding land) and complete divestment of these businesseses is planned. Exiting the mentioned business areas is due on the one hand to the company's transition to an updated, asset-light business model, and on the other hand, to the increased risks and lower than planned returns for the mentioned business areas. An important determining factor of the latter was the pandemic and a number of other factors/shocks that occurred in the recent period.

In June 2017, construction management arm was added to the Company through the acquisition of construction company BK Construction LLC (ID.No 404537809), which has been operating in the construction market since 1993. In 2020, the Company sold a 50% stake in BK Construction (At the moment of disposal, there was no exchange of consideration, only an agreement was reached) and on April 8, 2021, the Company completely sold a 100% stake in its subsidiary JSC New Development and the remaining 50% in BK Construction LLC, and therefore exited the construction business. Regarding the disposal of the mentioned subsidiary companies, see detailed information in the subsection: "Related Party Transactions".

As of today the Company has completed 11 residential complexes. A total of 2,872 completed apartments, 100% of which are sold. It should be noted that the Company has built and sold 2,872 apartments within the framework of 11 completed projects, while the current 4 projects total 4,584 apartments. In particular, the ongoing projects are - m^3 Saburtalo (1,921 apartments), m^2 Nutsubidze II (412 apartments), m^2 Mirtskhulava (1,472 apartments), m^2 Chkondideli (813 apartments).

Besides, the Company was actively involved in developing the hospitality business line. The 152-room international brand hotel Ramada Encore Tbilisi, located on Kazbegi Avenue, Tbilisi has been hosting guests since March 2018. From December 2018, the Group has transferred the hotel to temporary use, in exchange for a monthly fixed lease, to Georgia Hospitality Management Group (lessee). As a result, only the lessee is entitled to receive any profits or/and any income from hotel management. The validity of the management contract is till December 2023.

Today the Company owns a network of medium to upscale hotels (with a total of 913 rooms, of which 398 are operating as of June 30, 2022).

The Company owns 3 completed hotels, 3 hotels under construction and 2 under initial design phase. However, the hotels under construction are suspended as of June 30, 2022, according to the new strategy of Georgia Real Estate, which implies the complete divestment of the commercial and hospitality sectors.

Detailed information on ongoing and completed projects is provided in the section *"Principal Activities – paragraph: Commercial Real Estate and Hospitality Business".*

It should be noted that the Company, in accordance with the strategic change of Georgia Capital, returned to the Asset-Light (less capital-intensive) business model. As part of the strategic change, the Company has already sold its subsidiaries operating in the construction business - JSC New Development and BK Construction LLC and plans to sell hotel and commercial assets as well.

In 2021, the Company has already sold commercial real estate assets worth US$ 45 million at an 11.3% premium to the NBV. Proceeds raised from the sale were used to cover the bond of US$ 30 m of the commercial assets business. In the direction of commercial business, assets worth US$ 15 m are remaining for sale.

The Company is also in the active process of selling hotel properties. As of June 2022, the total balance sheet value of hotel properties is US$ 53m. Based on the appraisal from Colliers Georgia, the fair value of the same property as of December 31, 2021 was US$ 64 million.

Within the framework of the stated deleveraging strategy of Georgia Capital, US$ 31 m subordinated debt was converted into equity.

The issuer **is JSC Georgia Real Estate.** Address: 15, A. Kazbegi Avenue, Tbilisi 0160, Georgia. Country of registration: Georgia. Governing law: legislation of Georgia.

Brief overview of the sector

Real Estate sector

The Real Estate sector remains the backbone of the economy, as the realization of investment opportunities in the tourism industry, energy sector, as well as in residential and commercial real estate and infrastructure works, requires direct involvement of the sector.

In 2021, the sector was reduced by 21.8%, which was preceded by 8.0% reduction in 2020. The Real Estate sector was the main source of economic growth and, excluding one-off factors (BP gas pipeline construction and COVID-19 pandemic), the construction and GDP generally grow in similar rates. The pandemic and related restrictions have had great negative impact on both economy as a whole and the sector.

It should be noted that the Georgian economy has returned to the pre-pandemic indicator very soon and real GDP growth amounted to 10.4% in 2021. However, the Real Estate sector was reduced by 21.8% in real terms, which has been caused by significant growth of construction material prices. It is worth mentioning that the sector grew by 13.0% Y/Y in 2021. Unusually high prices on the construction materials were caused by increasing of the prices in the global goods markets and supply chaing disruptions (one of the effects of the COVID-19 pandemic). External factors have been added by significant devaluation of the local currency, creating additional stress on the construction sector. It should be noted that the share of Georgia's Real Estate sector in the economy is the third highest among the 15 selected countries (for details, see Figure #2 presented in the Prospectus' "Registration Document, Key Markets, Real Estate Market Overview" subsection).

Residential Real Estate

The residential real estate sector is the driver of the Georgian economy starting from mid- 2000s. GDP per capita increased by 4.2% in 2011-2021 (average annual growth) which had a positive effect on the purchasing power of the population of Georgia. Consequently, rising average incomes and the availability of real estate have led to an increase in demand for residential real estate, especially in Tbilisi and Batumi.

There are several long-term and short-term contributing factors positively affecting demand. The main long-term factors influencing the demand for residential real estate are: increasing urbanization, ownership structure and household size, while the main short-term factors are: the availability of mortgages, demand from immigrants, remittances from Georgian immigrants and the growth of the Airbnb market.

The low price segment is most in demand, which means that low and middle income families drive the demand in the apartment market and usually buy apartments in the suburbs (Gldani, Samgori, Didi Dighomi). 61.5% of the total number of sold apartments comes from the low-budget segment, while the premium segment accounted for 8.8% of the total number in 2021 (10.8% in 2019). The share of medium-sized apartments increased to 27.4% from 23.2% in 2020-21, reflecting the increase in average prices in the real estate market.

Hospitality Sector Overview

The Georgian tourism sector was developing very quickly before the pandemic, which was the result of the visa free regime with more than 100 countries, rich culture, improved service and Government support (starting form 2016, tourism is one of the basic components of the four-item reform plan). Sea resorts, medical and recreation resorts, winter skiing destinations, four-season resorts, wine tourism, cultural sightseeing and gambling business were transforming Tourism into the crucial sector for the Country.

Since the beginning of the pandemic, the tourism sector has faced unprecedented challenges due to the closure of borders and almost complete suspension of international traffic. As a result, the Georgian tourism industry incurred significant losses: the number of international visits in 2020 was reduced by 80.4% (source: National Tourism Administration) and the revenues from tourism were decreased by 83.4%. As a result, despite the support package offered to them by the State, tens of thousands of jobs in the tourism sector and thousands of companies turned out to be at risk. It should be noted that the tourism sector will face challenges even in the post-pandemic period, because the recovery and return to the 2019 figures cannot happen at once, and the full recovery of the industry will take several years.

The Shareholders

JSC Georgia Capital, a 100% shareholder of the Issuer, is a leading investment management company in Georgia, listed on the premium segment of the London Stock Exchange (Ticker: CGEO). Its strategy is based on large-scale investment opportunities in Georgia requiring less capital expenditures, which can reach equity value of at least GEL 300 million in 3-5 years from the initial investment. Under this model, the Company monetizes its investments by selling companies. Factors contributing to the Company's core strategy include access to capital, good management and strong corporate governance. As of June 30, the total value of its portfolio was GEL 2.7 billion. Georgia Capital's portfolio, in addition to GRE, consists of large companies (such as Bank of Georgia, healthcare and insurance), companies at the investment stage operating in the energy business (Georgian Renewable Energy Company) and education sectors and other portfolio companies operating in the beverage, auto services and digital services sectors.

For more information, please refer to the legal structure above in the "Information about the Issuer" section.

Issuer's Management and the core management team of the group

Between the preparation of the Prospectus and the bond issue dates, the issuer is planning changes in the governing body, which is also related to ensuring compliance with legal requirements for corporate governance. The information presented below reflect the composition of the issuer's governing body as of the date of preparation of the prospectus, after which the issuer plans to make relevant changes (for details, see "Registration Document, Governing Body and Management").

Giorgi Vakhtangishvili – CEO of GRE, member of the Supervisory Boards of GRE and m² Group

Giorgi joined the company as a Chief Executive Officer in 2021. Before that he held the positions of the Chief Executive Officer and Chief Financial Officer at GGU (Georgian Global Utilities). From August 2022, Giorgi is represented as a member of the supervisory boards of both GRE and m2. In 2012-2015, Giorgi was the Executive Director of "m^2 Real Estate". He also held other managerial positions in BGEO Group companies. He has a Bachelor's degree from the European School of Management (ESM).

Guram Akhvlediani - GRE Technical Director

Guram joined Georgia Real Estate in 2021 as a Technology Director. From 2015 to 2021, he worked as Head of Investment Planning and Project Management Departments at GGU, overseeing a portfolio of capital expenditures and launching several renewable energy projects. Prior to GGU, Guram worked as an investment and financial analyst at Ontario Power Generation, one of the largest power generation companies in North America. He holds a Bachelor's Degree in economics from the University of Toronto and a Master's Degree in economics from York University.

Givi Koberidze - CFO of GRE, Chairman of the Supervisory Board of m² Group

In 2018-2021 Givi held a number of positions in GRE's parent company, JSC Georgia Capital ("GCAP"), most recently as Vice President of the Strategy Department, after which he joined Georgia Real Estate. Before starting working at Georgia Capital, from 2016 to 2018 he worked at Ernst & Young in the Strategy and Transactions Department (SaT). Givi holds a Bachelor of Business Administration degree in Finance from the Free University.

Nikoloz Medzmariashvili - CEO of M² Group LLC, Member of the Supervisory Board of m² Group

Nikoloz joined Georgia Real Estate in the position of Deputy CEO in 2019 and was soon appointed as the CEO of "m^2 Group". Prior to starting working at GRE, Nikoloz held several high-level positions in the corporate and investment banking department of TBC Bank. He also worked as a corporate banker at JSC Bank Republic. Nikoloz was CEO at Engeo Capital Group, a private investment company, and Business Development Manager at Schoen Aerospace, Vienna, Austria. Nikoloz holds an MBA from Webster University.

Eka Duchidze - CEO of Amber Group

The CEO of Amber Group, GRE's hospitality management group, joined Georgia Real Estate in 2019. Previously she worked as deputy CEO of Georgia Capital. In 2005-2018, Eka held various positions in BGEO Group, e.g. Deputy CEO, Head of Internal Branding, etc. She contributed significantly to the development of SOLO Banking, where she managed SOLO Lifestyle. She also worked for the World Bank Group for 8 years.

Avtandil Namicheishvili - Chairman of the Supervisory Board of GRE, Deputy CEO of GCAP, Chairman of the Supervisory Board of other businesses

In addition to his position as a Deputy CEO of Georgia Capital, Avtandil is a Chairman of the Supervisory Board of the group's renewable energy, beverage, residential real estate development and hospitality and commercial real estate businesses. He was a General Councel of BGEO Group, and before that he was a partner of a leading Georgian law firm. Avtandil has an LL.M. in International Business Law from Central European University, Hungary.

Irakli Gilauri - member of the Supervisory Board of GRE, CEO of GCAP, Chairman of the Supervisory Board of GCAP

Irakli is a Chairman of the Supervisory Board and CEO of Georgia Capital. He was also the CEO of BGEO Group from 2011 to May 2018, and before that he was the CFO of Bank of Georgia from 2004 and the CEO until 2006. Before starting working for Bank of Georgia, he was a banker at the EBRD. Irakli has up to 20 years of experience in banking, investment and finance fields. Over the past decade, Irakli's leadership at BGEO/GCAP has played an important role in Georgian industries, including banking, healthcare, utilities, real estate, etc. He has an MS in Banking from Cass Business School.

For more information on The issuer's corporate governance structure, please refer to the subsection - "Registration document, Governing Body and Management" .

Issuer's auditors and third parties or experts involved in the Prospectus:

Issuer's financial auditor: Issuer's financial auditor is Ernst & Young LLC ("EY"). ID No. 204441158. Address: 44, Kote Abkhazi St., Tbilisi, Georgia. E-mail: info@ge.ey.com

During the periods presented in the Prospectus, there was no change in the Company's financial auditor.

Issuer's registrar: JSC United Securities Registrar of Georgia (ID No. 205156374). Address: 11, Mosashvili St., Tbilisi, 0162; Tel.: (995 32) 2251 – 560; E-mail: info@usr.ge

Bondholder's representative: Nodia, Urumashvili and Partners LLC. (ID 204484628) Tel: 0322 20 74 07 Address: 71, Vazha-Pshavela Ave., 4th floor, office No. 28, Tbilisi 0186, Georgia.

Third parties or experts: The Company's real estate has been appraised by Colliers International Georgia LLC. Identification code: 405029810. Legal address: 12, Merab Aleksidze Street, 0193, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Website: colliers.com. The appraisal is performed in accordance with the requirements of International Appraisal Standards (IVS 2013).

Individuals and legal entities involved in the offering

Placement, Calculation and Paying Agent:

Placement, calculation and paying agent: JSC Galt and Taggart (ID No. 211359206), country of registration: Georgia; Governing law: legislation of Georgia; Address: 3, Pushkin St., Tbilisi 0105, Georgia. Tel.: (995 32) 2401-111; E-mail: st@gt.ge.

The Company signed an agreement with placement agents - JSC Galt and Taggart (which also acts as a calculation and paying agent) and TBC Capital LLC. The agreement obliges JSC Galt and Taggart and TBS Capital LLC to provide underwriting of bonds only on a non-guaranteed basis (under Best Effort conditions). The placement agent's duty is to prepare the documents necessary for the placement of bonds (including the bond prospectus), to act as a placement agent and provide the Company with advice related to the issuance, placement and settlement of the bonds. It is the duty of JSC Galt & Taggart as a Calculation and Paying Agent to calculate and settle the coupon and principal amount.

The Issuer and the Placement Agent 1, also acting as the Calculation and Paying Agent (Galt & Taggart) are indirectly related, with the Issuer representing 100% subsidiary of Georgia Capital PLC (the "Ultimate Parent") who also indirectly holds 19.90% non-voting equity interest in the Bank of Georgia Group PLC, holding 100% of the JSC Galt & Taggart. Although, such connection could be potentially considered as certain risk factor from the potential investors's perspective, the issuer considers this to be non-material considering the non-voting nature of Ultimate Parent's equity interest in he Placement Agent 1, the fact that members of governing bodies of these companies are fully and completely segregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

The Issuer and the Placement Agent 2 (TBS Capital LLC), the Issuer's auditors and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest between them.

The Issuer is not aware of any other existing or potential conflicts of interest related to the Offering.

Key Financial Indicators

The table below summarizes the company's key financial indicators, which are based on the issuer's audited IFRS financial statements for 2021 and 2020, and semi-annual IFRS financial statements for the six months of 2022 and 2021.

The type of auditor's report for the issuer's audited IFRS annual financial statements prepared for 2021 is unqualified. The basis for the preparation of the report and additional details are indicated accordingly in the attached report.

Apart from the information described in the prospectus, no other significant events have occurred between June 30, 2022 and the date of the filing of the prospectus that may be material to the assessment of the issuer's solvency.

Consolidated Statement of Profit and Loss (Condensed) (000' GEL)	**30-June-2022**	**30-June-2021**	**31-Dec-2021**	**31-Dec-2020**	**31-Dec-2019**
	Unaudited	**Unaudited**	**Audited**	**Audited**	**Audited**
Sales of inventory property	69,305	44,543	80,511	82,765	55,413
Prime cost of the sold inventory property	(61,644)	(35,548)	(84,459)	(66,416)	(47,802)
Gross profit on sale of inventory property	**7,661**	**8,995**	**(3,948)**	**16,349**	**7,611**
Rental income	2,381	6,674	8,878	13,872	13,377
Property operating expense	(588)	(1,505)	(2,518)	(2,515)	(3,025)
Net rental income	**1,793**	**5,169**	**6,360**	**11,357**	**10,352**
Revenue from construction services	-	-	-	-	21,835
Cost of construction services	-	-	-	-	(19,411)
Gross profit from construction services	**-**	**-**	**-**	**-**	**2,424**
Revenue from property management	1,069	969	1,920	1,926	1,721
Cost of property management	(1,309)	(1,059)	(2,295)	(2,210)	(1,663)
Net income from property management	**(240)**	**(90)**	**(375)**	**(284)**	**58**
Revenue from hospitality services	-	236	-	947	-
Cost of hospitality services	-	-	(7)	(1,466)	-
Gross profit from hospitality services	**-**	**236**	**(7)**	**(519)**	**-**
Net gain from revaluation	(51,221)	(666)	9,291	(110,137)	23,146
Other revenue	335	118	189	184	115
Other operating expenses	(10,536)	(5,265)	(19,806)	(20,182)	(27,613)
Depreciation and amortization	(1,529)	(1,212)	(2,011)	(4,098)	(3,347)
Non-recurring items	(1,863)	-	964	(2,025)	-
Operating profit	**(55,600)**	**7,285**	**(9,343)**	**(109,355)**	**12,746**
Operating profit margin	-76%	14%	-10%	-110%	-14%

EBITDA	**(987)**	**9,163**	**(17,100)**	**11,460**	**(4,037)**
EBIT	**(2,516)**	**7,951**	**(19,111)**	**7,362**	**(7,381**
Finance income	496	573	3,882	844	837
Finance expense	(12,691)	(17,569)	(31,279)	(28,697)	(15,894)
Share of association loss	-	-	-	(344)	-
Net foreign exchange loss	20,612	4,265	7,974	(14,759)	(1,163)
Net other non-operating income	-	-	-	-	523
Profit / (loss) before income tax expense	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(2,951)**
Income tax expense	-	-	-	-	(376)
Operating profit / (loss) for the year	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(3,327)**
Loss from operations terminated after tax	-	(12,174)	(9,924)	(2,152)	-
Operating profit / (loss) for the year	**(47,183)**	**(17,620)**	**(38,690)**	**(154,463)**	**(3,327)**
- attributable to non-controlling interests	-	*943*	*943*	*1,960*	*(28)*
- attributable to the shareholders of the Company	*(47,183)*	*(18,563)*	*(39,633)*	*(156,423)*	*(3,299)*

Consolidated Balance Sheet (000'GEL)	**30-June-2022**	**31-Dec-2021**	**31-Dec-2020**	**31-Dec-2019**
	Unaudited	**Audited**	**Audited**	**Audited**
Assets				
Non-current assets				
Investment property	104,775	133,282	289,628	225,498
Investment property under construction	85,510	108,040	107,624	174,587
Inventory property	129,180	136,917	110,341	81,496
Long-term contract assets with customers	34,361	26,740	13,882	5,545
Term deposits in credit institutions	36,956	45,949	30,803	-
Other non-current assets	12,871	14,963	58,904	72,512
Total non-current assets	**403,653**	**465,891**	**611,182**	**559,638**
Current assets				
Cash at bank	21,698	23,209	18,834	31,348
Prepayments and other assets	39,396	26,419	22,204	22,359
Other current assets	19,904	22,547	41,525	35,151
Total current assets	**80,998**	**72,175**	**82,563**	**88,858**
Total assets	**484,651**	**538,066**	**693,745**	**648,496**
Equity				
Share capital	96,216	6,027	6,027	5,997
Share premium	168,227	167,228	161,209	158,939

Translation and other reserves	5,200	5,200	6,974	10,533
Retained earnings (accumulated losses)	(187,627)	(140,444)	(100,811)	53,652
Total shareholders' equity	**82,016**	**38,011**	**73,399**	**229,121**
Non-controlling interests	-	-	374	679
Total Equity	**82,016**	**38,011**	**73,773**	**229,800**
Non-current liabilities				
Loans received	70,229	143,958	177,037	75,583
Debt securities issued	-	-	107,381	185,888
Deferred revenue	136,811	129,435	96,808	15,524
Other non-current liabilities	18,753	21,399	258	1,406
Total non-current liabilities	**225,793**	**294,792**	**381,484**	**278,401**
Current liabilities				
Short-term share of long-term loans received	44,763	61,954	61,234	110,674
Debt securities issued	104,170	110,006	106,598	696
Trade and other payables	13,945	11,385	30,593	11,020
Deferred revenue	3,901	12,630	21,115	4,726
Other current liabilities	10,063	9,288	18,948	13,179
Total current liabilities	**176,842**	**205,263**	**238,488**	**140,295**
Total liabilities	**402,635**	**500,055**	**619,972**	**418,696**
TOTAL EQUITY AND LIABILITIES	**484,651**	**538,066**	**693,745**	**648,496**

Selected Key financial ratios:

		30-Jun-2022 LTM	31-Dec-2021	31- Dec-2020	31-Dec-2019
		Unaudited	**Audited**	**Audited**	**Audited**
	Financial Leverage Ratios				
1	Long-term Debt to Equity	0.88	3.85	3.86	1.14
2	Interest Coverage Ratio	(4.38)	(0.30)	(3.81)	0.80
3	Total Debt Ratio	0.46	0.59	0.65	0.58
4	Total interest bearing liabilities to total equity	2.71	8.41	6.15	1.64
	Profitability Ratios				
5	Return on assets	-12.0%	-6.3%	-23.0%	-0.6%
6	Return on equity	-96.8%	-69.2%	-101.8%	-1.5%
7	Return on investemnt	-7.35%	-4.32%	1.30%	-1.38%
8	Gross Profit Margin	13%	2%	27%	22%
9	Operating Profit Margin	-76%	-10%	-110%	14%
10	EBITDA Margin	-1%	-19%	12%	-4%

11	EBIT Margin	-3%	-21%	7%	-8%
12	Net profit margin	-65%	-42%	-155%	-4%
	Liquidity Ratios				
13	Liquid Assets/Total Assets	6%	6%	4%	6%
14	Liquid Assets/Current Liabilities	15%	15%	13%	30%
15	Current assets ratio	46%	35%	35%	63%
	Operating Ratios				
16	Fixed Asset Turnover	38%	27%	23%	26%
17	Days of Inventory outstanding (DIO)	434.19	552.23	557.84	492.51
18	Days of Receivables outstanding (DRO)	2.54	26.87	39.80	33.55
19	Days of payables outstanding (DPO)	70.10	106.39	104.60	59.40
20	Cash conversion cycle (CCC)	366.64	472.71	493.04	466.67
	Key financial covenants				
21	Total Interest-Bearing Liability to Total Assets [Limit <= 60%]	46%	59%	65%	58%
22	Total Secured Interest-Bearing Obligation with common assets [limit <=50%]	24%	23%	21%	17%
	Selected ratios of credit rating from agencies methodologies				
23	EBIT Coverage of Interest	(0.20)	(0.61)	0.26	(0.46)
24	Revenue to Debt	50%	29%	22%	25%
25	HB and PD Debt to Total Capitalization	73%	89%	86%	62%

General notes:

1. Above are presented the main financial ratios, which, according to the issuer's assessment, are relevant for evaluating its business activities and specifics.
2. With the issue of bonds, the existing loans are fully refinanced, therefore, according to the issuer's assessment, the transaction will not have a significant impact on the presented ratios, except for the liquidity ratios. By refinancing the existing bonds, the issuer's liquidity ratios will be significantly improved, in particular, the "issued debt securities" of US$ 35 million classified as short-term liabilities (as of June 30, 2022, 104,170 thousand GEL) will become long-term as a result of refinancing, and the relevant liquidity ratios will acquire the following values:
    - Liquid assets/current liabilities: 37%
    - Working capital ratio: 13.41
    - Current assets ratio: 1.11
3. Unless otherwise specified, the terms in the methodology for calculating the coefficients have the following meaning:
    - Income (total income) - the sum of income received from the sale of inventory property, rental income, income from construction services, income form property management and income from hotel services (if any);
    - EBITDA (earnings before interest, taxes, depreciation and amortization expenses) - the operating profit (loss) allocated in the profit and loss statement without taking into account the effect of the profit and loss items listed below:
        - net irregular expenditure (income);
        - loss (profit) from disposal of subsidiary companies;

  - Expected credit losses on loans, trade and other receivables, etc.;
  - Paid advances, etc. type write-off;
  - depreciation and amortization;
  - Net income (loss) from revaluation and write-off of investment property;
- EBIT (earnings before interest and tax expenses) - EBITDA minus depreciation and amortization expenses;
- Interest (loan) obligations - the sum of loan obligations, bonds, lease and other interest obligations on the company's balance sheet;
- For such coefficients, in the calculation of which both balance sheet and profit and loss and/or cash flow indicators are used, the indicators of the relevant period as of June 30, 2022 are annualized with the data of the last 12 months (as specified in the methodology for calculating the relevant ratios);

1. **Long-term Debt to Equity Ratio** – Long-term interest-bearing liabilities divided by equity;;
2. **Interest Coverage Ratio** – EBITDA divided by interest expense;
3. **Total Debt Ratio** – Interest-bearing liabilities divided by total assets;
4. **Total Loan Liabilities to Total Equity** – Total interest-bearing liabilities l divided by the total equity;
5. **Return on Assets** – Net income divided by the average assets of the last two years;
6. **Return on Equity** – Net income divided by the average Shareholders' Equity of the last two years;
7. **Return on Investment** – Earnings before interest and taxes (EBIT) divided by average shareholders' equity plus average interest-bearing liabilities;
8. **Gross Profit Margin** – Gross profit divided by revenue;
9. **Operating Profit Margin** – Operating profit divided by revenue;
10. **EBITDA Margin** – EBITDA divided by revenue;
11. **EBIT Margin** – EBIT divided byrevenue;
12. **Net Profit Margin** – Net profit divided by revenue;
13. **Liquid Assets/Total Assets** – Cash and cash equivalents plus up to one-year trade receivables divided by total assets;
14. **Liquid Assets/Short-term Liabilities** – Cash and cash equivalents plus up to one-year trade receivables divided by short-term liabilities;
15. **Current Asset Ratio** – Short-term assets divided by short-term liabilities;
16. **Fixed Asset Turnover** – Income divided by the average balance of fixed assets, investment property and investment property under construction or, in the absence of prior year information, balance of the same year;
17. **Days Inventory Turnover** – the average inventory of the last two years compared to the cost price of the period multiplied by the number of days in the period;
18. **Days of sales outstanding** – the average receivables of the last two years multiplied by the number of days in the period;
19. **Number of days of payables** – average creditor debt of the last two years compared to the cost value multiplied by the number of days in the period;
20. **Cash conversion cycle** – Days of inventory on hand plus days of sales outstanding minus number of days of payables.

21-22 covenant coefficients have the values defined in the subsection "Conditions of Bond Issuance, 5. Reservations, (h) Obligation" of this prospectus;

The calculation methodology for ratios 23-25 is based on the below-mentioned calculation methodologies of credit rating agencies. Despite this, the issuer does not take any responsibility for the compliance of the calculation methodologies for the mentioned ratios with the approaches of credit agencies.

Key financial ratios according to the methodologies of credit rating agencies

As disclosed in the prospectus, the Issuer does not have a corporate or bond rating assigned by an external credit rating agency.

For illustrative purposes, below is information about the ratios used by one of the rating companies, Moody's, in the process of assigning ratings to companies (only selected quantitative indicators).

The aforementioned does not in any way mean that in the case of obtaining a rating, the issuer would receive a rating determined in accordance with the indicators of the coefficients, as the process of assigning a rating is complex and a number of important factors, both quantitative and qualitative, are taken into account when deriving the final rating. For example, such factors include the possible support of the parent company, the country's rating, the company's corporate structure, the efficiency of business processes, etc. Also, according to the methodology of the rating agencies, the credit rating is determined mainly based on the forecast data, while the historical data has an auxiliary function.

In addition, according to the methodologies of credit agencies, the rating of the company's parent company and the quality of support received from the parent company are of great importance. It should be noted that the capital of Georgia has been assigned B+ and B1, respectively, by S&P Global and Moody's. In addition, the issuer has received support from the parent company many times, including financially.

Therefore, the management believes that basing the rating of the company only on the mentioned ratios would be misleading and investors should assess the credit risks related to the company and the bonds themselves.

Additionally, the Issuer assumes no responsibility that the presented sector, methodology or ratio calculation approach is appropriate for any credit rating methodology and/or specific business activities of the Issuer.

Used methodology and source of calculation of coefficients:

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1108031

Moody's Homebuilding And Property Development Industry rating methodology	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Caa**	**Ca**
EBIT Coverage of Interest	≥ 20x	15x – 20x	10x – 15x	6x – 10x	3x – 6x	1x – 3x	0x – 1x	<0x
For companies in high growth markets:								
Revenue to Debt	≥ 250%	195% - 250%	145% - 195%	115% - 145%	85% - 115%	65% - 85%	45% - 65%	<45%
For companies in standard markets:								
HB and PD Debt to Total Capitalization	< 20%	20% - 25%	25% - 30%	30% - 40%	40% - 50%	50% - 65%	65% - 80%	≥ 80%

Methodology for calculating coefficients:

• EBIT Coverage of Interest - pre-tax profit from continuing operations + interest expense + interest expense recognized in cost of goods sold + depreciation ± unremitted capital expenditures/off-balance sheet profit from joint operations + dividend received from off-balance sheet joint operations ± irregular/special expenses)/ (interest expenses + capitalized interest); (Pretax income from continuing operations + interest expense + interest charged to cost of goods sold + impairments ± unremitted equity losses/income from off-balance sheet joint ventures + dividends received from off-balance sheet joint ventures ± extraordinary items) / (interest expense + interest capitalized).

• Revenue to Debt - revenues divided by total interest liabilities; Revenue divided by total debt;

• HB and PD Debt to Total Capitalization - residential and real estate development interest obligations divided by total capitalization; Homebuilding and Property Development Debt to Total Capitalization;

Brief overview of the material risks that are specific to the Issuer's business and offered securities:

Risks related to industry and economy

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

1.1. Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business;

1.2. There are additional risk fatctors 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 effect on the Company's activity;

1.4. Because 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 effect on the local economy and the Company's business;

2.2. Disruptions in Georgia's neighboring markets may have an adverse effect on 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 effect on the local economy, which could, in turn, have an adverse effect on the business of the Company;

3.4. The Company may become subject to legal proceedings by its customer, supplier and regulator;

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 affect the company;

Risks Related to the Issuer's Activities:

5. Risks related to the property 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 find necessary amount of 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 the Company operates is increasingly competitive;

5.6. The Company may not be able to sell operating hotels at a projected price;

5.7. Increasing 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 Company may face operational risks inherent to its business activities.

6.2. The Company may face risks resulting from its consumer segmentation.

6.3. The fair market value of the properties reflected in the appraisals may be an unreliable indication of its current market value.

6.4. The Company may face risks related to liquidity and Company's ability to settle its liabilities, which could have a material adverse effect on Company business, financial condition and results of operations.

6.5. the company may violate the financial or non-financial reservations 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 is caused by diversification risks;

7. Risks Related to unpredictable events

7.1. Unpredictable events such as natural disasters, state of emergency, pandemic, natural calamity, etc. may have a material adverse effect on the Company;

7.2. Incomplete insurance of assets owned by the company could have a significant adverse effect 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 changes to exchange controls.

9. Risks relating to the right of bonds:

9.1. The bonds constitute unsecured obligations of the Company;

9.2. Transfer of the bonds will be subject to certain restrictions;

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 and etc.:

10.1. Any change of law in Georgia in the future may have a material adverse effect on the bonds, including their GSE listing and taxation of interest on the bonds.

10.2. Investors must rely on procedures of the Registrar, 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.

Terms of the Offering and Main Characteristics Of Securities:

The main characteristics of the securities are defined in the “Terms Sheet” document of the Bonds.

Possible costs imposed on the investors

The Bonds placement costs will be reimbursed in full by the Issuer and the investor will not incur any additional costs under the Offering.

Use of proceeds

The proceeds from the issue of Bonds will be fully used to refinance existing debt obligations. For more information about the use of proceeds, see the section "Reasons of the Offering and Use of Proceeds").

Conflicts of interest associated with the offering

The Issuer and the Placement Agent 1, also acting as the Calculation and Paying Agent (Galt & Taggart) are indirectly related, with the Issuer representing 100% indirect subsidiary of Georgia Capital PLC (the “Ultimate Parent”) who also indirectly holds 19.90% non-voting equity interest in the Bank of Georgia Group PLC, holding 100% of the JSC Galt & Taggart. Although, such connection could be potentially considered as certain risk factor from the potential investors’s perspective, the Issuer considers this to be non-material considering the non-voting nature of Ultimate Parent’s equity interest in the Placement Agent 1, the fact that members of governing bodies of these companies are fully and completely segregated and all the agreements associated with this transaction are made according to existing legislation, on a commercial basis.

The Issuer and the Placement Agent 2 (TBC Capital LLC), Auditors of the Issuer and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest among them.

The Issuer is not aware of any other existing or potential conflicts of interest related to the Offering.

As far as the Issuer is aware, the Issuer's management, members of the Board of Directors or the Supervisory Board or the shareholder are not going to participate in the Offering and purchase the securities. The Issuer has no information about such a person who has expressed a prior desire to subscribe to more than 5% of the Offering.

Information about the Issuer’s registrar is provided in the "Term Sheet” document of the Bonds.

Risk factors

Investing in Bonds involves certain risks. Investors should carefully read this Prospectus. In addition to the other information provided in the Prospectus, potential investors, before investing in the bonds, should carefully consider the risks described below, taking into account their own financial situation and investment objectives. Any of the risks described below could materially and adversely affect the Company business, financial condition and results of operations. If any of these risks materialize, they may adversely affect the market value of the Bonds. Furthermore, the factors described below are significant for the assessment of market risks related to the Bonds. Although the Company believes that the risks described below are the main risks associated with investments in the Bonds, some other additional risks and uncertainties may emerge, which the company considers now insignificant or is unaware of and any of such risks and uncertainties may have consequences similar to those described below. The company, therefore, does not claim that the statements about the risks of bondholding described below are exhaustive.

Risks specific to industry and economy

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

1.1. Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business;

After gaining independence from the former Soviet Union in 1991, Georgia underwent a significant political transformation from a republic within a federal socialist state to an independent sovereign democracy.

Georgia is facing several challenges, one of which is the implementation of further economic and political reforms. However, reforms favorable to business and investors may not continue or may be reversed; Also, such reforms and economic growth may be hindered by any such changes that will affect the continuation or stability of the "Georgian Dream" government, or/and as a result of a rejection of reform policies by the President, the Parliament or other institutions.

In October 2010, the Parliament of Georgia approved amendments to the Constitution of Georgia, which provided for the expansion of the governing powers of the Parliament, the increase of the powers of the Prime Minister of Georgia, and the reduction of the functions of the President. In March 2013, the Parliament unanimously supported the constitutional amendments, which further reduced the functions of the President of Georgia. Any further changes in the powers of the Parliament, the President or the Prime Minister of Georgia may cause a political crisis or political destabilization or bring some other negative result to the political climate in Georgia.

In the parliamentary elections held in October-November 2020 (parliamentary elections included the first round held on October 31 and the second round held on November 21), Georgian Dream received 90 mandates in the 150-member parliament, 36 mandates were won by the opposition party - the United National Movement, and the rest were won by other parties. However, the opposition spectrum did not enter the Parliament and they went into protest mode. In order to neutralize the political tension, representatives of the European Union and the USA were actively involved in bilateral negotiations. They reached an agreement and in the late spring of 2021, all parties entered the Parliament. The short-term political crisis that started in November 2020 had certain impact on economic and investment activity. In addition, the attack on press representatives in July 2021 and the withdrawal of the ruling party from the agreement signed on April 19, 2021 under the auspices of the European Union or, accordingly, any further political instability may have a negative impact on Georgia's economic development, including the investment climate and private business activities.

1.2. There are additional risk fatctors related to investing in emerging markets such as Georgia;

Emerging markets may have higher volatility, more limited liquidity, narrower export base and they are subject to more frequent changes in the political, economic, social, legal and regulatory environment than the developed markets. Emerging markets 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, disfavoring 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 financial crisis in Russia and later global financial crisis and may be affected by similar events in the future.

Moreover, a financial and political instability may also adversely affect the country’s economy. If this happens, the outflow of capital will ensue which may seriously damage the financial system and eventually lead the economy to stagnation.

As of the date of submission of the Prospectus, the following ratings have been assigned to Georgia by international rating agencies, as of June 30, 2022:

- Fitch Ratings – BB (Stable Outlook);
- Moody’s – Ba2 (Negative Outlook);
- S&P Global Ratings – BB (Stable Outlook);

1.3 *Depreciation of the national currency, lari, against US$/other currencies of economically related countries may have a material adverse effect on the Company’s activity;*

The Company, due to its activity, has a certain natural protection against the foreign exchange risk within the loan obligations, as its revenues, like the loan obligations, are mostly denominated in US dollars. (the currency profile of the obligations can be found in the subsection "Operational and Financial Overview").

Despite this, the devaluation of the GEL may have a negative impact on the company's activities, due to the deterioration of fundamental economic factors (e.g, rising inflation) and the impact on the purchasing power of the local population, or for other reasons. It should be noted that the company sells residential real estate mostly to local residents (on average, 89% of total sales for current projects).

Although Georgian lari is a fully convertible currency, there is no currency market for conversion outside Georgia. There is a market in Georgia for converting lari into other currencies, but the volume more or less is limited.

According to the National Bank of Georgia, its official reserves stood at US$ 3.9 billion as of 31 May 2022, showing an annual 7.2% decrease. The level of current reserves is adequate for the country to handle crises in the short term, according to the International Monetary Fund. Furthermore, the reserves may be used if the national currency exchange rate significantly depreciates due to one-off factors, because the currency depreciation may adversely affect the country’s economy.

Over the years, the exchange rate of the lari against the dollar saw notable changes due to both external shocks and seasonal factors. Among them, the following should be mentioned: the global shock of oil and industrial goods prices in 2015, Russia's ban on direct air flights in 2019, problems caused by the coronavirus pandemic (during which the exchange rate reached a historical maximum of 3.48 GEL per 1 US dollar), Russia's invasion of Ukraine. In the initial phase of the Russia-Ukraine war, the GEL started to depreciate unexpectedly along with other currencies of the region. In the period between February 24 and March 10, the GEL depreciated by 12.8% against the dollar, and the value of 1 dollar amounted to 3.40 GEL. In the following months, the Georgian economy showed resilience to the regional shock and maintained the level of capital inflows and domestic activity, as a result of which the GEL began to strengthen and recover all the losses it suffered in February and March. The National Bank of Georgia also contributed to maintaining the stability of the local currency with a strict monetary policy, which was demonstrated by the sale of

39.6 million US dollars at the currency auction held in March. As of July 31, 2022, the GEL has strengthened by 10.7% since the beginning of the year.

Furthermore, any instability of lari depends on several political and economic factors, including the ability of NBG to control the inflation. According to Geostat, average annual consumer prices inflation in Georgia stood at 2.6% in 2018, at 4.9% in 2019, at 5.2% in 2020 and at 9.6% in 2021. Since the spring of 2021, inflation pressure has increased significantly, and in July 2021, annual inflation amounted to 11.9%. In response to rising inflation, the National Bank increased the monetary policy rate four times in the March-December period, by a total of 250 basic points to 10.5%. From the beginning of 2022, inflation continued to rise amid the base effect of the previous year and the increased prices of food and energy caused by the Russia-Ukraine war. In response, in March 2022, the National Bank increased the refinancing rate by another 0.5 percentage points to 11%. Although the current high level of inflation is a global phenomenon and is mainly driven by supply-side factors, a tight monetary policy will help NBG to reduce inflation to its target level once price pressures have weakened relatively.

Maintaining inflation at the target level has an important role for the stable development of the economy. High inflation can lead to instability in currency and financial markets, lower consumer purchasing power and lower consumer confidence. All this can lead to the deterioration of Georgia's economic indicators and have a significant negative impact on the businesses of the Company's clients, which, in turn, will have a negative impact on the Company.

1.4. Because the company operates within Georgia, it will be affected by changes in Georgian economic conditions;

The Company's revenues are primarily dependent on Georgia, therefore the Company's performance is significantly affected by financial and economic developments taking place in or related to Georgia, especially the economic activity of Georgia, and these effects will continue in the future. 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 products and services of the Company.

The crisis arising from the Covid-19 pandemic had a significant negative impact on the Georgian economy, which significantly affected the tourism sector, whose share in the Georgian economy is quite high. According to the preliminary data of Geostat, in 2020, the economy of Georgia decreased by 6.8% compared to 2019.

Furthermore, as a result of the gradual lifting of the restrictions imposed for the management of the coronavirus pandemic, the economy of Georgia began to recover from March 2021, and in 2021, the economy of Georgia increased by 10.4% compared to 2020, and by 2.9% compared to the level of 2019. In early 2022, the Russia-Ukraine war increased uncertainty, trade disruptions, and commodity prices, which had a particularly negative impact on the region. The expected negative consequences of the war on the Georgian economy led to the deterioration of expectations regarding the growth of the economy. Nevertheless, after Georgia's economy showed resilience to regional shocks and maintained the level of capital inflows and domestic economic activity, growth expectations began to improve. The recovery of tourism is proceeding at a steady pace, parallel to the growth of raw material exports, which in turn is caused by the rapidly increasing prices of raw materials. The total demand in the domestic market remains robust, as evidenced by healthy growth in overall credit portfolios and fiscal spending. Based on preliminary data from Geostat, annual GDP growth was 14.9% in the first half of 2022. According to the forecast of the World Bank, the economy of Georgia will grow by 5.5% in 2022, and the International Monetary Fund predicts a growth of 3.2%. NBG expects 4.5% growth in 2022, and the Georgian government predicts 6% growth. It should be noted that such differences between forecasts are caused by the ambiguity caused by regional instability. For information, the economy of Georgia grew by 5% in 2019, by 4.8% in 2018 and 2017, and by an average of 3% in 2015 and 2016.

Georgia's economic growth prospects continue to face significant threats, including exchange rate volatility, weakening financial stability, inflation, budget execution and capital outflow risks. In addition, economic growth is adversely affected by frequent political instability, which can delay the attraction of foreign investment in the country. A market crisis and deterioration of economy in Georgia may lead to a decrease in consumer spending and have a serious negative impact on the liquidity and financial condition of the Company's customers in Georgia. Uncertain and unstable global economic conditions resulting from the virus may lead to significant political and macroeconomic reforms worldwide, which in turn will have a significant impact on Georgia's economy, which will accordingly adversely affect the Company's business, financial condition and results of operations.

2. Risks related to neighboring countries and the region:

2.1. Regional tensions may 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, since gaining independence in 1991, Georgia has had conflicts with the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated. Georgian troops engaged with local militias and Russian forces, and Georgia declared a state of war. The tension regarding these regions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia and Russia recognized the independence of these regions For example, in the summer of 2013, Russian border guards erected barbed wire fences along some parts of the demarcation line between Georgia and South Ossetia. Similar future actions will further increase tensions. The Government of Georgia has taken certain steps towards improving relations with Russia, but these steps have not resulted so far in any formal or legal changes in the relationship between the two countries.

In addition, the Armenia-Azerbaijan war should be noted in the period of September-October 2020, which had a negative effect on the economic situation of the region, raising negative expectations for the recovery process of the region's economies in 2021. On October 10, 2020, a ceasefire agreement was signed in Moscow, however, on October 11, Armenia and Azerbaijan reported shelling of cities from each other. Azerbaijan has accused Armenia of attacking major cities at night, saying the country violated a ceasefire agreement reached in Moscow on October 10. Finally, on November 10, it became possible to reach a cease-fire agreement, which turned the situation around - easing the political tension in the region and, accordingly, neutralizing the negative expectations.

The continuation of the Karabakh conflict may have a negative impact on the implementation of direct foreign investments and the tourism sector in the region including Georgia.

From July 8, 2019, direct air flights from Russia to Georgia were banned, which affected the tourism sector. At the same time, the decrease in tourist flows from Russia had a significant impact on the foreign exchange market. According to the estimates of NBG, due to banning direct air flights from Russia, the country received approximately 300 million US$ less income from tourism than expected. In addition, despite the mentioned shock, the foreign balance of Georgia improved in 2019 compared to 2018.

Russia's invasion of Ukraine in February 2022 may also have a negative impact on Georgia's economy. The ongoing war in Ukraine has already caused a humanitarian crisis and brought huge economic losses not only to the countries involved in the war, but also to the regional and global economy. Since the beginning of the war, the USA and the European Union have imposed a number of sanctions on Russia, the purpose of which was to increase the pressure on Russia to stop hostilities. The negative effects of this large-scale military conflict are expected to affect regional and global economies through raw materials markets, trade and financial channels. With the outbreak of war, fuel and food prices rose, further fueling the already soaring inflation. In response to the increased pressure on prices, Western central banks are expected to raise interest rates, leading to tighter global financial conditions. Further escalation or delayed resolution of the Russia-Ukraine conflict, any additional sanctions on Russia, increased levels of uncertainty, increased political and economic instability in the region, and any future deterioration in Georgia's relationship with Russia could have a negative effect on Georgia's political or economic stability. It should be emphasized that the Russia-Ukraine war had a negative impact on the company in terms of certain construction materials, namely rebar, which was imported to the local market from these countries. Although the issuer itself did not import the fittings used for development from

Russia or Ukraine, the deficit created on the market for the mentioned products caused an increase in the price of the fittings for a certain period of time, which is currently more or less stabilized

Furthermore, the political or economic stability of Georgia can be affected by any of the following situations:

- Worsening of Georgia's relations with Russia, including relations related to border and territorial disputes;
- Changes in the importance of Georgia as a transit country for energy carriers;
- Changes in the amount of aid provided to Georgia or the ability of Georgian producers to access the world's export markets;
- Significant deterioration of relations between the countries of the region.
- Worsening of the economic and financial situation in the countries of the region.

2.2. Disruptions in Georgia's neighboring markets may have an adverse effect on Georgia's economy;

The Georgian economy depends on the economies of other countries within the region (Azerbaijan, Armenia, Russia and Turkey). Azerbaijan and Armenia, historically, have been the two largest markets for Georgian exports and they accounted for 13.4% and 11.4%, respectively, of Georgia's total exports in 2019, according to Geostat data. In 2020, the share of Azerbaijan has insignificantly increased whereas the share of Armenia has significantly decreased and comprised 12.5% and 6.1%, respectively, of Georgia's total exports. Russia remains to be one of the largest markets for Georgian exports. According to Geostat, it accounted for 13.1% of total exports in 2019, 13.2% in 2020 and 14.4% in 2021. Turkey represents the biggest importer to Georgia, accounting for 17.0% of Georgia's total imports in 2019, 17.5% in 2020 and 18.1% in 2021, according to Geostat. Ukraine is also an important trade partner, whose share in 2021 was 7.5% in exports and 4.5% in imports. Accordingly, significant dependence on the countries of the region and possible political and economic challenges in these countries represent potential obstacles for further economic growth. For the last few years, Georgia's dependence on Russia in terms of exports, tourism and remittances has been quite high. For example, in 2021, the value of goods exported from Georgia to Russia, income from tourism from Russian visitors and remittances from Russia totaled 6.3% of GDP. Such a heavy dependence on one country poses certain risks, which materialized in early 2022 during the ongoing Russia-Ukraine war. It should be noted that it is still not clear exactly what scale of negative impact this fact had on the economy of Georgia. This will depend on the duration of the war and the future escalation of the crisis, which in turn will have a material adverse effect on the Company's business, financial condition and results of operations. Any subsequent economic failure or crisis in Georgia's neighboring countries may have a strong negative impact on the country's economy.

The spread of the coronavirus pandemic in Georgia and the countries of the region, which began in the spring of 2020 and continues today, had a negative impact on economic activities both in the region and in Georgia.

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;

On 27 June 2014, Georgia signed the Association Agreement (AA) and the Deep and Comprehensive Free Trade Area (DCFTA) with the EU came into effect, which envisages the liberalization of bilateral trade. It is expected that the implementation of AA entered into with the EU will provide opportunities for the business, though it may also pose challenges to enterprises, households and the state. The implementation of the AA and the DCFTA requires from Georgia to approximate its legislation with the EU trade and sectoral legislation, which will pose challenges especially in the fields of environmental protection and consumer safety, including in the areas of product safety and information security. Based on the above, in terms of the existing legal requirements for the activity of the Issuer, significant changes have been introduced or may be introduced in the corporate law or securities market legislation:

- **Law of Georgia "On Entrepreneurs"**: On August 2, 2021, the Parliament of Georgia adopted a new edition of the Law of Georgia on Entrepreneurs, which will came into effect on January 01, 2022. The updated legislation will have a significant impact on the legal regulation of enterprise registration, founding documents, corporate governance and other issues. Regarding the management of enterprises, modern principles of corporate management are also significantly provided in the law. Within the framework of the updated law, the types of capital are separated, the concept of a business letter is introduced, the legal nature of the relationship between the director and the enterprise is clarified, etc.
- **The securities market legislation**: within the framework of the Association Agreement, the legislation related to securities is brought closer to the European legislation. For example, in 2020, a number of legislative amendments came into effect, which served the purpose of convergence with European legislation, including: the law on the prohibition of insider trading, market manipulation and improper disclosure of insider information; besides, the transparency framework of public securities issuers was improved with the corresponding legislative change. The requirements regarding the submission and publication of periodic or current reports by them have been determined.

Moreover, after joining the World Trade Organization (WTO) in 2000, Georgia has been gradually approximating its legislation in the sphere of trade with EU norms and practices. Recent changes in regulation include the amendments to the Labor Code adopted in 2013, which are designed to bring the regulations in labor safety of Georgia in line with the obligations assumed under the AA and the DCFTA signed with the EU. The mentioned amendments required from an employer to compensate overtime, to pay an increased compensation when dismissing an employee (in the amount of one to two months' salary), also provided for enhanced rights of employees to challenge employers' decisions in court, prohibited dismissal of employees without a clear reason and required to ensure basic working conditions.

Additionally, other changes may be made to government policy, including changes to government initiatives announced earlier or approaches to them. Moreover, the implementation of AA signed with the EU may impose a significant load on regulatory agencies, divert resources from ongoing reforms to other directions and slow down their effectiveness.

Expected changes in the sphere of regulation, implemented for the approximation with the EU legislation may require from the Company to change its policy and procedures in accordance with any amendment to laws and regulations that will be adopted. For example, the Company made changes to its labor agreements so as to comply with the above-mentioned amendments to the labor legislation. The Company expects that new changes will be adopted, however, it cannot predict the extent of impact of these changes or of its ability to comply with any such changes.

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;

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 because the mentioned tax laws are unclear or subject to differing interpretations, and poses risk to companies 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 the company and its business. A new tax code came into effect on 1 January 2011. 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 provides for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the Company believes that the Company is 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 change in the future, including as a result of 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 the Company's business.

In May 2016, changes were introduced to corporate income tax rules, whereby only distributable profit is subject to taxation, which is defined as a cash or non-cash dividend distributed among owners – private entities and nonresident legal persons, while reinvested profit is no longer taxed. It is wort to note that the aforementioned changes do not apply to companies operating in the financial sector and their profits are taxed under the old method (15% of taxable profit). All the most important amendments to the Tax Code entered into force on 1 January 2017.

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 effect on the local economy, which could, in turn, have an adverse effect on the business of the Company;

Georgia is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental civil, tax and administrative laws have recently become effective. (For example, the introduction of jury trial, imposition of criminal liability on legal entities, the Estonian Model of profit tax). The recent introduction of this legislation and the rapid evolution of the Georgian legal system have given rise to doubts as to the quality and the enforceability of laws and have resulted in ambiguities and inconsistencies in their application. In addition, the court system of Georgia experiences shortage of professionals and serious reforms are underway in this system. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company's business, financial condition and results of operations.

3.4. The Company may become subject to legal proceedings by its customer, supplier and regulator.

A broad circle of stakeholders of the Company includes relevant regulatory authorities, the state, customers and suppliers. If the Company fails to meet the obligations set forth in a contract, it could face a risk of getting involved in a proceeding, which will have an adverse effect on its reputation and operational activity. As of the date of submission of this Prospectus, the company has not been involved in a court dispute that could have a material adverse effect on its financial condition or reputation (for additional information on ongoing court disputes, please, see the subsection "Litigations"), however, there can be no assurance that such disputes will not arise in future.

4. Risks related to regulatory framework

4.1. New regulations in this or other industry may adversely affect the Company's business

The Company is subject to laws and regulations governing real estate ownership and leasing, employment standards, environmental issues, taxes and other matters. Future changes in applicable regional, territorial, local laws and regulations or changes in their enforcement and interpretation may result in changes to the legal requirements that apply to the Company. Furthermore, with regard to the plans of harmonization with the European Union, Georgia has been constantly implementing new reforms which could have an adverse effect on the Company's business and operations.

It is not possible to predict whether the regulatory regimes that apply to the company will change in the future and it is also difficult to estimate a monetary impact such a change will have on the company's activity. However, new regulations governing real estate ownership, leasing or other issues may adversely affect the Company's investments. For detailed information, please, see the subchapter "Regulatory Environment."

1. Changes in the regulations regarding the company's activities may have a negative impact on the company's business:

The Company is subject to laws and regulations governing real estate ownership and leasing, employment standards, environmental issues, taxes and other matters. It is possible that future changes in applicable regional, territorial, local laws and regulations or changes in their enforcement and interpretation will lead to changes in the legal requirements that apply to the Company (including retroactively). Any change in legislation affecting the Company may adversely affect the Company's rights and ownership of the premises. It is impossible to predict whether the regulatory regimes applicable to the Company will change in the future or what effect such changes will have on the Company's investments.

Part of the company's customers (about 12% in total for the four ongoing projects as of 8 months of 2022) use mortgage loans from various commercial banks to purchase property (disruption of income through various sales means/mechanisms, see the "Operating Results" subsection). Since November 2018, the National Bank of Georgia has gradually introduced several new regulations against the overindebtedness of the population, including, but not limited to: restrictions on loan service charge-income and loan-to-real estate value ratios; Certain restrictions on the term of the mortgage loan were also established. It should be noted that the mortgage loans taken from the bank for the purchase of the company's property may become the subject of additional regulation by the National Bank of Georgia in the future. Any regulation that would restrict the granting of mortgage loans by commercial banks to the Company's customers could have a negative impact on the Company's financial condition.

2. The Company may be subject to stricter environmental laws in the future:

Environmental laws and regulations have become increasingly important globally in recent years. As an owner of real estate in Georgia, the Company may in the distant future be affected by various laws related to the protection of the environment, if they are adopted in Georgia.

The company is engaged in, and in the future intends to make, the necessary capital and operational expenditures to comply with the requirements of environmental legislation and to resolve any serious environmental problems; There is a risk that such costs could have an adverse effect on the Company's business, financial condition or results of operations. There is also the risk that cash flows available for distribution to bondholders may be reduced or eliminated altogether. Environmental legislation may change and in the future the Company may be subject to stricter environmental laws, which the government will require stricter enforcement of. More stringent environmental laws and their enforcement, the identification of currently unknown environmental problems or an increase in the costs required to correct currently unknown conditions would adversely affect the Company's business, financial condition and results of operations, and there would be reduced or no cash available for distribution to bondholders.

3. The company is an accountable enterprise, therefore, subject to additional regulations and reporting obligations:

The company "On Securities Market" is an accountable enterprise provided by the Law of Georgia ("Law on Securities Market"). The Securities Act imposes certain consent and transparency requirements for reporting entities and imposes specific reporting obligations. The accountable enterprise is obliged to submit to the National Bank of Georgia, publish and/or deliver to the registered owners of its securities annual, semi-annual and current reports. If the bonds are traded on the Georgian stock exchange, the mentioned information should be transferred to the Georgian stock exchange as well. The National Bank of Georgia is authorized to request additional information from the accountable enterprise.

The requirements for approval and reporting of transactions with interested parties will become an additional burden for the company and may affect the efficiency of its activities. However, in certain cases, the lack of appropriate consent may lead to the cancellation of the transaction.

4. Anti-monopoly regulations may negatively affect the activities of the Company.

In March 2014, significant changes were made to the Law of Georgia "On Competition" ("Competition Law"). Many restrictions were imposed on the concentration of economic agents, abuse of dominant position, state aid, etc. It should be taken into account that there were no generally applicable competition regulatory norms in Georgia (except for certain sectors, such as the banking and communications sectors). Based on the Competition Law, the Competition Agency was established in April 2014. The latter is empowered to monitor private individuals' compliance with antitrust laws and has many powers, including imposing sanctions for violations of competition law. It is planned that in the near future the Competition Agency will have to adopt many by-laws based on the Competition Law. The novelty of antitrust legislation and the unpredictability of enforcement of such regulations may become an additional burden for the Company and adversely affect its expansion plans

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 affect the company

Although the Company complies with all the requirements of the legislation designed to avoid the use of company as a means of money laundering, there can be no assurance that these measures will be fully effective. If the company fails, in future, to fulfill anti-money laundering regulations, or if it appears to be associated with money laundering or financing terrorism, this may have a material adverse effect on the company. Furthermore, the involvement in such activities could be followed by regulatory fines and sanctions.

Risks Related to the Issuer's Activities:

5. Risks related to the property sale and construction services:

5.1. The Company may face risks related to cost, quality of construction materials and contractors during the Construction

Risks may arise in relation to the following components:
Cost overruns – the prices on major construction materials might increase and/or estimates used when developing bill of quantities might be judgmental and subject to change which may subsequently result in cost overruns;

Work in progress – the project might not be delivered on time. In such case, the Company shall have to pay penalties defined in contracts to the buyers (No such event has previously taken place with regar to other projects);

Quality – the construction materials and/or the execution of construction works might lack the adequate quality, causing increase in total project cost through removal of defects;

Advance payments – in case of advance payments not secured by bank guarantees the general contractor may misuse funds. (Around 90% of advance payments by the Company has been made on the basis of bank guarantees);

Sub-contractor risk – sub-contractors might not deliver their work on time or/and with adequate quality.

5.2. The customers may not be able to make all of their payments to the Company

The company may be at risk for the buyer's insolvency. The buyers who purchase apartments through in-house finance might default on their payments.

Before approving the in-house finance, the Company does not evaluate the creditworthiness of a customer and consequently, there is a risk that a customer might fail to pay the amount according to the schedule; there is also a risk that the bank will not approve a consumer loan after the expiration of the relevant period (on avarage, two years).
Under the terms of the contract, if the buyer fails to fulfill its obligations and fails to make payments within a timely manner, the company may terminate the contract, thereby restoring its original status between the parties, namely, the company will return the ownership of the apartment purchased by the buyer. However, in the event of such circumstances, the buyer shall pay to the seller a termination fee in the amount of 10% of the apartment price.

5.3. The Company needs significant funding to support its business and may not be able to find necessary amount of funds in a timely manner.

The real estate industry is quite capital intensive. The Company will require access to capital to maintain its properties and to make certain capital expenditures from time to time. Although the Company funds part of the cost of building and developing works through pre-sales of units that are under construction and off planned sales of units prior to construction, which makes up 30% of the total sale area, it also relies on both the parent company JSC Georgia Capital's additionally raised capital and third party funding, including corporate bonds to finance certain of its projects. There can be no assurance that such funding will continue to be available on commercially acceptable terms, particularly if there is a decline in property prices in Georgia. 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 (*See subsection "Regulations related to credits").*

5.4. There is a risk related to the construction permits and approvals of projects

The company may face certain delays in getting approval of the projects and project related permits. This may delay commencement and subsequent completion of the entire project or part of it. Government agencies may not grant permits to the Company to implement the project in accordance with the Company's projections which may result in lower profitability from such projects.

5.5. The industry in which company operates is increasingly competitive.

The real estate market is quite competitive. The Georgian residential property market is dominated by local developers and also a smaller number of foreign investors such as Dirsi (Azerbaijan), Hualing (China), Maqro Construction (Turkey) and Dona Group (Israel). The Georgian residential real estate market is fragmented, and the Company mainly competes with smaller players with a small number of inventory in their portfolio. Competition is high especially in Tbilisi and is based on price per square meter, rent, amenities and property maintenance services.

5.6. The Company may not be able to sell operating hotels at a projected price

The Company has mid and upscale hotels (around 398 rooms as of 31/06/2022) - "Ramada Encore" (opened in March 2018) on Kazbegi Avenue, "Gudauri Lodge" (opened in December 2019) in Gudauri, and "Ramada Melikishvili" (opened in June 2020) on Melikishvili street. For detailed information about the hotels for sale, see the subsection of the registration document of the prospectus "Principal Activities".

The Covid-19 pandemic and a number of recent global, regional and local events and developments, such as the Russia-Ukraine war, global inflation, increased risks of recession, increased interest rate environment and others, pose significant risks, especially to vulnerable sectors such as hospitality. According to its strategy, the Company intends to exit the hotels business, although there is a risk that it will not be able to sell the assets at a favorable price.

5.7. Increasing supply of newly built residential properties may result in price risk for the Company.

Worsening economic conditions and/or oversupply of newly built residential properties in Tbilisi, may have a material adverse effect on the Company's sales. The Company does not benefit from significant pricing power on the market and it may have to lower its current selling prices which could have a material adverse effect on Company's financial condition.

5.8. The Company may face property development completion, redevelopment and renovation risks

The Company is engaged in development of certain new properties located in Tbilisi. In addition, in the future, the company may undertake the reconstruction or renovation of a number of buildings. With regard to ongoing construction and any future reconstruction or renovation projects, there is a risk that the Company will not be able to timely identify any delays in the current construction or potential barrier to completion, which could adversely affect the Company's entire business and may result in unforeseen costs to the Company.

The above risks could result in substantial unanticipated delays or expenses and, on certain cases, could prevent the initiation of redevelopment activities or the completion of redevelopment activities. 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 make distributions to Bondholders.

6. Risks Related to the Company's Business Activities in General:

6.1. The Company may face operational risks inherent to its business activities.

The Company is constantly focused on growth , which might cause administrative risks. Increase in number of projects might also cause operational risks if the processes are not standardized. Direct or indirect loss may result from an inadequate technology, human error or external events. The impact of this loss may be financial loss, damage to reputation or legal and regulatory proceedings. The Company must endeavor to minimize these losses by ensuring effective infrastructure and controls. These controls must be constantly reviewed and if deemed necessary, improved.

6.2. The Company may face risks resulting from its consumer segmentation.

Despite the fact that the company's customers are in three consumer segments (low-, mid- and high-income), most of the customers are concentrated in the mid-income segment, which along with the low-income segment is highly sensitive towards economic turbulences. Therefore, negative macroeconomic events (see macroeconomic and political risks related to Georgia) may have a negative effect on consumer purchasing power, which in turn, may have a material adverse effect on Company's income and profitability.

6.3. The fair market value of the properties reflected in the appraisals may be an unreliable indication of its current market value.

The Company hires international valuation companies to estimate the fair market value range of the investment properties. 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 investment 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. In addition, evaluation activities are not regulated in Georgia, which may represent an additional risk factor in terms of reliability of evaluations.

6.4. The Company may face risks related to liquidity and Company's ability to settle its liabilities, which could have a material adverse effect on Company business, financial condition and results of operations.

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.

6.5. The company may violate the financial or non-financial provisions defined by the loan obligations;

The company finances its activities with secured bank loans and unsecured bonds (for details, see the subsection "Capitalization and debt" of the registration document of the prospectus). The aforementioned loan agreements and bond issuance conditions provide for various financial and non-financial reservations, the violation of which may endanger the company's solvency. In addition, the bondholders In order to protect interests, restrictions and reservations apply to the bonds provided for in this prospectus (for details, see the subsection "Conditions for the issuance of bonds, 5. Reservations"). There is no guarantee that the company will not violate the covenants of its debt obligations in the future and/or will be able to obtain release lett

6.6. Company's success in business depends on its ability to attract and retain senior management and key employees.

The Company depends on its key employees and qualified staff, and therefore, key personnel leaving the organization might have an adverse effect on the Company's performance, at least in the short term. The Company's key decision-making employees are the General Director, and Deputy Directors.

6.7. The Company may become involved in, named as a party to or the subject of, various legal proceedings.

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.

6.8. The business is concentrated both geographically and operationally, which is caused by diversification risks

The company's business is concentrated in Tbilisi (100% real estate), where the oversupply of newly built residential apartments may have a significant negative impact on the company's sales. Due to the fact that the company's business is not geographically diversified, the decline in sales in Tbilisi cannot be compensated by sales in other regions, which may have a negative impact on the company's income.

Due to its high geographic concentration, the Company's results of operations are significantly affected by financial and economic events taking place in or related to Georgia, particularly the economic activity of Georgia, and these effects will continue to affect in the future. Factors such as gross domestic product (GDP), inflation, interest rates, and currency exchange rates, as well as unemployment, personal income, and the financial condition of companies, have a significant impact on consumer demand for a company's products and services.

In addition, according to the company's new strategy of leaving the commercial and hospitality sectors, "Georgia Real Estate" will be represented in only one sector, real estade, which may become an obstacle to diversification.

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 effect on the Company.

Unpredicted events such as natural disasters, state of emergency, pandemic, natural calamity, etc. may have a material adverse effect on the Company’s operations, cause damage to its property or otherwise negatively affects the Company’s operations.

On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 outbreak a global pandemic. No one knows when the virus will be eliminated. Nor is a comparable historical example available, making it difficult to predict future of the economy. The mentioned crisis led to a decrease both in demand and supply (due to shrinkage of production and disruption in the supply chain). The crisis resulting from the pandemic adversely affected the tourism sector which accounts for a relatively high share of the Georgian economy. That, in turn, affected the Georgian economy in general. According to the Geostat, the Georgian economy shrank by 6.8% in 2020, as compared to 2019. The decrease, naturally, had a negative effect on the majority of economic sectors.

A strict lockdown introduced shortly after the pandemic broke out, in the first months of 2020, slowed down the spread of the virus; however, a gradual easing of restrictions in the spring of 2020, was followed by a second wave of the pandemic in Georgia in the second half of the year. The government introduced partial restrictions from late November 2020 to early February 2021, including a curfew from 9 p.m. till 6 a.m.; closedown of restaurants and other catering facilities, halt of public transport, etc. Those measures led to decrease in cases of infection, enabling the government to gradually reopen the economy since March 2021.

July and August 2021 saw increase in Covid-19 cases again. Certain restrictions were tightened: wearing of face mask outdoors became compulsory, large gatherings were banned, municipal transport was stopped, etc. Since July a notable rise was observed in the vaccination rate with the government ensuring a sufficient amount of vaccines. In late 2021, a new coronavirus strain, called Omicron, emerged and as of the date of this Prospectus, the cases of this new variant were identified in Georgia too. Emergence of new Covid-19 variants is a new risk factor increasing a probability of new restrictions both locally and internationally. A significant decrease in Covid-19 cases was observed in 2022 and the government lifted most of pandemic-related restrictions.

The issuer's priority business line, the residential real estate market, was severely affected by Covid-19 in the first half of 2020. Demand has been strongly affected by the deteriorating economic outlook, accompanied by uncertainty. Against the background of the mentioned developments, thanks to the government-initiated interest subsidy scheme, sales recovered relatively during 2020. Ultimately, sales were down 20.0% y/y in 2020. In addition, the pandemic had a significant negative impact on the currently less-priority business areas - hotel and commercial business development activities. In spite of quite significant recovery trends in the recent period, the Covid pandemic had a significant negative impact on the activities of the issuer.

In addition to the above, in terms of risks related to natural events, although the Company has insurance to cover a significant portion of the cost, the Company's existing insurance includes standard deductibles and the insurance may not cover certain cases. Natural disasters could have a material adverse effect on the Company's operations and property, including reducing the Company's rental income (including reducing the occupancy rate of the premises), incurring cleanup costs or other costs associated with such events. Any such event would adversely affect the Company's business, its cash flows, financial condition and results of operations and its ability to make distributions to bondholders.

7.2. Incomplete insurance of assets owned by the Company could have a significant adverse effect on the Company's earnings;

The management believes that from the perspective of the business, the Company maintains adequate insurance coverage. This insurance coverage is commensurate with the best local practice and industry standards. Along with the property risk insurance, the Company also has business interruption and political violence risk insurance. The company is insured against all risks related to its M^3 Saburtalo and "'Sveti'" construction projects. In addition, the risk of all investment property and investment property under construction is insured by the company.

However, the issuer's business may be affected by such risks against which complete insurance is not available at all, or is not available on commercially reasonable terms. In addition, various insurance events, such as accidents, business interruption or potential damage of facilities, property and equipment caused as a result of bad weather, human error, pollution, occupational disease and natural disasters, may result in losses or higher liabilities than covered by the insurance. There can be no assurance that the existing insurance policies will be sufficient to cover losses or that it will be able to renew the existing insurance on commercially reasonable terms.

In addition, per commercial agreement, insurance policies of the Company are subject to certain deductibles, exclusions and limits. The issuer will receive coverage provided that its insurers have means to make payments. It should be noted that the Company has all the risks reinsured with highly respected reinsurers. Consequently, the insurance policy could not cover all losses that the Company may face and there is no assurance that the Company will not face loss beyond the insurance policy.

If a loss occurs resulting from an event to which the Company does not have insurance package or such package is insufficient, the issuer could lose its investment in and anticipated profits from damaged property. In certain cases, the insurer may be held financially liable for damaged property. Any such event may have a material adverse effect on the Company's business, results of operation and financial condition.

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.

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 and financial conditions of the Company or other factors, some of which may be beyond the control of the Company.

8.2. 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.

Although the secondary market indicator for foreign currency-denominated bonds is significantly higher than for GEL-denominated bonds, an active trading market for the bonds may not exist especially in developing economies such as Georgia. In 2021, considering a number of unpredicted circumstances, the indicator of the activity of secondary market increased by 16% as compared to 8% in the previous year (the volume of transactions on the secondary market compared to the average annual balances of securities). Despite the increase by 8 percentage points, the 2021 indicator is still below the pre-pandemic indicator, in particular, 25% in 2019.

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 changes to exchange controls.

The Company will pay principal and interest on the bonds in US$. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the investor's currency) other than US$. These include the risk that exchange rates may significantly change (including changes due to devaluation of GEL 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 GEL 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 (as some have done in the past) 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.

9. Risks relating to the right of bonds:

9.1. 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. According to the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, secured creditors enjoy preference over unsecured creditors as to a mortgage or pledge made in favor of secured creditors. The existing bonds of the issuer belong to the category of secured creditors while claims of bondholders belong to the category of unsecured claims. According to the aforementioned law, in the case of bankruptcy of then issuer, an insolvency estate shall be distributed in the following order: a) the expenses of the bankruptcy regime (which includes the expenses of the procedure provided for by Chapter V of the Civil Procedure Code of Georgia; the remuneration of a bankruptcy manager; and expenses related to proceedings, including expenses deriving from labor relations during bankruptcy proceedings, the expenses of property management, as well as the expenses of various professional services purchased by a decision of a manager); b) debts arising with regard to the issues after the delivery by a court of a ruling declaring an application for insolvency admissible and opening a bankruptcy regime, including tax liabilities arising after the commencement of bankruptcy proceedings; c) preferential claims - amounts to cover the expenses of 3 months' salaries and leave (except for the expenses of salaries and leave of the directors of a debtor and members of a supervisory board, as well as their family members), payable before a court declares an application for insolvency admissible, and amounts payable due to occupational injury (in the amount of not more than GEL 1 000 per each creditor); d) preferential tax claims - amounts of indirect taxes provided for by the Tax Code of Georgia, originating in the respective previous 3 tax periods before a court declares an application for insolvency admissible; e) non-secured claims, including the amounts of payables arising before the declaring of an application for insolvency admissible, which are not covered by other sub-paragraphs of 104(1) paragraph of the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors – claims of bondholders belong to this category.

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.

9.2. 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 ("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.

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

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 (Please refer to the "Terms of Bond Issuance" of the Prospectus, paragraph 11. "Bondholders Meetings, Changes and Refusal of Rights").

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

10.1. Any change of law in Georgia in the future may have a material adverse effect on the bonds, including their GSE listing and taxation of interest on the bonds.

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.

In the future, changes in the taxpayer's income taxation regime may negatively affect the amount of net income the bondholders may receive.

Securities legislation may be subject to further amendments, including the amendments that may adversely affect the bond emissions, their registration, placements, stock exchange trading access, as well as transaction and settlement procedures of the stock exchange as well as secondary market.

10.2. Investors must rely on procedures of the Registrar, representative of bondholder 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 Register maintained by the Registrar (as of the date defined in the Terms and Conditions of the Bonds). A bondholder must rely on the procedures of the Registrar and, where applicable, of the nominal holders to receive payments under the bonds. The Company has no responsibility or liability for the accuracy of records or receipt of amounts by beneficiaries. Also, the issuer has no responsibility or liability for any error made by any person during payment.

10.3. An investment in the bonds may involve certain legal investment considerations.

The investment activities of certain investors may be 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 minimum reserve requirements or similar rules.

10.4. Application for purchase of bonds may be satisfied partially;

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. Detailed information is provided in the subsection: “Terms and Conditions of the Bonds.”

Reasons of the Offering and Use of Proceeds

The Issuer intends to issue up to US$ 35,000,000 (thirty-five million) bonds of nominal value, net proceeds received from which will be used for refinancing the existing bonds of the Company. The Company plans to issue the bonds in October 2022.

Considering the final conditions of the issuance, the Company shall cover the existing bonds for full refinancing (ISIN Code: GE2700603865).

Issuer	ISIN Code	Issue Date	Maturity	Currency	Principal ('000 US$)	Coupon rate	Amortized balance as at 30/06/2022 ('000 GEL)
JSC Georgia Real Estate	GE2700603865	7-Oct-19	7- Oct -22	US$	35,000	7.50%	104,170

Registration Document

Persons responsible for preparation of the document:

Giorgi Vakhtangishvili - Chief Executive Officer of JSC Georgia Real Estate

Givi Koberidze - Chief Financial Officer of JSC Georgia Real Estate

Representation of responsible Persons

The responsible persons state that *"the information presented in the registration document includes all the material facts known to them, and no such information was omitted that would affect the content of the Prospectus".*

Financial auditor of the Issuer

Issuer's financial auditor is Ernst & Young LLC ("EY"). ID No. 204441158. Address: 44, Kote Abkhazi St., Tbilisi, Georgia. E-mail: info@ge.ey.com

During the periods presented in the Prospectus, there was no change in the Company's financial auditor.

Credit rating:

The Company and the Bonds issued under this Prospectus have not been assigned a credit rating.

External evaluator:

The Company's real estate has been appraised by Colliers International Georgia LLC. Identification code: 405029810. Legal address: 12, Merab Aleksidze Street, 0193, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Website: colliers.com. The appraisal is performed in accordance with the requirements of International Appraisal Standards (IVS 2013).

Information about the material agreements

As of the date of this Prospectus, the Issuer has not entered into any material agreements that are not related to the Company's ordinary business activities.

Principal Activities

The issuer is "Georgia Real Estate". Address: Georgia, Tbilisi 0160, A. Kazbegi Ave. N15. Country of registration: Georgia. Regulatory legislation: legislation of Georgia.

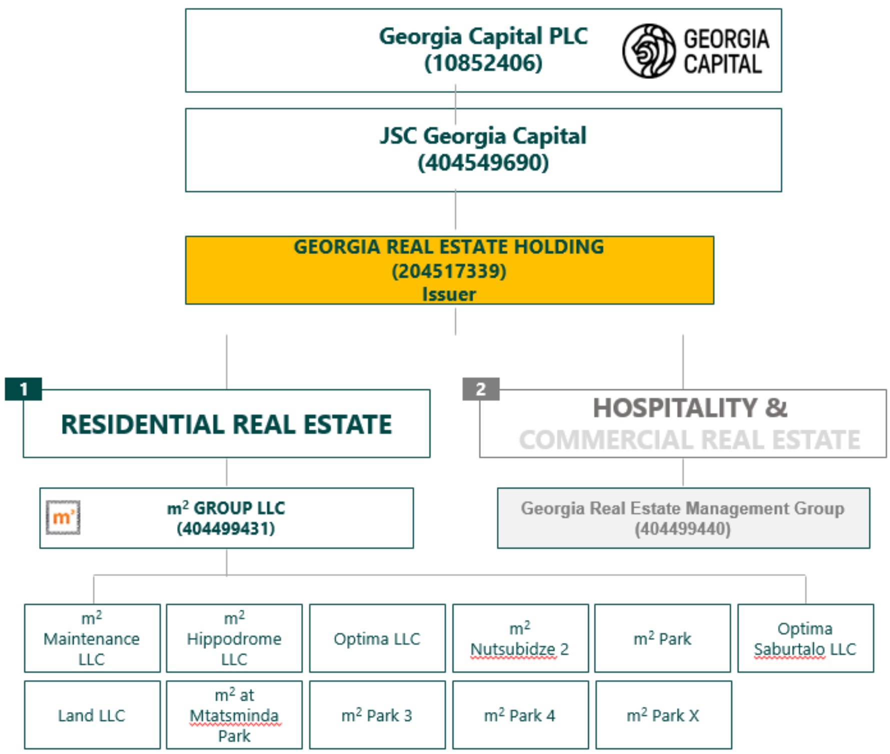
Overview & History

The Company was founded in September, 2006, by JSC Bank of Georgia. The Company started its business with purchasing several basic commercial items of real estate, some of which were re-built and maintained for rental. In 2010 the first attempt to enter the housing construction market was made by construction of an affordable residential complex in Chubinashvili street. The project proved to be successful and clearly showed high demand on renovated apartments. Up to the year 2019 the Company was called "m^2 Real Estate" and after the year 2019 the Company is operating in the market as JSC Georgia Real Estate.

The Issuer was the first major player in the residential building market to develop the concept of "turnkey apartments" and to offer property management services to buyers after construction completion.

The 100% stake in the company is owned by investment company JSC Georgia Capital, sole owner of which is Georgia Capital PLC, a UK-based holding company traded in the premium segment of the London Stock Exchange. Today, the company occupies an important place in the real estate market of the country.

The Issuer's legal Group structure* as of 30 June 2022 is as follows:



**The chart shows the issuer's main business areas and subsidiaries. The issuer's subsidiaries are presented in detail in the table at the end of the sub-chapter. Information about the detailed structure/portfolio companies of GCAP is disclosed directly in its publicly available reports and website (https://georgiacapital.ge)*

The main directions of the company are: development of residential real estate construction. In the past, the main directions of the company also included hotel and commercial real estate businesses, however, due to ongoing strategic changes, the company no longer actually operates in the commercial real estate business (as of June 30, 2022, 97% of commercial assets have been sold, except for land plots) and it is planned to completely sell these businesses. Disosal of the mentioned business lines is, one hand, related to the company's transition to an updated, less capital-intensive business model, and on the other hand, to the increased risks and lower than planned returns for the mentioned business lines. An important determining factor of the latter was the pandemic and other factors/shocks that occurred in the recent period.

In June, 2017, the construction management arm was added to the Company through acquisition of BK Construction LLC (ID.No 404537809), which had been operating in the construction market since 1993. In 2020, the Company sold 50% of the shares in BK Construction (at the moment of disposal, there was no exchange of the money, only an agreement was reached) and on April 8, 2021, the Company completely sold 100% of the shares in the subsidiary JSC New Development and 50% of the shares remaining in BK Construction and, respectively, went out of the construction business. BK Construction was acquired and sold for US$ 1 million. Regarding the disposal of the abovementioned subsidiaries, see the subsection: "*Related Party Transactions"*.

As of today, the Company has 11 finished residential complexes with 2,872 finished apartments in total, 100% of which has been sold. The company has 4 current projects, which are the most ambitious in the history of Georgia Real Estate – m^2 Saburtalo (1,921 apartments), m^2 Nutsubidze II (412 apartments), m^2 Mirtskhulava (1,472 apartments), m^2 Chkondideli (813 apartments).

Besides, the Company was actively engaged in the development of the hospitality business. Ramada Encore Tbilisi, the international branded hotel with 152 rooms located in Kazbegi Ave., Tbilisi, has been hosting the visitors since March, 2018. In December, 2018 hotel was rented out to Georgia Hospitality Management Group (the lessee). As a result, only the lessee is authorized to get the profit from hotel management or/and any revenue. The rent agreement expires in December, 2023.

At the moment the Company owns both mid-scale and premium hotel networks (913 rooms in total; out of which, as of June 30, 2022, 398 rooms are functioning).

The Company has 3 completed hotels, 3 under construction and 2 in the phase of initial design, though the hotels under construction are suspended as of June 30, 2022 in compliance with the new strategy of Georgia Real Estate, which means complete disposal of the commercial and hospitality business lines.

It should be noted that the Company, according to the strategic changes of Georgia Capital, returned to "asset-light" (less fixed assets) business model. Within the framework of the strategic changes the Company has already sold the subsidiaries operating in the construction business – JSC New Development and LLC BK Construction – and is planning to sell the hospitality and commercial businesses as well.

In 2021 the Company already sold US$ 45 mln worth commercial real estate assets. It should be mentioned that the sales took place at 11.3% premium. The funds from disposal were used to repay the US$ 30 mln bonds of the commercial assets business. US$ 15 mln worth of assets still remain to be sold (mostly land plots).

The process of sales of the hospitality properties is also active in the Company. As of June, 2022, the total book value of the hospitality assets equals to US$ 53 mln.

Within the framework of the announced strategy of the leverage reduction, US$ 31 mln parent loan was converted into equity.

The Company owns 28 subsidiary companies and has 200 employees in total.

The detailed information on the current and completed projects is given in the sub-section *Principal Activities – Commercial Real Estate and Hospitality Business.*

Georgia Real Estate is the Issuer – address: 15 Kazbegi Ave., Tbilisi 0160, Georgia; country of registration: Georgia; governing law: Legislation of Georgia

Issuer's subsidiaries

All subsidiaries of the Issuer are based in Georgia:

Name	*ID. No.*	*% share as of June 30, 2022*	*Date of establishment*	*Date of purchase*	*Sector*
Land, LLC	405065619	100%	2014-10-03	NA	Real Estate
m2 at Hippodrome, LLC	405108244	100%	2015-07-06	NA	Property Management
Optima, LLC	405160819	100%	2016-08-03	NA	Real Estate
m square Park, LLC	405116716	100%	2015-09-15	NA	Real Estate
Optima Saburtalo, LLC	405116725	100%	2015-09-15	NA	Real Estate
Georgia Real Estate Management Group, LLC	404499440	100%	2015-08-17	NA	Hospitality
Georgia Property Management Group, LLC	405263101	100%	2018-04-10	NA	Property Management
Caucasus Autohouse, LLC	404397586	100%	2011-03-29	NA	Property Management
Vere Real Estate, LLC	404380013	100%	2010-03-04	6-Aug-18	Property Management
m2 Resort, LLC	402117026	100%	2019-02-11	NA	Hospitality
Kakheti Wine and Spa, LLC	402083981	100%	2018-04-23	NA	Hospitality
m2 Svaneti, LLC	402110452	100%	2018-11-14	NA	Hospitality
m2 at Gudauri, LLC	402084221	100%	2018-04-24	NA	Hospitality
m2 Mtatsminda, LLC	404480236	100%	2014-10-16	26-Dec-17	Hospitality
m2 Zugdidi, LLC	402109721	100%	2018-11-07	NA	Hospitality
m2, LLC	404465529	100%	2014-02-12	NA	Hospitality
m2 Kutaisi, LLC	404537756	100%	2017-05-17	NA	Hospitality
m2 at Melikishvili, LLC	404537747	100%	2017-05-15	NA	Hospitality
m2 at Nutsubidze 2, LLC	405374982	100%	2020-01-24	NA	Real Estate
m2 Maintenance , LLC	405473483	100%	2021-07-20	NA	Property Management
m2 Group, LLC	404499431	100%	2015-08-17	NA	Real Estate
m2 Park 3, LLC	405535693	100%	2022-05-25	NA	Real Estate
m2 Park 4, LLC	405535559	100%	2022-05-25	NA	Real Estate
m2 Park X, LLC	405543452	100%	2022-06-23	NA	Real Estate
m2 at Mtatsminda Park, LLC	405501504	100%	2021-12-31	NA	Real Estate
m2 Hatsvali, LLC	402123634	100%	2019-04-17	NA	Hospitality
Melikishvili Hotel Property, LLC	404608082	100%	2021-02-03	NA	Hospitality
Georgia Commercial Assets, LLC	405429022	100%	2020-12-23	NA	Property Management

Operating Activities

Sales of the real estate classified as inventory property (apartments) is the main source of the Company income. The Company is also receiving revenues from rent and property management, though. JSC Georgia Real Estate was founded as a joint stock company in 2006 and in 2019 JSC m^2 Real Estate changed its name to Georgia Real Estate. The Company owns 28 subsidiary companies. Development and sale of apartments is the main direction of the company businesses. This direction implies offering affordable apartments to the customers and further maintenance of common areas, cleaning of residential complexes, ensuring security and other services. In the past the Company was also involved in the construction management and was developing the businesses of commercial assets and hospitality.

Residential Real Estate Business

The residential real estate business of JSC Georgia Real Estate, under the m^2 brand, is the leading developer. The following are its business directions: development and selling of residential complexes, aiming to offering affordable, high-quality and comfortable residential apartments to customers.

In the course of the last 10 years "m^2" was established as one of the most recognizable and reliable brands in the residential development sector in the country.

Medium and high-class customers represent the target group of JSC Georgia Real Estate, whom it is offering high-quality and comfortable residential standards in Georgia through its well-developed network of sales offices and strong sales team. The residential real estate business has successfully completed 11 projects (as of August 31, 2022 – 2,872 completed apartments in total, 100% of which is sold). It should be mentioned that the Company, in the past completed 11 projects, constructed and sold 2,872 apartments and the current 4 projects account for 4,618 apartments in total: m^2 Saburtalo (1,921 apartments), m^2 Nutsubidze II (412 apartments), m^2 Mirtskhulava (1,472 apartments), m^2 Chkondideli (813 apartments).

In the 2nd quarter of 2020 the Group concluded an agreement with Tbilisi Municipality and defaulted residential developer "'Sveti'". The Group took obligation to complete construction of 'Sveti' apartments and transfer them to the initial 'Sveti' customers. 'Sveti''s projects are: m^2 Nutsubidze II, m^2 Mirtskhulava, m^2 Chkondideli. As of August 31, 2022, the area of 106,357 sq. m. was sold in the 'Sveti' project, representing 60% of the sellable area.

In 2021, the residential real estate business, in the current four projects, sold US$ 46.66 mln worth of apartments (total area of 64,954 sq.m.). In the 8 months of 2022, 54,718 sq.m. was sold in the current 4 projects with the value of US$ 44.7 mln.

The completed projects of the Company are provided in the table below (As of August 2022):

		Total sq. m.	Total number of apartments	Sold apartments, sq.m	Number of sold apartments	Sold , %	End date	Sales ($ mln.)
	Finished Projects	***220,924***	***2,872***	***220,924***	***2,872***	***100%***	***2020***	***283***
1	m² Chubinashvili	9,366	123	9,366	123	100%	2012	10
2	m² Tamarashvili	40,717	525	40,717	525	100%	2016	49
3	m² Kazbegi	21,937	295	21,937	295	100%	2016	31
4	m² Nutsubidze	15,757	221	15,757	221	100%	2015	17
5	m² at Ippodrome	21,023	266	21,023	266	100%	2016	25
6	Optima Isani	15,053	238	15,053	238	100%	2016	12
7	Skyline Residence	2,614	12	2,614	12	100%	2017	8
8	m² at Ippodrome II	58,443	801	58,443	801	100%	2018	64
9	m² Chavchavadze	6,550	77	6,550	77	100%	2018	16
10	m² Kazbegi II	26,937	298	26,937	298	100%	2019	47
11	m² Melikishvili	2,527	16	2,527	16	100%	2020	4

The current and planned projects of the Company are provided in the table below (As of August 2022):

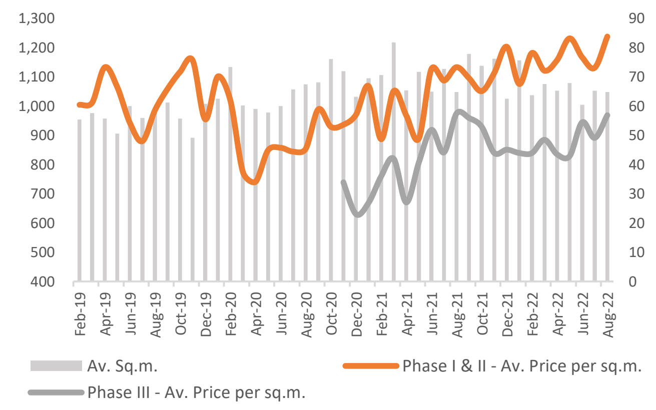
		Total sq. m.	Total number of apartments	Sold apartments, sq.m	Number of sold apartments	Sold, %	Project's progess	Start date	End date
	Current Projects	***320,996***	***4,168***	***210,150***	***3,365***	***66%***	***33%***	***Feb-19***	***Oct-24***
12	m³ Saburtalo (I phase)	23,171	391	22,089	391	100%	100%	Feb-19	Aug-22
13	m³ Saburtalo (II phase)	47,349	560	36,770	537	95%	32%	Dec-19	Jun-24
14	m³ Saburtalo (III phase)	72,182	970	45,935	698	71%	25%	Nov-20	Jun-24
15	m² Nutsubidze II	29,445	412	18,411	278	65%	19%	Apr-20	Dec-24
16	m² Mirtskhulava	97,418	1,472	52,506	874	55%	24%	Apr-20	Dec-24
17	m² Chkondideli	51,431	813	34,440	587	68%	37%	Apr-20	Dec-24
	Planned Projects	***205,099***	***2,472***	**-**	**-**	***0%***	***0%***	**-**	
18	m³ Saburtalo (IV-VI phases)	66,916	935	-	-	0%	0%	Oct-22	Jun-25
19	Mtatsminda park	21,000	233	-	-	0%	0%	4Q22	4Q24

20	Other projects[2]	117,383	1,304	-	-	0%	0%	-	-
	Total	***747,219***	***9,962***	***431,074***	***6,237***				

Current Projects

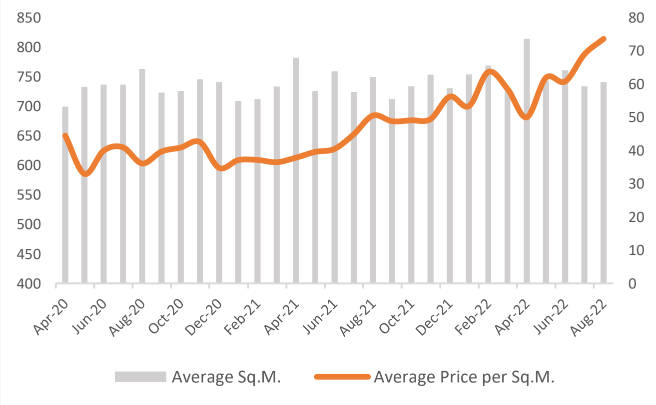
The current projects involve 'Sveti' (which unifies m² Nutsubidze II, m² Mirtskhulava and m² Chkondideli) and m³ Saburtalo projects. The Figures below show the sales of the both projects according to the periods, average price per sq. m and average sq. m.

Figure 1: Sales of "m3 Saburtalo" (USD $)



M3 Saburtalo

Figure 2: Sales of "Sveti" (USD $)



'Sveti'

**Comment: Sales of M³ Saburtalo III began in November, 2020.*

m³ Saburtalo consists of 6 phases. Each phase consists of several blocks and differs both in terms of sale start and end dates. Because different phases involve different blocks, some phases are being built in parallel at the same time.

The phases also differ depending on the condition of the apartment. Phases I-II are handed over in renovated condition, while Phase III (and subsequent phases) in "white frame" state. Prices for renovated apartments are significantly higher than "white frame".

Prices by phases were also influenced by the period of sale and the strategy of the group at the time (e.g. Phase I sales commenced at a relatively low price since the project was just started). Phase II sales started during the COVID-19 pandemic in 2020, due to which prices were comparatively lower. In general, sales prices are affected by the percentage completion of the project – the closer the project to completion, the higher the prices.

The first phase of the project is finished and completely sold, construction of the II and III phases commenced in March 2020 and August 2021, respectively and their completion and handover is planned to start from the end of the year 2022 till June 2024. Phases IV-VI presales is planned to gradually begin from October 2022, and their completion is intended in June 2025.

[2] *It should be mentioned that "Other projects" are on the stage of negotiations, which means that their part or all of them may not be realized.*

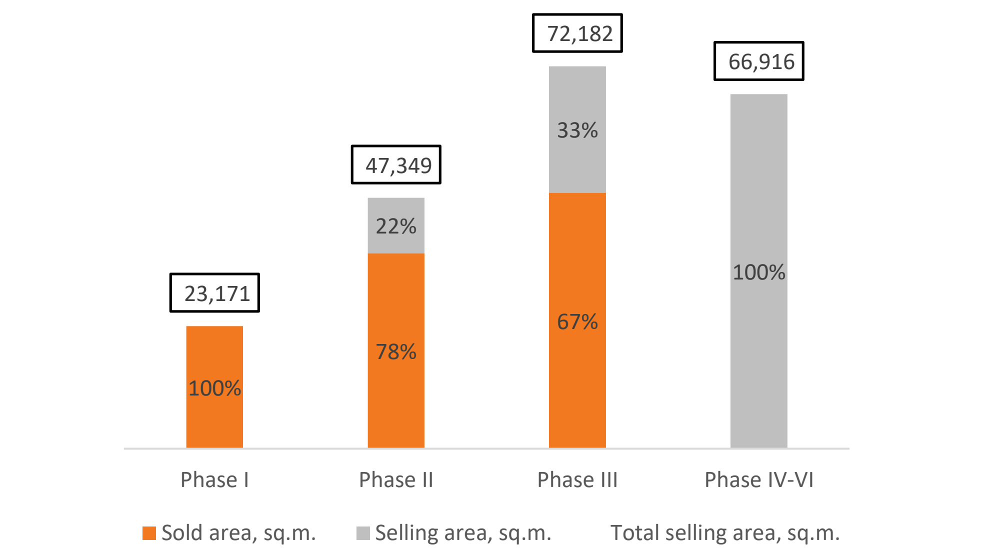
The I and II phases of the project imply sale of fully renovated apartments and the III-VI phases will be sold in the so called “White Frame” condition.

It should be noted that, despite the hindrances caused by the pandemic, the company managed to significantly increase the prices of the sellable apartments, which was positively reflected on its revenues. The sale prices of the Phases I and II have increased by 22% from 2019 till August 2022 and the prices of the Phase III have increased by 49% during the period of 2020-2022.

As of August 2022 company has US$ 34mln cash receivable from sold apartments in m^3 Saburtalo project, which will be received during further periods. Together with 1,230 apartments, 24,260 sq. m. of commercial properties and 951 parking lots are to be sold.

The sales progress of m^3 Saburtalo phases are as follows:

Figure 3: m^3 Saburtalo by phases, 31 August 2022



The ‘Sveti’ project includes m^2 on Nutsubidze II, m^2 on Mirtskhulava and m^2 on Chkhondideli projects. Construction of all three projects began in April, 2020, their completion is planned in April, December and March of 2024, respectively. All three projects are sold in “White Frame” condition.

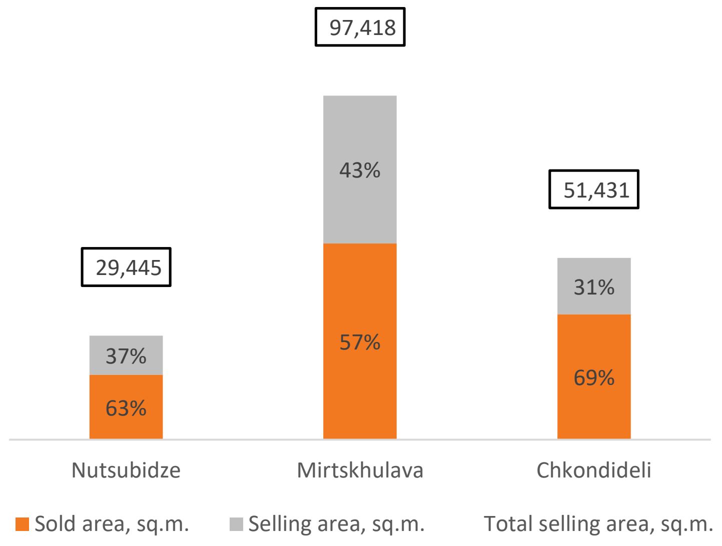
As in m^3 Saburtalo, the Company managed to significantly increase the prices in the ‘Sveti’ projects. In case of Mirtskhulava and Chkhondideli the growth equaled 29% in the period of 2020-2022 and in case of Nutsubidze it was 57%. It should be noted that real estate price decrease in 2020 affected company mildly – in months of March-May 2020. On the other hand, prices have been affected positively by the updated pricing strategy and accelerated construction pace.

As of August 2022 company has US$ 41mln cash receivable from sold apartments in ‘‘Sveti’’ projects, which will be received in the further periods.

As of August 2022, 958 apartments, 4,112 sq. m. of commercial property and 269 parking lots are to be sold.

The sales progress of ‘‘Sveti’’ projects are as follows::

Figure 4: 'Sveti' by phases, 31 August 2022



"'Sveti'" projects have a special element of social responsibility. In 2019, GRE took obligation to complete three projects of "'Sveti'" in order to help the families affected by the defaulted developer.

The total construction cost of the projects is within ₾275 million and represents the most important social project for the country and the GRE group. All parties affected by the "'Sveti'", including architects, suppliers, tenants, land owners, etc., will be satisfied. More than 4,400 apartments will be built within the project, where about 1,700 apartments will be given to the people affected by 'Sveti', and the rest will be sold by GRE.

A memorandum of mutual support was signed with the Tbilisi Municipality City Hall, which ensures City Hall's support during the implementation of the project, increased construction areas and number of apartments for sale.

An agreement was also signed between "'Sveti'" and GRE according to which assets were fully transferred to GRE, including tangible and intangible assets. In addition, customer contracts have been fully transferred to GRE. Some of the clients canceled the contract and received refund from GRE, while the majority continued their existing contracts. GRE also undertook the obligation to satisfy the creditors of "'Sveti'".

As for accounting, income from customers who chose to continue their contract with GRE is recognized as revenue. On the other hand, providing housing "free-of-charge" affects construction progress, hence they are recognized as revenue and COGS based on their certain values. Such provisions affects gross profit margin of the project.

In return, special terms were agreed, which ensures obtaining permits through simplified processes, additional construction areas, etc. The mentioned conditions ensure the profitability of the projects and insures associated risks.

Several factors ensure the success of the project:

1. State support by granting project flexibility and additional construction areas.
2. Several hundred apartment contracts are active where future residents pay for the apartment in monthly installments.
3. Despite the fact that all buildings of "'Sveti'" are built with the quality standards of m^2 and in this regard the company doesn't compromise, benefits such as the simplicity of the facade reduces construction cost of the project. In addition, part of the buildings were already built or started by "'Sveti'", which were reinforced and then completed by GRE.
4. GRE is selling approximately 2,700 apartments in all three projects under its brand, m^2, of which 61% has already been sold as of August 31, 2022 (with a total contracted amount of up to US$ 41 million) and more than 4,000 square meters of

commercial space. Apartments and commercial spaces for sale are the main source of both project completion and profit received by GRE.

Overview of the Hospitality and Commercial Real Estate Business

Georgia Real Estate Management Group managed the real estate portfolio, created as a result of opportunistic acquisitions, transfer of commercial areas of in m^2 projects and acquisition of finished or under construction assets , together with development of separate hotels.

In 2020 the Group made a strategic decision – to dispose the commercial real estate and hospitality businesses. The development sector will be the main business line for the Group.

In 2021 the Company disposed 97% of commercial real estate portfolio at 11.3% premium to book value. The proceeds from the sales were used to repay the US$ 30 mln bonds of the commercial assets business. Assets worth of US$ 15 mln are subject to sale (mainly hotels and land plots).

Company is in the active process of hospitality asset disposal. As of June 2022, the Company has 3 finished hotels, 3 – hotels under construction and 2 in the phase of initial designing, though the hotels under construction are suspended as of June 30, due to GRE's strategy of disposal hospitality assets.

As of June, 2022, the book value of hospitality assets was US$ 53 mln; while the total assets owned by hospitality and commercial business lines has book value of US$ 67 mln.

Initially, the Company entered the tourism sector with a new Georgian brand, Amber Group. This was the first 152-room international brand hotel Ramada Encore, located in Tbilisi and hosting visitors from March, 2018.

In December, 2019, the business opened the second hotel Gudauri Lodge in Gudauri, functioning under Amber Group. The hotel is located in Gudauri, the leading skiing resort on the ski slope. The hotel has 121 rooms, as of 1Q22 it had 15,000 guests and an average stay per guest is 3.1 nights.

The financial indicators of Gudauri Lodge winter season 2021-2022 are presented in the table:

Amount, US$	**Dec-21**	**Jan-22**	**Feb-22**	**Mar-22**
Occupancy	60%	71%	87%	68%
ADR	158	149	178	137
Total Revenue	**302,840**	**587,166**	**693,443**	**505,200**
Department expenses	(128,683)	(170,806)	(225,690)	(171,027)
Total G&A	*(66,237)*	*(83,005)*	*(83,921)*	*(67,290)*
Fixed costs	*(26,060)*	*(41,200)*	*(46,125)*	*(37,843)*
Operating Profit	**81,860**	**292,155**	**337,708**	**229,039**

In June, 2022, the 4-star business class hotel Ramada Melikishvili was commissioned. The hotel has 125 rooms.

In the years 2020-2021 the hospitality business was affected by the COVID-19 pandemic. The Company had to close the hotels, suspend the construction and completely cease the business related operations.

The hotels under construction were suspended due to COVID-19 challenges and based on the Company's strategic decision, have not been resumed.

Description of the Company's Marketing Program

The Company, with the help of the website www.m2.ge, is posting the information on the current residential developer's projects. Besides, the Company is running the customer base of the same sector, which customers are personally contacted and provided with the information on the projects. The Company is actively using the TV commercials on the projects of residential sector construction and various marketing means.

Primary Markets

Real Estate Market Overview

Used information

The market data to be used in this Prospectus were collected by the Company based on unofficial internal research, the sources reflecting the state of the sector and the public information available while preparation of the Prospectus. Data on current market situation and exchange rate environment has been collected primarily from the National Bank of Georgia. The Company has gained the information on the Georgian macroeconomic environment from LEPL National Statistics Office of Georgia (hereinafter the GeoStat) and the Government of Georgia. In relation to some other sources special comments are made in the text. The Company bears responsibility for the information obtained from the third party and, to the extent of the Company's understanding, is able to prove validity the information published by the mentioned third persons; none of the facts, which could have made such information false or inaccurate, have been omitted.

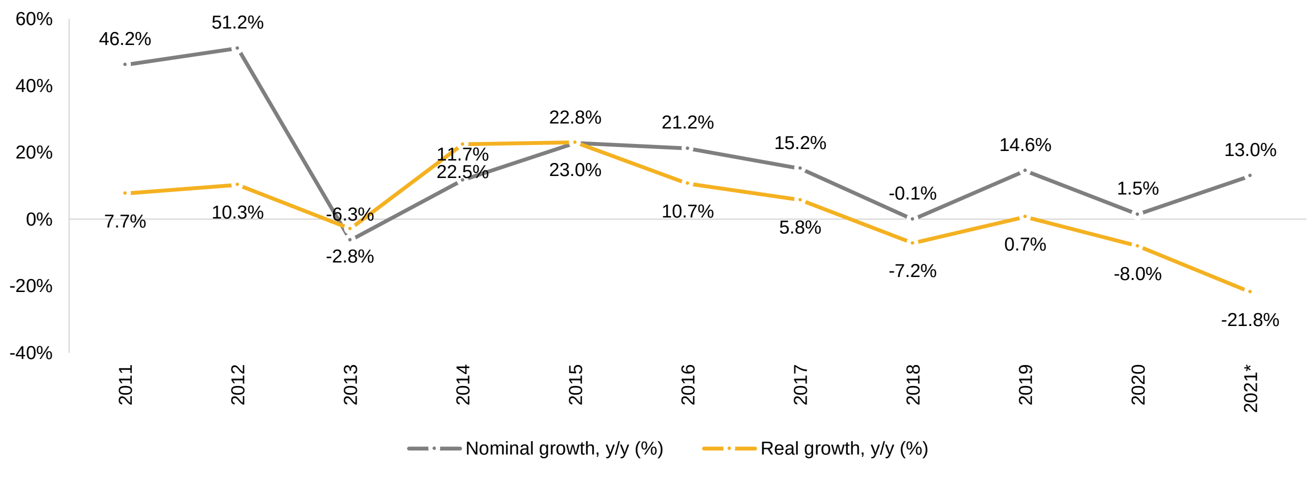
Construction Sector

The construction sector still is the backbone of the economy as realization of the investment opportunities in the tourism industry, power, residential and commercial real estate and infrastructure works requires direct involvement of the sector.

In 2021, the construction sector was reduced by 21.8%, which was preceded by 8.0% reduction in 2020. The construction sector was the main source of economic growth and, if excluding one-time factors (BP gas pipeline construction and COVID-19 pandemic), the construction and GDP generally grow in similar rates. The pandemic and related restrictions have had great negative impact on both economy as a whole and construction sector.

It should be noted that the Georgian economy has returned to the pre-pandemic indicator very soon and GDP growth amounted to 10.4%. However, the construction sector has reduced by 21.8% in the real indicator, which has been caused by significant growth of the prices on the construction materials. It is worth mentioning that the sector grew by 13.0% YoY in 2021. Unusually high prices on the construction materials were caused by increasing of the prices in the global goods markets and breaking down of the supply chains (one of the effects of the COVID-19 pandemic). External factors have been added by significant devaluation of the local currency, creating additional stress on the construction sector.

Figure 1: Nominal and real growth of the construction sector



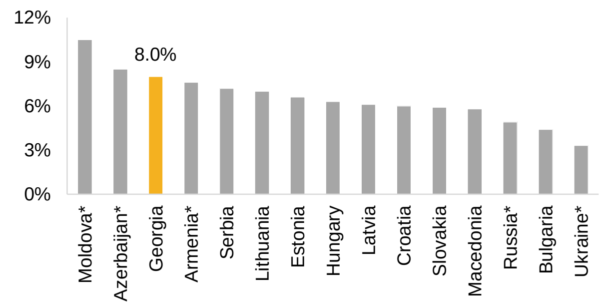
Source: GeoStatSource: GeoStat

Note: Preliminary data, revised data will be released on November 15, 2022

Despite the delays, the construction sector still remains one of the largest sectors of the economy, representing 8.0% of the GDP. It should be mentioned that the share of the Georgian construction sector is the third highest indicator in the economy among 15 countries shown in Figure No. 2. Moldova ranks first with 10.5% GDP and Azerbaijan ranks second with 8.5% share.

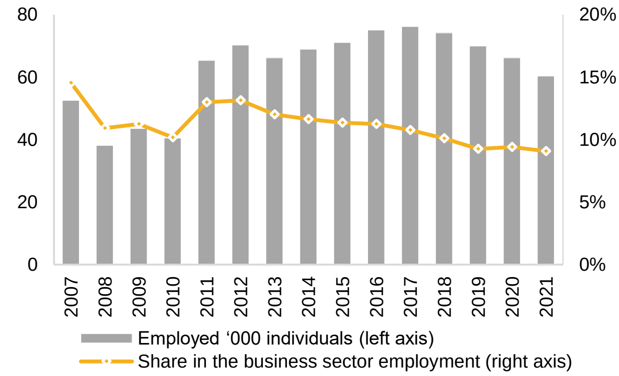
Construction is a quite labour-consuming sector. Many construction companies use short-term contracted manpower. The number of people employed in the construction sector amounted to 60,292 in 2021 (-5% YoY). Generally, the number of people employed in the construction sector is being reduced from the year 2017, which can be explained by emigration of manpower to the EU countries and increased application of technologies. Average monthly salaries of the construction sector has been increased up to GEL 1,972 (+14.3% YoY) in 2021. The similar trend is noticed, generally, also in the business sector, as the average monthly salaries have been increased up to GEL 1,432 (+17.0% წ/წ YoY) in 2021. High inflation, which, as a rule, has impact on salary growth after a certain period, is the reason of fast salary growth.

Figure 2: Share of construction in nominal GDP, 2021



Source: GeoStat, the statistic services of corresponding countries

Figure 3: Employment in the construction sector



Source: GeoStat

Growth of the construction sector depends on the construction of residential complexes, growth of the hospitality industry, construction of HPPs, infrastructure works and BP gas pipeline construction.

Residential Real Estate

The residential real estate sector is the driver of the Georgian economy starting from the middle 2000s. GDP per capita increased by 4.2% in 2011-2021 (average annual growth) which had a positive effect on the purchasing capacity of the population of Georgia. Consequently, rising average incomes and the availability of real estate have led to an increase in demand for residential real estate, especially in Tbilisi and Batumi.

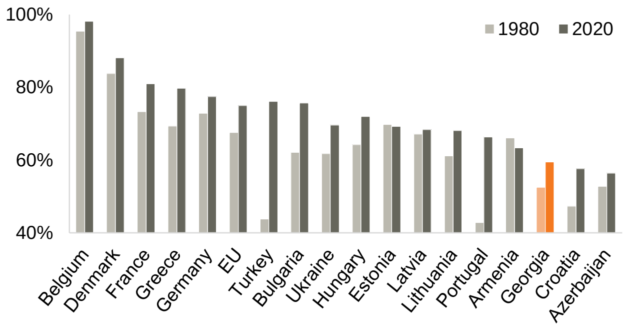
There are several long-term and short-term contributing factors positively affecting demand. The main long-term factors influencing the demand for residential real estate are: increasing urbanization, ownership structure and household size, while the main short-term factors are: the availability of mortgages, demand from immigrants, remittances from Georgian immigrants and the growth of the Airbnb market.

Migration of population from country sides to towns and cities creates additional demand in the residential real estate market. The level of urbanization increased up to 59.5% in 2020, while the same indicator was 55.5% in 2010. Despite the mentioned growth the urbanization indicator significantly lags behind the EU average indicator (75.0%). Urbanization growth is also anticipated in future, caused by migration of the population from the less productive agriculture sector to more productive spheres.

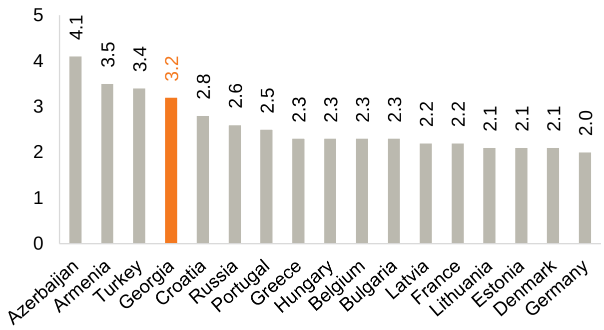
Increasing revenues have positive impact on the wish to live independently. Georgians used to live in extended families, though the youth has begun separating from families recently. As a result of the same trend the demand on apartments has also increased in the European countries. The average size of a household was reduced down to 3.2 people in 2020, while this indicator was 3.8 in 2002. The mentioned indicator sharply lags behind the EU average, which was 2.3 in 2020.

Figure 4: Urbanization in comparable countries

Figure 5: Household size in comparable countries, 2020



Source: World Bank, GeoStat



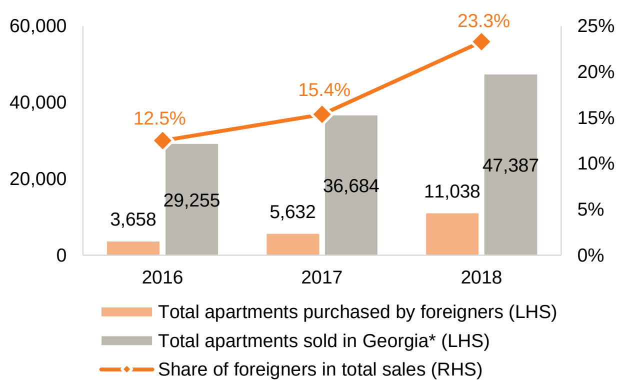
Source: EuroStat, GeoStat, statistics offices of the corresponding countries

The ownership structure in Georgia, compared to the EU, is very different. The indicator of dwelling ownership in Georgia is 92% (source – General Census of Population, 2014) and it is 69% in the EU (source – EuroStat). Sharp difference can be explained by differing average revenues in Georgia and the EU. The countries with high welfare level have lower indicator of ownership, as many people live in rented apartments. The trend of living in rented apartments is increasing together with increasing of the average national income.

Tourism migration and investment capacities are one of the most important drivers of the demand, though all of them turned out to be at great risk due to the pandemic. The touristic flows were generating a significant demand in the real estate, retail trading and entertainment industries. However, due to the established global traveling restrictions, the demand significantly decreased from 2020 including the first part of the year 2021. Despite the above mentioned, the tourism sector began fast restoration from the second part of the year 2021, thus creating important support for the real estate market.

The residential real estate fund is quite obsolete and needs replacement. The major part of the residential real estate fund was built in 1961-1990 and only 30% of Tbilisi apartment fund is built after the year 1991. The "Khrushchovkas" are good example of the projects to be replaced, as there are about 500 buildings of that type in Tbilisi and, approximately, 30 households are residing in each of them. The largest part of the "Khrushchovkas" are located in Saburtalo, Digomi and Varketili.

Figure 6: Real estate purchased by foreigners

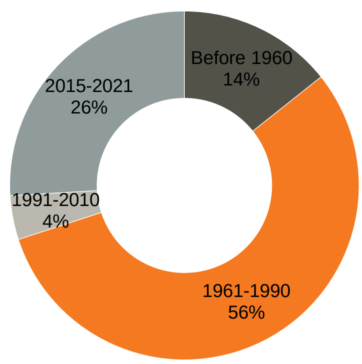


Source: Public Registry, Galt & Taggart, Migration Profile 2019

Comment 1: Includes sales in Tbilisi, Batumi, Bakuriani and Gudauri

Comment 2: Migration Profile is published once per 2 years

Figure 7: Real estate residential fund in Tbilisi



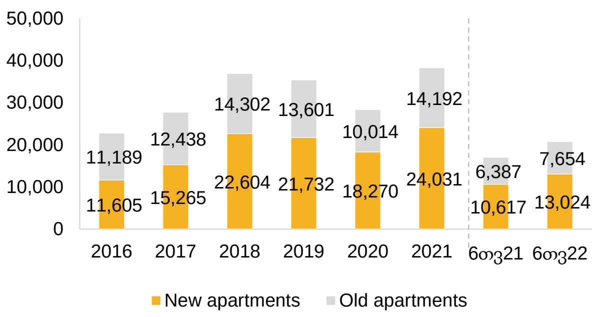
Source: GeoStat, Galt & Taggart

After the record sales growth of the year 2018, apartment sales decreased in 2019 – volume of the apartment sales in 2018 reached 36, 906 units and it decreased down to 35,333 in 2019. The real estate market suffered great damage as a result of COVID-19 in the first part of the year 2020. The great impact on the demand has worsened economic prospects, accompanied by uncertainty. Within the framework of the scheme, the state subsidized 4 percentage points of the interest rate on mortgage loans denominated in GEL taken in 2020 and the the sales were, relatively, restored during the year 2020. Eventually, the sales decreased by 20.0% YoY in 2020.

Notwithstanding the COVID-19 pandemic, currency fluctuation and uncertainty, the real estate sales were at their record highs in 2021, it increased by 35.1% YoY and 8.2% compared to the year 2019. The volume of the sold area was also increasing. The total volume of the area sold in Tbilisi equaled 2.5 mln sq. m, which was by 34.8% YoY and more than5.8% compared to the year 2019. As of the 6th month of 2022, compared to the same period of the previous year, the area of sold apartments increased by 23% and the number of sold apartments increased by 22%.

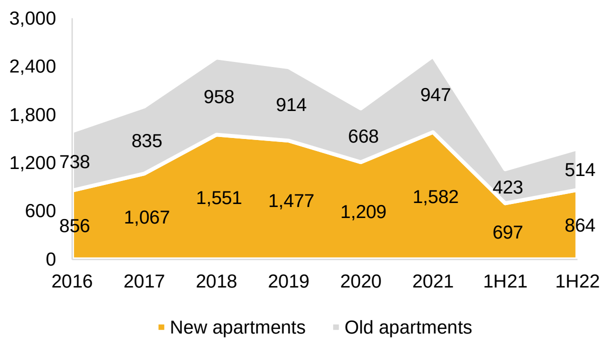
It should be mentioned that growth of the sold area (+5.8%) was less than the number of the sold apartment (+8.2%) in 2021 compared to the year 2019, which showed minor reduction of the average area of apartments. The average area of apartments was 66 sq. m in 2021 compared to 68 sq. m in the year 2019.

Figure 8: Sales of apartments in Tbilisi, quantity



Source: Public Registry, Galt & Taggart

Figure 9: Sales of apartments in Tbilisi, sq. m

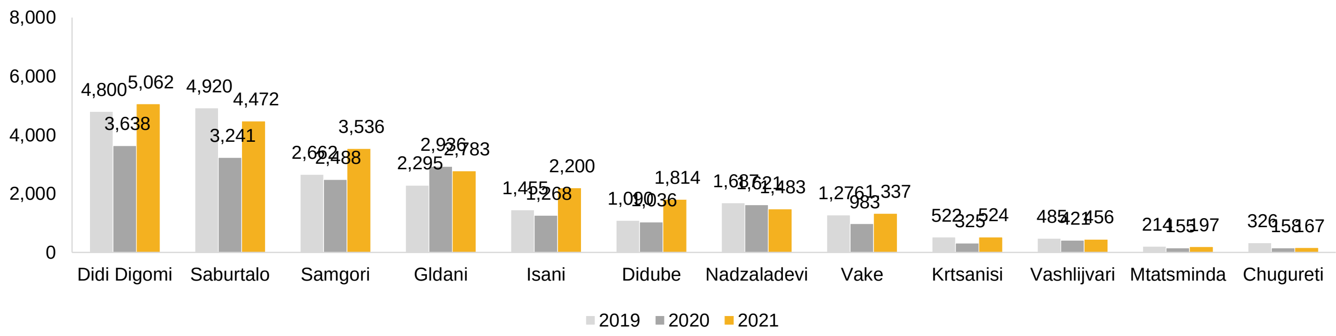


Source: Public Registry, Galt & Taggart

The demand on the affordable suburban apartments has been increased and represents more than the half of the sales. Due to the affordability, credit regulations and restriction of construction in the central districts of Tbilisi, sales of residential apartments in suburbs will be increased even more. Despite the fact that the suburban customer base is the most elastic and sensitive in regard to fluctuations, the suburbs kept dominating in the sales in 2021. The share of Digomi, Samgori and Gldani represented 47%, which was almost the half of the sales of new apartments in the year 2021.

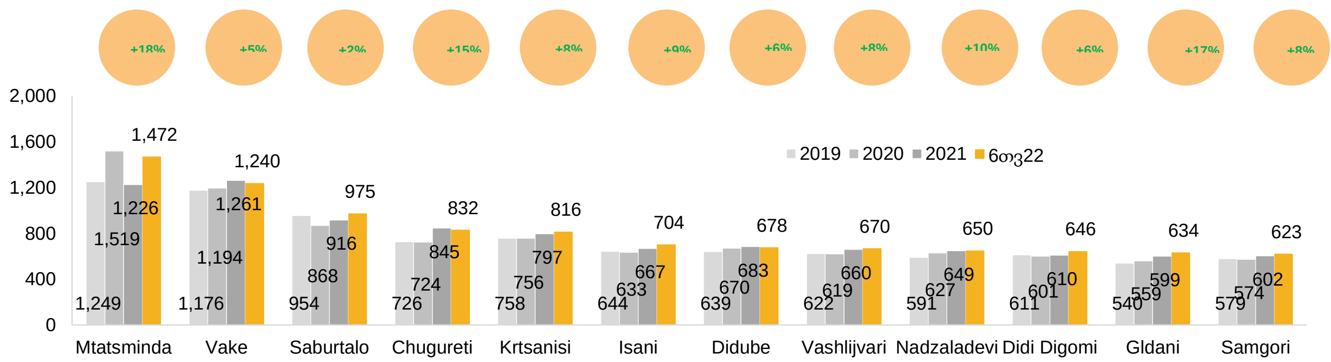
The prices of the apartments have been increased in almost all districts. Compared to 2019 Mtatsminda is the most expensive district (US$ 1,472 per 1 m^2), then comes Vake (US$ 1,240) and Saburtalo (US$ 975). The districts with the highest sales, generally, are the cheapest from the point of view of the price per sq. m. Particularly, in Gldani, Samgori and Didi Digomi the price of a sq. m equals, respectively, US$ 634, US$ 623 and US$ 646. The prices of the real estate started increasing in the recent months, which, presumably, will continue due to the construction regulations (Resolution No. 41) and increasing of the cost of construction materials.

Figure 10: Sales of new apartments according to the districts in Tbilisi, quantity



Source: Public Registry, Galt & Taggart

Figure 11: Prices of new apartments according to the districts in Tbilisi, US$/ sq. m

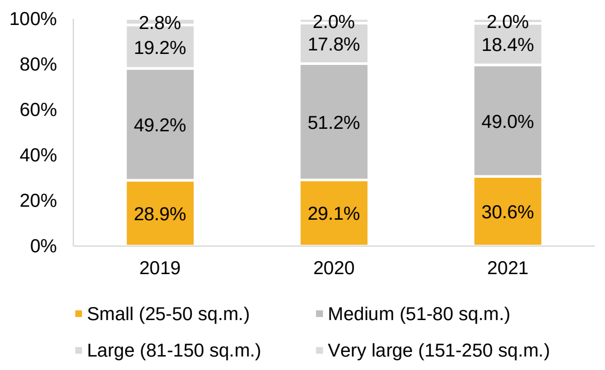


Source: Public Registry, Galt & Taggart

Medium size apartments (51-80 m^2) are the most popular among customers. Such apartments represented 49.0% of total sales in 2021. It should be noted that, due to high liquidity, the share of small apartments (25-50 m^2) were slightly increased from 29.1% to 30.6% in 2021 compared to 2019 and the number of large (81-150 m^2) and very large (151-250 m^2) apartments were reduced.

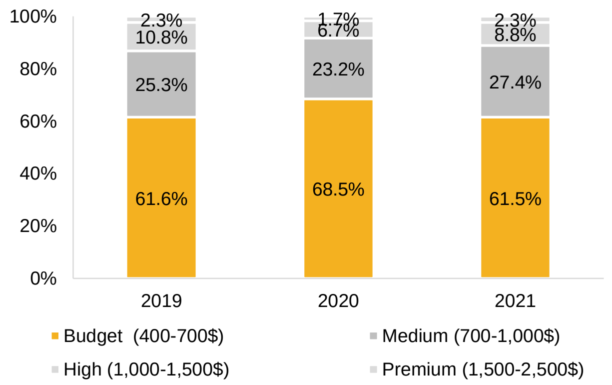
The low-price segment is the most required, which means that the families with low and medium incomes are determining the demand on apartments in the market and, generally, are buying them in suburbs (Gldani, Samgori, Didi Digomi). 61.5% of the total number of the sold apartments accounted for the budget segment and the premium segment accounted for 8.8% of the total number in 2021 (10.8% in 2019). The share of medium size apartments was increased up to 27.4% from 23.2% in 2020-2021, which reflected increasing of medium prices in the real estate market.

Figure 12: Sales of apartments according to sizes in Tbilisi, quantity



Source: Public Registry, Galt & Taggart

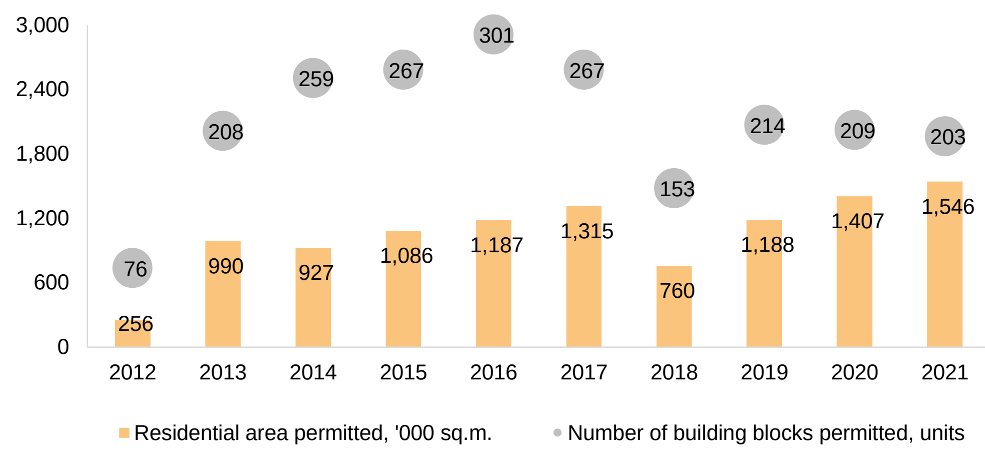
Figure 13: Sales of apartments according to segments in Tbilisi, quantity



Source: Public Registry, Galt & Taggart

The volume of permitted residential areas reached its peak in 2021. In 2021, 203 permits were issued, the total residential area (saleable area) was a record high - 1.5 million sq.m. The number of permits is constantly decreasing, while the average size of building blocks is increasing - the average sale area increased by 1.9 times per permit in 2016-2021.

Figure 14: Issuance of residence permit in Tbilisi (sales area)

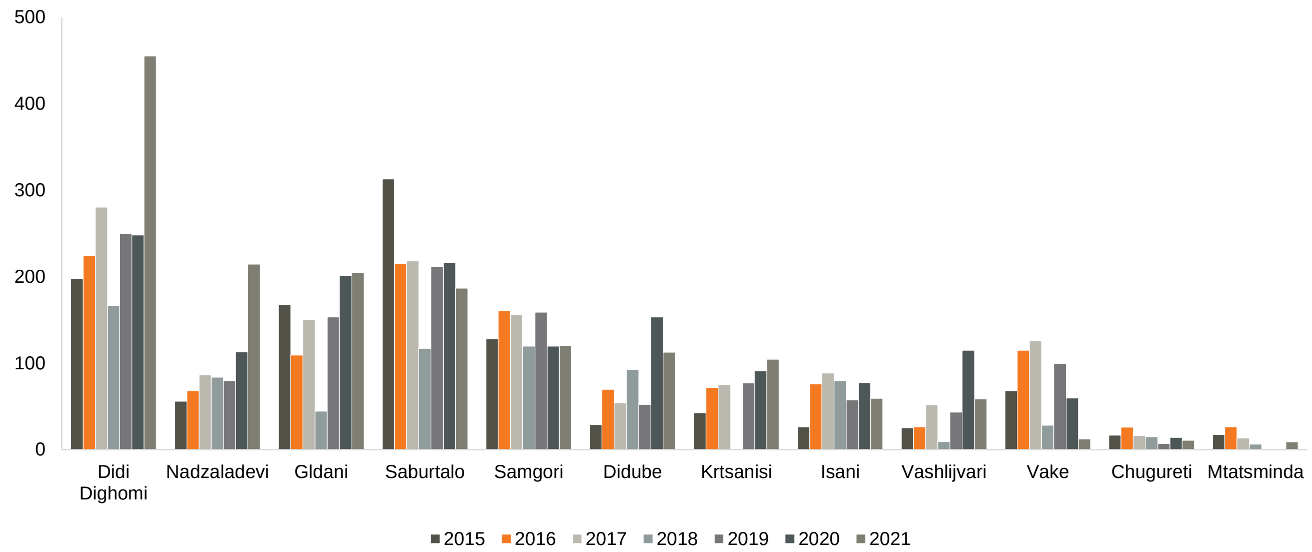


Source: Public Register, Galt & Taggart

Almost a third of the permitted sales area is occupied by Didi Digomi, and another residential area that recently became active on the market is Nadzaladevi, where several large-scale projects were launched in 2021 - mainly around Kikvidze Park and Ksani/Guramishvili street intersections.

As for Saburtalo, the number of permitted areas has slightly decreased - more than 80% of the issued permits are occupied by Jikia and Nutsubidze/Lisi zones.

Figure 15: Issuance of residence permit by area, "000 sq.m.



Source: Public Register, Galt & Taggart

Hospitality Sector Overview

The Georgian tourism sector was developing very quickly before the pandemic, which was the result of the visa free regime with more than 100 countries, rich culture, improved service and Government support (starting form 2016, tourism is one of the basic components of the four-item reform plan). Sea resorts, medical and recreation resorts, winter skiing destinations, four-season resorts, wine tourism, cultural sightseeing and gambling business were transforming Georgia into the crucial sector of the sphere.

The world has already discovered Georgia as a popular tourist direction, as the number of tourists was significantly exceeding the population of the country, being 3.7 mln. In 2003-2019 tourist revenues never decreased in Georgia (even in 2009 and 2015) till 2020, unlike the comparable countries. The global financial crisis of the year 2009 and reduction of the goods prices of the year 2015 significantly reduced the tourism revenues in the comparable countries, while the tourism revenues in Georgia, during the recent 15 years, were permanently rising. The tourism sector turned out to face great challenges in 2020, when due to the pandemics the number of tourists sharply decreased and the revenues gained from tourism were also reduced.

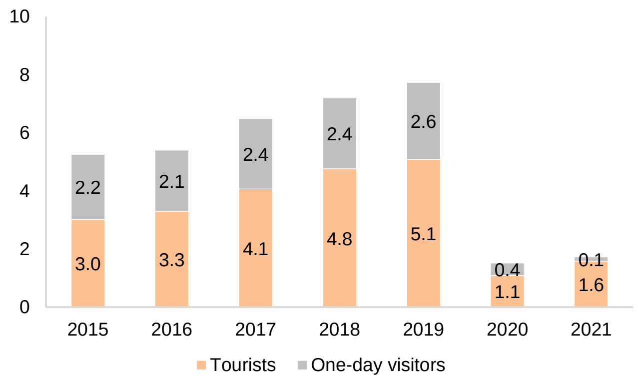
Since the beginning of the pandemic, the tourism sector has faced unprecedented challenges due to the closure of borders and the almost complete suspension of international traffic. As a result, the Georgian tourism industry incurred significant losses: the number of international visits in 2020 was reduced by 80.4% (source: National Tourism Administration) and the revenues from tourism were decreased by 83.4%. As a result, tens of thousands of jobs in the tourism sector and thousands of companies, despite the support package offered to them by the State, turned out to be at risk. It should be noted that the tourism sector will face challenges even in the post-pandemic period, because the recovery and return to the 2019 figures cannot happen at once, and the full recovery of the industry will take several years.

According to the information of the National Tourism Administration, the number of international visitors (tourists and one-day visitors) increased, in average, by 14.0% in 2011-2019 and reached 7.7 mln in the year 2019. As a result, the tourism revenues were also increased, in average, by 16.6% in 2011-2019 and in the year 2019 Georgia gained US$ 3.3 bln from tourism (+1.4% YoY).

And in 2020, the number of visitors from all countries was drastically decreased. The number of international visits was reduced by 80.4% YoY in 2020; their number was reduced from all basic countries: the number of visitors from Azerbaijan was decreased by 80.7%, from Turkey – by 71.0%, from Armenia – by 80.9%, from Russia – by 85.8%, on the part of non-resident citizens of Georgia – by 71.3% and by 84.1% from other countries. In 2020 there was reduced the number of both tourists and one-day visitors, respectively, by 78.6% YoY and 83.9% YoY.

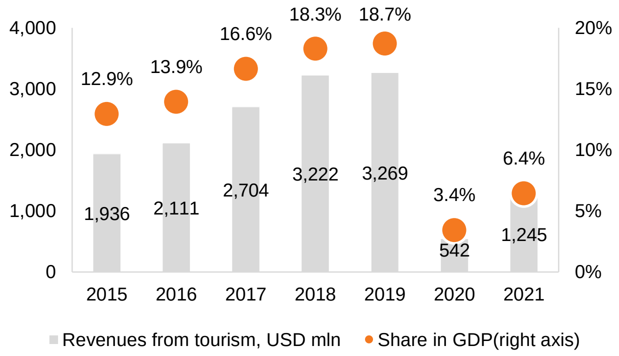
The tourism sector started restoring in the second half of the year 2021, when the borders were partially opened with several countries, causing gradual revival of the sector. However, the scale of revival of the sector was significantly small compared to the year 2019. The international visitors accounted for 1.7 mln in 2021 and the corresponding revenue equalled US$ 1.3 bln, constituting, respectively, 22.3% and 38.0% of the indicators of the year 2019.

Figure 1: Number of international visitors, mln people



Source: Tourism National Administration

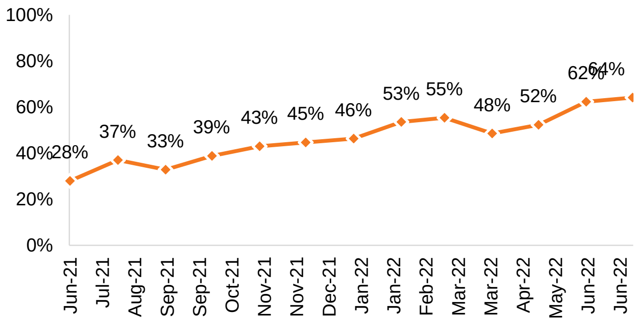
Figure 2: Revenues from tourism



Source: National Bank

The dynamics of restoration improved in 2022, notwithstanding the sensitive geopolitical situation and the related risks. In the first half of 2022 Georgia hosted 1.4 mln international visitors, which was 210.2% growth and 44.6% of the level of 2019. The mentioned growth, basically, was caused by increasing of the number of tourists, which accounted for 56.8% of the level of 2019. The number of one-day visitors is still low and equals 20.9% of the level of 2019 in the first half of 2022, stipulated by the border regulations still functioning against the neighbouring countries. Most tourists have arrived from Turkey (18.2% of their total number), then come Russia (17.2%) and Armenia (13.2%). It should be mentioned that the number of tourists from Israel, Kazakhstan, Belorussia, Saudi Arabia and Uzbekistan exceeded the level of 2019.

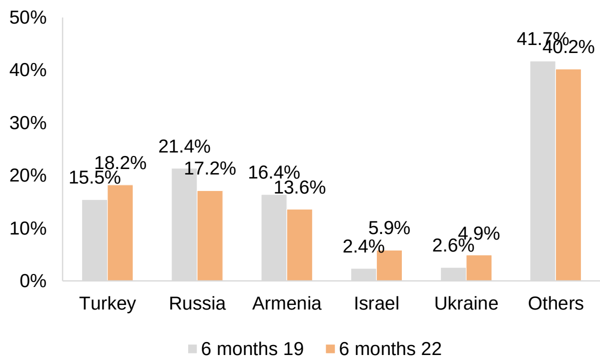
Figure 3: Restoration of tourist visits compared to 2019



Source: National Tourism Administration

Comment: The tourist visits involve the people, leaving Georgia in the reporting month and do not involve migrants.

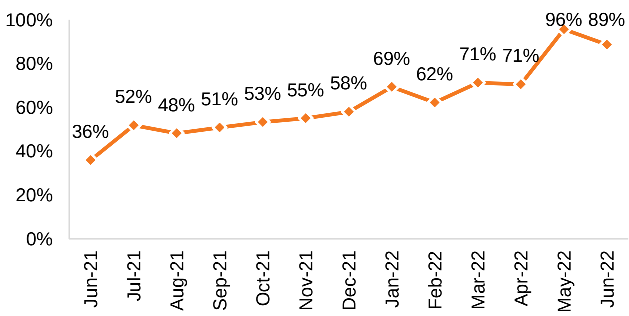
Figure 4: Visitors from top-5 countries, share in their total number (by amount)



Source: National Tourism Administration

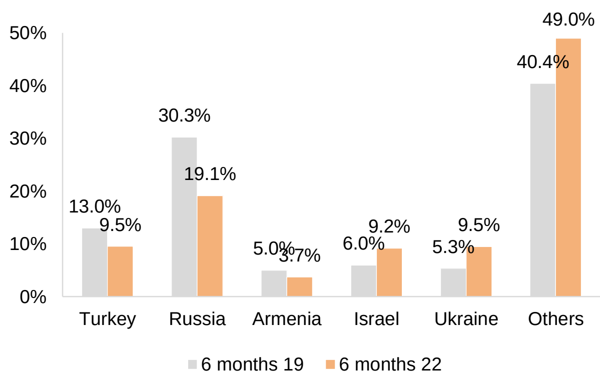
Together with the international visitors, the revenues from tourism have also increased. The mentioned revenue has accounted for US$ 1.1 bln (+281.3% YoY and 78.5% of the level of 2019) in six months of 2022. It should be noted that the tourist revenues also involve the expenses made by migrants (from Russia, Belorussia, Ukraine). According to our estimations, 80,000-120,000 visitors are staying in Georgia for longer period, than common tourists. The biggest income has been generated from Russia (19.1% of the total), then come Belorussia (10.7%), EU countries (10.6%), Turkey (9.5%) and Ukraine (9.5%).

Figure 5: Restoration of tourism revenues compared to 2019



Source: National Tourism Administration
Comment: The data involve the migrants' (Russia, Belorussia, Ukraine) expenses from March, 2022

Figure 6: Visitors from top-5 countries, their share in total number of visitors (by revenue)

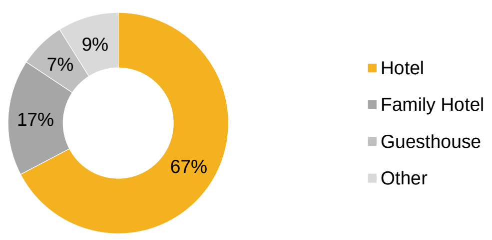


Source: National Tourism Administration

The majority of the rooms in accommodation facilities belongs to hotels (32,293 rooms or 67.3% of their total number). The other forms of accommodation facilities include: family hotels (8,151 rooms or 17.0% of their total number), guest houses (3,246 rooms or 6.8% of their total number) and other forms (4,280 rooms or 8.9% of their total number).

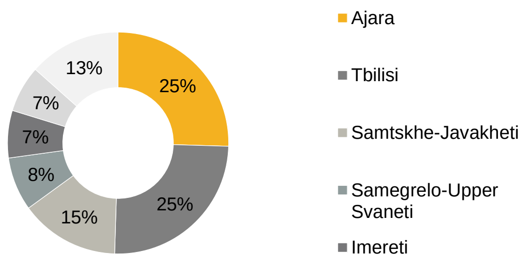
Tbilisi and Adjara have recently become the most active locations for investing in accommodation facilities. Adjara region has the largest share in the rooms of the accommodation facilities (25.5% of their total number), then comes Tbilisi (25.0% of their total number). Great number of rooms in accommodation facilities is also in Smatskhe-Javakheti (14.5% of their total number).

Figure 7: Rooms of accommodation facilities according to the types



Source: National Tourism Administration

Figure 8: Rooms of accommodation facilities according to the regions



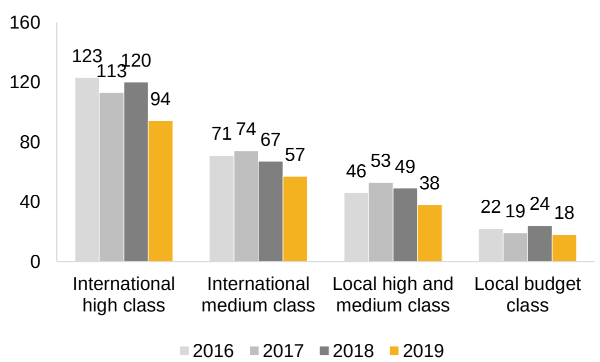
Source: National Tourism Administration

The international brand hotels are dominating in the hotel market. At the moment, 37 international brand hotels are functioning in Georgia, with 4,784 rooms in total, the largest part of which is located in Tbilisi and Batumi. The number of international brand hotels will be increased as opening of more 38 hotels (with 5,786 rooms in total) is planned till 2025-2026.

After intensification of competition in Tbilisi, the investors partially directed their attention to development of regional hotels. Nevertheless, the most part of the hotels will still be in Tbilisi by 2024. Construction of 17 hotels out of 38 ones is planned in Tbilisi (2,733 rooms), while construction of 8 hotels is planned in Batumi (1,497 rooms) and the remaining 13 hotels will be built in other regions of Georgia (1,556 rooms).

The hotels located in Tbilisi had to adjust the prices in recent years due to the increased competition, though they maintained high occupancy rate on the background of increased tourist flows. The year 2019 was an exception, when due the sanctions established on flights by Russia the average occupancy rate decreased down to 60-62% in various types of hotels. On the background of the decreased prices naturally decreased RevPar (revenues per room) during 2015-2019.

Figure 9: Revenues per room (RevPar) in Tbilisi, US$



Source: Colliers International
Comment: VAT excluding

Description of important events of the Issuer’s business development

2006	• The company was founded by JSC Bank of Georgia.
2010	• The pilot project was commenced on Chubinashvili street.
2012-2016	• US$ 45 mln was attracted from IFIs - FMO, IFC and GGF for development of residential real estate and hotels.
2014	• The first corporate (non-financial institutions) public bonds were issued in Georgia; the IFC loan was covered.
2015	• The agreement on opening of the Ramada Encore Hotes was signed with Wyndham.
2016	• The franchising platform was implemented in order to develop the third party's land plots and develop the commission earning business.
2017	•The company bought BK Construction and, as a result, the company added the construction management direction.
2018	• Demerger between JSC Bank of Georgia (BGEO) and JSC Georgia Capital, future company shareholders. • Issuer entered the hospitality business segment and throughout Georgia purchased 12 hotel assets, being on different stage.
2019	• In February, 2019, the commercial real estate business line successfully carried out full placement of US$ 30 mln worth bonds issued in December, 2018. • The mentioned bonds were admitted for trading on the Stock Exchange of Georgia.
2021	• Strategy update - disposal of hospitality and commercial busines lines and focusing on residential real estate development • 97% of the commercial assets portfolio was sold (worth of US$ 45 mln). •Eventually GRE left the construction business and sold the subsidiary company BK Construction, 50% of which was sold in 2020.
2022	•US$ 10 mln debt from ADB for ‘Sveti’ projects. •Conversion US$ 31 mln parent debt into equity by Georgia capital.

Strategy and Objectives

From 2020, GRE turned to asset-light business model, as did its parent company Georgia Capital. In the light of this strategic change, the Company has already sold its subsidiaries operating in the construction business – JSC New Development and BK Construction LLC – and majority of commercial real estate portfolio, while disposal of hospitality business line is ongoing.

In 2021, the Company already sold US$ 45 mln worth commercial real estate assets, only land plots of US$ 15 mln remain for sale. The process of sale the hospitality assets is in ongoing in the Company. As of June 2022, Shovi, Mestia and Kakheti hotels (land plots) have been sold for a total value of US$ 2.25 million. As of June 2022, the total book value of the hospitality assets was US$ 53 mln. (the total book value of investment portfolio, including other land plots equals to US$ 67 million).

To support the deleveraging strategy adopted by GRE, the US$ 31 mln parent loan was also converted into the equity.

The Company has already acquired the permits and from October 2022 is planning to commence sale of m^3 Saburtalo IV phase (while the V-VI phase permits are expected to be obtained by the end of 2022). Completion of the construction is intended in June, 2025. In total, the project's net saleable area is 66,916 sq. m. or 935 apartments.

The Company is also working on the Mtatsminda Park project, which will be the first "franchise project" of the Company. The project's net saleable area will be 21,000 sq. m. or 233 apartments. Commencement of the construction is planned in the first quarter of 2023 and it will be completed at the end of 2024.

Additionally, development of 5 other land plots under franchise model is under negotiation. Their total area equals c. 70,000 sq. m. and it is expected that the net saleable area will be approximately 125,000 sq. m or 1,300 apartments, together with c. 1,000 parking lots.

Issuer's construction permits

As it currently stands, GRE operates in the residential and hospitality real estate development lines. Both of which are significantly dependent on obtaining construction permits on time.

In this regard, the issuer has more than 10 years of experience and receives the majority of construction permits within the planned period.

In the current residential real estate development projects, construction permits have been obtained for all blocks and construction is underway. All hotel facilities as well have active permits, however, due to strategic changes, construction has been suspended and asset sales are in progress.

The group is constantly working both in terms of obtaining construction permits for new projects and extensions for hotels.

The group obtained the construction permit for the Phase IV of the m^3 Saburtalo project in August in the shortest possible time (6 months), and is currently working on obtaining construction permits for the Phases V-VI, which management expects to be obtained by the end of 2022.

In addition, GRE is actively working on obtaining a construction permit for new residential project, m^2 near Mtatsminda Park. It is currently in the process of changing the development regulation plan, which is expected to be completed in September 2022, and the group expects to receive a building permit by the end of the year.

As for the hotel assets, the construction permits of Kutaisi and Mestia will expire in 2023, and the work to extend them is planned to start in the near future.

The group is also considering other new projects in the direction of residential real estate, although the process of obtaining permits in this regard has not started, as the negotiation on commercial terms with third parties is in progress.

Investments

Georgia Real Estate primarily invested in hotels every year. In 2020, the Company's total investment equaled GEL 35,718 thousand, while in December 2021 the same figure was GEL 6,009, which constitutes to 83% reduction. As for June 30 2022, the total investment equaled GEL 2,606 thousand, about 63% of which accounts for Melikishvili hotel. In addition, the company is constantly trying to invest free funds on attractive terms, which is why in 2021 the company invested the funds received from the sale of commercial assets in the debt securities of one of the banks in the amount of 15 million US$, which was repaid duly at the end of 2021.

Real Estate	Dec. 31, 2020	Dec. 31, 2021	June 30, 2022
Capital expenditure on the investment property	**(34,589)**	**(5,013)**	**(2,606)**
Melikishvili	(10,607)	(1,563)	(1,649)
Kutaisi	(3,495)	(149)	(89)
Zugdidi	(765)	(226)	(221)
Campinsk	(4,553)	(651)	(454)
Gudauri Launge	(4,383)	(711)	(3)
Svaneti Mestia	(309)	-	(96)
Telavi	(2,890)	(757)	-
Shovi	(256)	(37)	-
Kakheti Wine and Spa	(3,898)	(133)	(22)
Svaneti 'Sveti'	(762)	(198)	(65)
Oni	(24)	(15)	-
Commercial assets	(2,496)	(573)	(7)
Ramada Encore Kazbegi	(151)	-	-
Investment property procurement - Mtskheta (2020) / Other (2021)	**(1,129)**	**(997)**	**-**
Total investments	**(35,718)**	**(6,009)**	**(2,606)**

Competitive Positioning in the Market

The Issuer is one of the largest Real Estate developers in Georgia. The biggest part of the company constructions represent the projects of residential buildings of various price categories including low, medium and premium. The residential real estate market is characterized by hundreds of players, though none of them has the dominant position in the market. The Issuer has competitors in all of the abovementioned segments. The following are the major real estate developers, which implement large projects: Archi, Axis, Domus Development, etc.

	2020	2020	2020	2020
Basic indicators '000 GEL	GRE*	Archi	Axis	Domus Development
Profit-Loss				
Revenue	83,281	14,563	8,041	21,292
EBITDA	3,870	1,296	2,285	260
EBITDA margin	4.65%	8.90%	28.41%	1.22%
Balance Statement				
Total asset	273,973	22,410	54,792	83,553
Total liabilities	258,957	25,958	50,272	89,116
Total capital	15,016	(3,548)	4,520	(5,563)
Total loans	37,911	10,035	9,722	12,710

Ratios				
Loans/EBITDA	9.80	7.74	4.26	48.88
Loans/Total assets	0.14	0.45	0.18	0.15
Return on assets	-6%	3%	1%	-3%
Return on capital	-266%	-19%	23%	54%

**The table shows the financial data related to the GRE residential construction development segment.*

Source: SARAS, “Reportal“

Operational and Financial Overview

This subsection summarizes the company's key financial indicators, which are based on the issuer's audited IFRS financial statements for 2021 and 2020, and semi-annual IFRS financial statements as of 6 months of 2022 and 2021.

In 2021, several significant changes took place in the company, which affected the operational and financial condition of the company.

One of the most important of these events is the strategic change, which included the transition to an asset-light approach, the beginning of the exit from the commercial and hotel businesses. These changes are described in detail in the main subsection - *Principal Activities*.

It should be noted that the 2021 results were also greatly influenced by the change in the approach to revenue recognition. In particular the management changed the total budget estimate of current projects in the light of significantly increased construction costs and as a result, the rate of project completion decreased (incurred costs remained unchanged, but the total budgeted increased, which reduced construction progress %), this change led to the recognition of lower revenue and higher cost in the statement of profit and loss.

There were also a change in the company's management team in 2021. The key management personell is given in the subsection *Governing Body and Management.*

Company has received unqualified opinion on all of its audited annual reports – the basis for the preparation of the report and additional details are indicated accordingly in the attached report.

Financial position

Consolidated balance sheet (000' GEL)	**30-June-2022**	**31-Dec-2021**	**31- Dec -2020**	**31- Dec -2019**
	Unaudited	**Audited**	**Audited**	**Audited**
Assets				
Non-current assets				
Investment property	104,775	133,282	289,628	225,498
Investment property under construction	85,510	108,040	107,624	174,587
Inventory property	129,180	136,917	110,341	81,496
Non-current contract assets with customers	34,361	26,740	13,882	5,545
Time deposits with credit institutions	36,956	45,949	30,803	-
Other non-current assets	12,871	14,963	58,904	72,512
Total non-current assets	**403,653**	**465,891**	**611,182**	**559,638**
Current assets				
Cash at bank	21,698	23,209	18,834	31,348
Prepayments and other assets	39,396	26,419	22,204	22,359
Other current assets	19,904	22,547	41,525	35,151
Total current assets	**80,998**	**72,175**	**82,563**	**88,858**
Total assets	**484,651**	**538,066**	**693,745**	**648,496**
Equity				
Share capital	96,216	6,027	5,997	
Share premium	168,227	167,228	161,209	158,939
Revaluation and other reserves	5,200	5,200	6,974	10,533
Retained earnings (accumulated loss)	(187,627)	(140,444)	(100,811)	53,652
Total shareholders' equity	**82,016**	**38,011**	**73,399**	**229,121**
Minority shareholders	-	374	679	
Total equity	**82,016**	**38,011**	**73,773**	**229,800**
Non-current liabilities				
Loans received	70,229	143,958	177,037	75,583
Debt securities issued	-	107,381	185,888	
Deferred revenues	136,811	129,435	96,808	15,524

Other non-current liabilities	18,753	21,399	258	1,406
Total non-current liabilities	**225,793**	**294,792**	**381,484**	**278,401**
Current liabilities				
Long-term loans received Short-term share of loan	44,763	61,954	61,234	110,674
Debt securities issued	104,170	110,006	106,598	696
Trade and other payables	13,945	11,385	30,593	11,020
Deferred revenue	3,901	12,630	21,115	4,726
Other current liabilities	10,063	9,288	18,948	13,179
Total current liabilities	**176,842**	**205,263**	**238,488**	**140,295**
Total liabilities	**402,635**	**500,055**	**619,972**	**418,696**
Total equity and liabilities	**484,651**	**538,066**	**693,745**	**648,496**

Total assets

Total assets of the Company amounted to GEL 484,651 thousand as of 30 June 2022 - a decrease of 10%, compared to 31 December 2021 (31/12/2021: GEL 538,066 thousand). The change from 31 December 2021 was mainly caused by the decrease in investment property, investment property under construction, inventory property and time deposits with credit institutions, due to changes in companys structure (disposal of assets, etc.). Current and long-term assets represent 17% and 83% respectively of total assets as of 30 June 2022 (31/12/21: 13% and 87%).

Investment property

Investment property consists of buildings held for the purpose of earning rental income and land plots held for a currently undetermined future use or with a view of future redevelopment as investment property.

Investment property is property that is not used for sale in the ordinary course of business. The main purpose of their ownership is to obtain lease income, capital appreciation or future development, until the exact purpose of their exploitation is known.

Investment property is initially valued at cost. Subsequent to initial recognition, the investment property is carried at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss for the year in which they arise. The investment property was appraised by “Colliers International Georgia” as of October 31, 2021.

The company has fully insured the investment property it owns, including hotels and commercial properties. Insurance coverage includes compensation for damage caused by an explosion or fire, compensation for damage caused by any type of natural calamity or natural disaster, compensation for damage caused by collision/crash of land or air transport, damage caused intentionally by a third party, including theft or intrusion.

In 2020, the investment property increased by 28% from GEL 225,498 thousand to GEL 289,628 thousand. The main reasons of increase were the commissioning of Gudauri hotel which led to reclassifying GEL 38,167 thousand from investment property under construction into investment property, and to reclassifying GEL 32,702 thousand worth land from inventory property into investment property. The latter was caused by the suspension of a development project on that land.

In 2021, the balance of investment property decreased by 54%, from GEL 289,628 thousand to GEL 133,282 thousand. During the year, the Company successfully sold commercial assets with the total value of GEL 134,794 thousand. That disposal was in line with the Company's new strategy to exit the business of commercial asset management. The disposal was carried out at 11.3% premium to fair value of the assets. In addition, GEL 25,096 thousand worth vacant land was reclassified into inventory property for the aim of construction project development.

As of 30 June 2022, the total investment property decreased by 21% compared to 31 December 2021 and amounted to GEL 104,775 thousand (31/12/2021: 133,282 thousand). The reason of the decrease was the recognition of GEL 33,793 thousand revaluation loss resulting from property revaluation in 2022 (for additional information on revaluation, see the subchapter "Operational Results").

Investment property components	**30 June 2022**	**31 December 2021**	**31 December 2020**	**31 December 2019**
Yielding assets	3,734	4,340	124,889	134,794
Hotel	61,507	76,983	75,869	47,168
Vacant lands	39,446	51,343	85,768	39,423
Other investment property	88	616	3,102	4,113
Total investment property:	**104,775**	**133,282**	**289,628**	**225,498**

Investment property under construction:

Investment property under construction is the property that is under construction and which has not yet been commissioned as an investment property.

Investment property under construction is initially valued at cost. Subsequent to initial recognition, investment property under construction is carried at fair (market) value. Gains or losses arising from changes in fair value are recognized in profit or loss for the year in which they arise. Investment property under construction was valued by "Colliers International Georgia" as of 31 December 2021.

As investment properties, the company has fully insured investment properties under construction and under identical terms to that of Investment Property.

In 2020, GEL 39,275 thousand worth of land was reclassified from investment property under construction to the investment property. In addition, the Company made GEL 33,388 thousand capital and other expenditures on hotels and recognized GEL 83,181 thousand revaluation loss. All that resulted in the decrease of total investment property under construction by around 38% as of 31 December 2020, compared to 31 December 2019.

As of 31 December 2021, the total value of investment property under construction remained practically unchanged, showing just 0.39% increase.

Almost 18% of total assets of the Group accounts for investment property under construction which, as at 30 June 2022, decreased by around 21% since 31 December 2021 and comprised GEL 85,510 thousand (31/12/2021: GE: 108,040 thousand). The main cause of the decrease was the GEL 17,428 thousand revaluation loss which was recognized in the first half of 2022 (for additional information on revaluation see the subchapter "Operational Results"). Investment property under construction mainly consists of hotels under construction.

Components of investment property under construction	30 June 2022	31 December 2021	31 December 2020	31 December 2019
Yielding assets under construction	4,379	1,642	-	88
Hotel	81,131	106,398	107,624	174,499
Total investment property under construction:	**85,510**	**108,040**	**107,624**	**174,587**

Appraisal and revaluation of investment property and investment property under construction

The company's investment property is appraised annually by an external valuator "Colliers International Georgia".

In addition, due to the asset disposal strategy, the group's management reviews the valuation of its investment portfolio and mainly reduces the book value compared to the fair values determined by Colliers International, which reflects the conservative approach of the company's management. In total, the value of the portfolio has been reduced by approximately ₾150 million from 2019 to the end of the first half of 2022 (mainly due to revaluation of hotels in light of COVID-19 pandemic), which reflects the current market value of the assets in the view of the management.

Internal checks/estimates are based on several key metrics (among other factors), including discounted cash flow estimates prepared by management's for all assets. Management's valuation takes into account market research, market prices and its own market activity in terms of disposal investment properties.

As of December 31 2021 NBV of investment property and investment property under construction was 7% less than the appraised fair value. The same difference amounted to 17% as at 30 June 2022 (NBV as of 30 June 2022 vs. FV as at 31 December 2021).

Inventory property

Inventory property represents property owned for sale in the ordinary course of business, rather than for rent. It mainly consists of residential apartments and commercial areas in residential complexes that are developed by the Group and are intended for sale before or after construction is completed; it is recognized at the lower of cost and net realizable value. Cost includes:

- Cost of land; when land is reclassified from investment property, with its fair value as of reclassification date regarded as its cost;
- Amounts payable for the construction materials, including cost of subcontractors and direct labor costs;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, insurance expenses, construction overheads, administrative overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, accounting for the time value of money (if material), less costs to completion and the estimated costs of sale.

As of 31 August 2022, the group has successfully completed 11 projects (with total 2,872 apartments developed) and has four on-going projects: “m^3 Saburtalo,” “m^2 on Nutsubidze,” “m^2 on Mirtskhulava,” and “m^2 on Chkondideli”.

Inventory property is split between current inventory and non-current inventory. Current inventory portfolio consists of residential properties which are completed and are available for immediate sale.

Current inventory non-current inventory portfolio consists of following components:

Amounts in '000 GEL

Project:	30-June-22	31-Dec-21	31-Dec-20
m^3 Saburtalo Phase II	10,732	11,316	13,846
m^3 Saburtalo Phase III	59,879	59,835	39,480
'Sveti'	58,569	65,766	57,015
Non-current inventory property	**129,180**	**136,917**	**110,341**

Project:	30-ივნ-22	31-დეკ-21	31-დეკ-20
m^3 Saburtalo Phase I	1,365	1,179	703
New Hippodrome	5,515	5,659	7,233
Other	638	271	253
Current inventory property	**7,518**	**7,109**	**15,784**
Current inventory:	**136,698**	**144,026**	**126,125**

Property and equipment

Property and equipment consist of owner-occupied properties, heavy construction equipment, furniture and fixtures, computer and other office equipment, motor vehicles and leasehold improvements that the group uses in day-to-day operations.

Property and equipment for 31 December 2020 showed 67% increase compared to 31 December 2019, mainly as a result of reclassification of GEL 7,237 thousand worth yielding assets, mainly offices, from investment property into property and equipment, and the acquisition of GEL 4,477 thousand worth of heavy construction equipment.

Property and equipment for 31 December 2021 decreased by 77% compared to 31 December 2020, mainly as a result of sale of GEL 13,335 thousand worth buildings and GEL 3,081 thousand worth computers in connection to the disposal of BK Construction (ID.No 404537809), and the disposal of GEL 17,099 thousand heavy construction equipment. For more information regarding the BK Construction, see subsection *"Related Party Transactions"*.

By 30 June 2022, property and equipment remained practically unchanged and totaled GEL 8,706 thousand 12/31/2021: GEL 8,960 thousand) which constituted to a 3% decrease compared to 31 December 2021.

The company is fully insured against all construction risks of m^3 Saburtalo and 'Sveti' projects. The construction works of all ongoing projects are insured directly from the start of construction to completion. The facility will be insured against all risks that may occur during construction. The policy also provides for the payment of compensation in cases where the property or health of third parties were damaged during the construction works.

Time deposits with financial institutions

As of 31 December 2020, the Company had time deposits worth GEL 30,803 (31/12/2019: 0) with financial institutions, which relate to mortgage loan purchases by customers which are accumulated on the limited access account and are released after a certain progress in the construction has been achieved, within the term between 1 and 3 years.

As of December 31, 2021, time deposits with credit institutions increased by 63% compared to December 31, 2020 and amounted to GEL 50,330 thousand (of which current time deposits amounted to GEL 4,381). As of June 30, 2022, this figure amounted to GEL 41,207 thousand (of which, current time deposits with credit institutions were at GEL 4,251). In the statement of financial position presented above, short-term term deposits in credit institutions are grouped under the heading of other current assets.

Other current and non-current assets

Other current and non-current assets have grouped various items over the years, which are less material compared to other items in the balance sheet as of June 30, 2022.

Breakdown of other current and non-current assets by year:

'000 Gel	30-Jun-2022	31-Dec-2021	31-Dec -2020	31- Dec -2019
Other non-current assets	**12,871**	**14,963**	**58,904**	**72,512**
PPE	8,706	8,960	39,564	23,733
Prepayments and other assets	2,382	2,426	5,038	33,928
Right to use the asset	1,783	3,577	633	2,855
Issued long-term loans	-	-	2,057	1,516
Investing in related enterprises	-	-	11,612	10,480
Other current assets	**19,904**	**22,547**	**41,525**	**35,151**
Inventory property	7,518	7,109	15,784	14,312
Term deposits in credit institutions	4,251	4,381	-	-
Limited Access Deposits	3,209	3,506	3,714	3,171
Assets related to short-term contracts with customers	2,475	3,648	6,485	3,584
Right to use the asset	1,011	-	-	-
Trade and other receivables	801	2,189	11,254	10,448
Issued short-term loans	469	201	2,030	2,234
Investment securities	170	1,513	2,258	1,402

Prepayments and other assets

Prepayments and other assets represent advance payments, of which long-term advances are grouped under the heading of other long-term assets in the statement presented above. For these assets, the material events were the following:

- As of June 30, 2022 and December 31, 2021, the advances paid for inventory property increased significantly;
- The decrease in intangible assets in 2021 is mainly attributed to the sale of "BK Construction" LLC (for details, see the subsection "Related party transactions");
- The increase of intangible assets in 2019 is mainly due to the compensation of 3,177 GEL paid in 2019, which is related to the non-compete obligation of the Groups key management personell;

Breakdown of prepaymentss and other assets by year:

'000 GEL	30-Jun-2022	31-Dec-2021	31-Dec -2020	31- Dec -2019
Prepayments and other assets	**41,778**	**28,845**	**27,242**	**54,500**
Prepayments and other assets, non-current	**2,382**	**2,426**	**5,038**	**32,141**
Intangible assets, net	2,382	2,426	4,572	3,875
Prepayments paid on investment property	-	-	466	28,266
Prepayments and other assets, current	**39,396**	**26,419**	**22,204**	**22,359**
Prepayments paid on inventory property	31,521	20,285	9,456	13,689
Prepaid VAT	5,102	2,408	3,448	6,465
Prepayments paid on other products and services	2,773	3,355	-	398
Other current assets	-	371	-	-
Payments related to construction service contracts	-	-	9,300	1,807

Total equity

As of 31 December 2020, total equity of Georgia Real Estate showed approximately 68% decrease mainly as a result of GEL 100,811 thousand worth of accumulated losses and amounted to GEL 73,773 thousand in total.

As of 31 December 2021, the Company's total equity decreased by around 48% mainly as a result of GEL 140,444 thousand worth of accumulated loss.

The accumulated loss for 30 June 2022 amounted to GEL 187,627, however, the increase of share capital by GEL 90,189 thousand (1,496% increase) led to 116% increase in total equity which amounted to GEL 82,016 thousand. The increase of share capital is mainly attributable to the conversion of parent (Georgia Capital) loan into equity, in support of a declared deleveraging strategy of the parent company, as well as its subsidiaries.

	30-Jun-2022	31-Dec-2021	31- Dec 2020	31- Dec-2019
Share capital	96,216	6,027	6,027	5,997
Share premium	168,227	167,228	161,209	158,939
Revaluation and other reserves	5,200	5,200	6,974	10,533
Retained earnings (accumulated loss)	(187,627)	(140,444)	(100,811)	53,652
Total shareholders' equity	**82,016**	**38,011**	**73,399**	**229,121**
Minority shareholders	-	-	374	679
Total equity	**82,016**	**38,011**	**73,773**	**229,800**

As of 30 June 2022 total shareholders' capital comprised 475,428,873 common shares (31/12/2021: 417,994,663; 31/12/2020: 417,994,663) and 184,625,468 Class "A" preferred shares (31/12/2021: 184,625,468; 31/12/2020: 184,625,468) and 20,000,000 Class "B" shares (31/12/2021: 20,000,000; 31/12/2020: 20,000,000). As at 30 June 2022 all of common shares and preferred shares were fully placed.. Each share has a nominal value of 0.01 GEL.

Holders of preferred and "B" class shares do not have voting rights.

- Holders of Class "A" preferred shares have a preferential right to a portion of the liquidation proceeds compared to holders of common shares, but do not have the right to vote at the shareholders' meeting.

- Class "B" shares entitle shareholders to dividends and liquidations proceeds of the company similar to those of common shares shareholders. Class "B" shares can only be sold to existing shareholders of the Group. The issuance of Class "B" shares is intended to compensate management and/or employees of the Company on the basis of relevant employment agreement and/or based on decisions of the Supervisory Board.
  Class "B" shares do not have voting rights attached.

	Common shares	***Class "A" preferred shares***	***Class "B" shares***
31 December, 2020	**417,994,663**	**184,625,468**	**20,000,000**
31 December, 2021	**417,994,663**	**184,625,468**	**20,000,000**
Issue of shares	57,434,210	-	-
30 June, 2022	**475,428,873**	**184,625,468**	**20,000,000**
	1 share of class "A" entitles the holder to one vote		

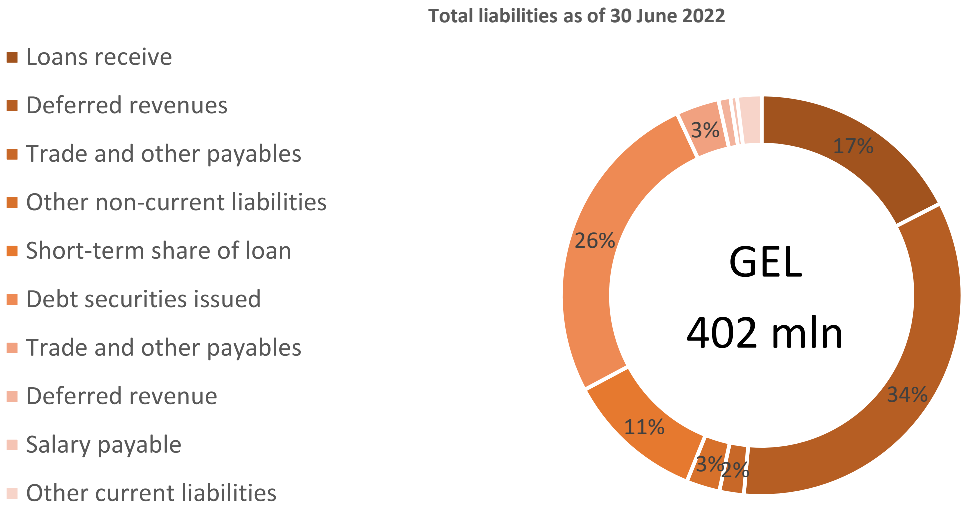
In 2021 and 2020, the Company did not declare and paid dividends.

Total liabilities

As of 30 June 2022, the Company' total liabilities amounted to GEL 402,635 thousand (31/12/2021: GEL 500,055 thousand). Current and long-term liabilities respectively comprise 44% and 56% of total liabilities as of 30 June 2022 (31/12/21: 41% and 59%). 54% of total liabilities account for loans received and proceeds of bonds issued.

Long-term loans received decreased by 51% as of 30 June 2022, from GEL 143,958 thousand to GEL 70,229 thousand, compared to 31 December 2021. The main reason of decrease was the conversion of abovementioned parent loan into equity by Company's shareholder. In addition, strengthening of the Lari against the US dollar and the Euro by 5% and 12% respectively had a positive impact – the balances of loans denominated in foreign currency decreased.

The breakdown of total liabilities as of 30 June 2022 is presented below:



Loans received and debt securities issued

Loans received as at 30 June 2022:

	Currency	*Maturity*	*30-Jun-2022*	*31-Dec-2021*	*31- Dec-20*	*31- Dec-19*
Loans from local commercial banks	EUR	Jun–2021 Jun–2033	79,888	97,297	127,794	107,747
Loans from local commercial banks	US$	Jan–2022 Nov–2032	35,104	21,326	16,002	-
Loans from parent company	US$	Jan–2023 Nov–2032	-	87,289	94,475	78,510
Total loans			**114,992**	**205,912**	**238,271**	**186,257**
Short-term loans			44,763	61,782	61,234	110,674
Long-term loans			70,229	144,130	177,037	75,583

Loans received in 2020 from local commercial banks increased by 33% mainly for financing "m^3 Saburtalo" project. Loans received as of 31 December 2021 showed decrease of 14% compared to the previous year, mainly as a result of repayment of part of the loans.

Loans received as of 30 June 2022 showed 44% decrease compared to 31 December 2021, mainly as a result of conversion of borrowings from the parent company into equity.

Debt securities as at 30 June 2022:

	30-Jun-2022	**31- -2021**	**31- Dec-20**	**31- Dec-19**
US$-denominated 2022-year bonds	104,170	110,006	115,984	101,065
US$-denominated 2021-year bonds	-	-	97,995	85,519
Total debt securities issued	**104,170**	**110,006**	**213,979**	**186,584**
Short-term debt securities	104,170	110,006	106,598	696
Long-term debt securities	–	–	107,381	185,888

In 2019 and 2020, no debt securities were issued and repaid. In 2021, after the disposal of commercial portfolio, the Company repaid US$ 30 million worth of bonds which were issued in December 2018 (ISIN: 405263101). As for 30 June 2022, no material change was observed in the securities issued.

Capitalization and Indebtedness

From 2012 to 2021 Georgia Real Estate has raised a total of $180 million financing in the form of bonds and IFI loans.

The company also has a long-standing relationship with international financial institutions and was the first to attract IFI financing for housing development in Georgia. Georgia Real Estate was ADB's first partner for a private sector housing development project in the Caucasus and Central Asia regions and raised $10 million for affordable housing projects.

"Georgia Real Estate" has raised the following loan financing:

- US$ 10 million from FMO in 2012 for residential project development with the maturity in 2017.
- US$ 5 million from IFC in 2014 for residential project development with the maturity in 2016.
- US$ 23 million from IFC and GGF in 2016 for residential project development with the maturity in 2019.
- US$ 7 million from IFC in 2017 for residential project development with the maturity in 2026.

All of the abovementioned were covered by the company in advance.

Georgia Real Estate has an active US$10 million loan raised from ADB in October 2021 for two affordable housing projects ("'Sveti'") with an energy efficiency component.

As for bonds, the Georgia Real Estate group raised $125 million and 6 public corporate bonds denominated in US dollars over 2014-2019. The largest transaction on the market was done by GRE in the amount of US$35 million in 2019. All of these bonds were fully and successfully placed within minimum time and expected coupon range.

- $5 million bond on April 4, 2014 (ISIN GE2700503214);
- $10 million bond on June 6, 2014 (ISIN GE2700503222);
- $20 million bond on March 30, 2015 (ISIN GE2700603295);
- $25 million bond on October 10, 2016 (ISIN GE2700603436);
- $30 million bond on December 30, 2018 (ISIN GE2700603733);
- $35 million bond on October 7, 2019 (ISIN GE2700603865);

The structure of capitalization and indebtedness according to the relevant periods is presented in the table below:

('000 GEL	**30-Jun-2022**	**31- Dec-2021**	**31- Dec-2020**	**31-Dec-2019**
	Unaudited	**Audited**	**Audited**	**Audited**
Liabilities:				
Borrowings	114,992	205,912	238,271	186,257
Debt securities issued	104,170	110,006	213,979	186,584
Total interest-bearing liabilities	**219,162**	**315,918**	**452,250**	**372,841**
Equity:				
Charter equity	96,216	6,027	6,027	5,997
Paid-in capital	168,227	167,228	161,209	158,939
Retained earnings/(accumulated losses)	-187,627	-140,444	-100,811	53,652
Revaluation and other reserves	5,200	5,200	6,974	10,533

Total equity	**82,016**	**38,011**	**73,399**	**229,121**
Total capitalization	**301,178**	**353,929**	**525,649**	**601,962**

As of 31 December 2020, the Company's interest-bearing liabilities increased by 21% mainly as a result of borrowings to finance "m^3 Saburtalo" project.

As of 31 December 2021, the Company's interest-bearing liabilities decreased to GEL 315,918 thousand, mainly as a result of repayment of US$ 30 million bonds issued in 2018 (ISIN: 405263101) with the proceeds from the sale of commercial assets.

As of 30 June 2022, interest-bearing liabilities decreased by 31% compared to 31 December 2021, mainly as a result of conversion of parent loan into equity by the shareholder. The reduction was also influenced by the appreciation of GEL against the US dollar and the Euro by 5% and 12%, respectively.

From 31 December 2019 to 31 December 2021, the total equity of the Company decreased by 83% mainly as a result of accumulated losses in 2020 and 2021 (GEL 154,463 and GEL 39,633 thousand, respectively).

Increase of equity by 116% as of 30 June 2022 is the result of conversion of parent loan into equity, which increased the share capital from 6,027 thousand GEL to 96,216 thousand GEL.

As of December 31, 2020 and 2021 and June 30, 2022, the company's debt obligations in thousands of GEL are as follows:

			31-Dec-20			
Lender	**Currency**	**Remaining maturity**	**principal ***	**Accrued interest ***	**Nominal interest**	**Collateral**
Debt securities issued	US$	0-3 year	212,979	1,623	7.50%	No
JSC Bank of Georgia and Isbank	EURO	3+ year	29,425	882	5.75%	Ramada Encore Kazbegi
JSC Liberty Bank	US$	3+ year	10,023	-	9.00%	Ramada Melikishvili
JSC Liberty Bank	EURO	3+ year	14,082	-	9.00%	Ramada Melikishvili
JSC Cartu Bank	EURO	0-3 year	-	-	0.00%	Ramada Malikishvili
JSC Cartu Bank	US$	0-3 year	-	-	0.00%	Ramada Malikishvili
JSC Cartu Bank	US$	3+ year	-	-	0.00%	No
JSC Liberty Bank	US$	0-3 year	-	-	0.00%	No
JSC TBC Bank	EURO	0-3 year	51,009	115	5.99%	Kempinski and Kutaisi Hotel
JSC TBC Bank	EURO	3+ year	32,235	56	5.75%	Gudauri Hotel
JSC TBC Bank	US$	0-3 year	6,553	20	8.50%	No
JSC Georgia Capital	US$	3+ year	88,468	6,023	9.00%	No
Total interest-bearing liabilities:			**444,775**	**8,718**		

As of December 31, 2020 US$ $60 mln hotel assets were pledged as collateral.

			31-Dec-21			
Lender	**Currency**	**Remaining maturity**	**principal ***	**Accrued interest ***	**Nominal interest**	**Collateral**
Debt securities issued	US$	0-3 year	108,416	1,285	7.50%	No
JSC Bank of Georgia and Isbank	EURO	3+ year	23,534	402	8.50%	Ramada Encore Kazbegi
JSC Liberty Bank	US$	3+ year	8,661	155	9.00%	Ramada Melikishvili
JSC Liberty Bank	EURO	3+ year	10,552	3	9.00%	Ramada Melikishvili
JSC Cartu Bank	EURO	0-3 year	1,785	-	3.80%	Ramada Melikishvili
JSC Cartu Bank	US$	0-3 year	2,082	-	4.47%	Ramada Melikishvili
JSC TBC Bank	EURO	0-3 year	32,097	41	6.84%	Kempinski and Kutaisi Hotel
JSC TBC Bank	EURO	3+ year	28,071	-	6.50%	Gudauri Hotel
JSC TBC Bank	US$	0-3 year	10,968	55	8.50%	No
JSC Georgia Capital	US$	3+ year	81,777	9,537	10.00%	No
Total interest-bearing liabilities::			**307,942**	**11,478**		

As of December 31, 2021 US$ $53 mln hotel assets were pledged as collateral.

				30-June-22		
Lender	**Currency**	**Remaining maturity**	**principal ***	**Accrued interest ***	**Nominal interest**	**Collateral**
Debt securities issued	US$	0-3 year	102,512	1,071	7.50%	No
Asian Development Bank	US$	0-3 year	15,377	136	5%+ 3m Libor	LLC Optima's 100% shares; LLC Optima's future revenues
JSC Bank of Georgia and Isbank	EURO	3+ year	19,353	388	8.50%	Ramada Encore Kazbegi
JSC Liberty Bank	US$	3+ year	8,190	196	9.00%	Ramada Melikishvili
JSC Liberty Bank	EURO	3+ year	9,281	2	9.00%	Ramada Melikishvili
JSC Cartu Bank	EURO	0-3 year	1,570	-	3.80%	Ramada Melikishvili
JSC Cartu Bank	US$	0-3 year	1,968	1	4.47%	Ramada Melikishvili
JSC Cartu Bank	US$	3+ year	1,118	-	9.00%	Ramada Melikishvili
JSC Liberty Bank	US$	0-3 year	8,787	2	9.50%	100% of revenues of M3 Sanurtalo's IV phase
JSC TBC Bank	EURO	0-3 year	25,014	22	6.88%	Kempinski and Kutaisi Hotel
JSC TBC Bank	EURO	3+ year	23,153	-	6.50%	Gudauri Lodge
Total interest-bearing liabilities:			**216,322**	**1,818**		

As of June 30, 2022 US$ $50 mln hotel assets were pledged as collateral.

The Company's loans by currencies and repayment types are presented below[3]:

31-Dec-20

Currency/Type of Repayment	Partly amortized *(thousand GEL)*	Amortized *(thousand GEL)*	Total *(thousand GEL)*
EURO	19,153	108,650	**127,803**
US$	214,602	111,088	**325,689**
Total	**233,755**	**219,738**	**453,493**

31-Dec-21

Currency/Type of Repayment	Partly amortized *(thousand GEL)*	Amortized *(thousand GEL)*	Total *(thousand GEL)*
EURO	18,429	78,054	**96,483**
US$	111,783	111,154	**222,936**
Total	**130,212**	**189,208**	**319,420**

31-June-22

Currency/Type of Repayment	Partly amortized *(thousand GEL)*	Amortized *(thousand GEL)*	Total *(thousand GEL)*
EURO	16,210	62,574	**78,784**
US$	105,551	33,806	**139,357**
Total	**121,762**	**96,379**	**218,140**

Partially amortized: means principal and interest amounts are paid at such regularity that main portion of principal amount is paid at maturity;
Amortized: means principal and interest amounts are paid according to monthly annuity principle.

The Company's loans by currencies and maturities (years) are presented below:

31-Dec-20

Currency / maturity	0-1	1-3	3+
EURO	0	51,124	76,680
US$	104,871	116,304	104,515
Total	**104,871**	**167,428**	**181,194**

31-Dec-21

Currency / maturity	0-1	1-3	3+
EURO	18,429	15,494	62,561
US$	122,806	0	100,130
Total	**141,235**	**15,494**	**162,691**

30-Jun-22

Currency / maturity	0-1	1-3	3+
EURO	16,210	10,396	52,177
US$	105,551	24,302	9,504

[3] Contractual (nominal) balances are presented in contrast to book values, which are presented at amortized cost in the capitalization and indebtedness table above.

Total	**121,762**	**34,698**	**61,681**

Weighted average interest rates on financial liabilities by currencies are presented below:

	30-Jun-22	31-Dec-21	31-Dec-20
US$	7.46%	8.58%	8.00%
EURO	7.33%	7.33%	6.28%

Financial covenants

The issuer has covenants on ADB's US$ 10 mln loan. Covenants relate both directly to the borrowing company (Optima LLC) and guarantors (Georgia Real Estate LLC, m2 Group LLC). As can be seen from the table, as of June 2022, the company complies with all the covenants.

As for the covenants of the 31 December 2021, two covenants were violated by the guarantors (GRE, LLC M2 Group). The reason for the violation was as follows - subordinated loans were excluded from total liabilities in the covenant formula, however it was not excluded from the calculation of the difference between total assets, liabilities and intangible assets (Tangible Net Worth), due to errors in agreement between the Group and ADB. Accordingly, the Company requested and received a vaiwer for breach of covenant and amended agreements to reflect the correct wording.

Company	Borrower	Covenant Type	Limits	6/30/2022	In Compliance (yes/No)
JSC Georgia Real estate	Asian Development Bank loan	Liabilities to (assets minus liabilities and intangible assets) - should not exceed 8x	< 8	5.44	Yes
JSC Georgia Real estate	Asian Development Bank loan	(Assets minus liabilities and intangible assets) must not be less than US$20,000,000	> 20,000,000	25,272,969	Yes
JSC Georgia Real estate	Asian Development Bank loan	The ratio of loans to the difference between(total assets and intangible assets) should not be more than 65%	< 65%	49.6%	Yes
M2 Group LTD	Asian Development Bank loan	Liabilities to (assets minus liabilities and intangible assets) - should not exceed 9x	< 9	4.25	Yes
M2 Group LTD	Asian Development Bank loan	(Assets minus liabilities and intangible assets) must not be less than US$ 7,000,000	> 7,000,000	16,190,720	Yes
M2 Group LTD	Asian Development Bank loan	The ratio of loans to the difference between (total assets and intangible assets) should not be more than 40%	< 40%	14.7%	Yes
M2 Group LTD					
Optima Ltd	Asian Development Bank loan	Ratio of 12-month EBITDA to 12-month interest payable on loans	> 1.5 (2021-ში) > 4 (2022-დან)	8.30	Yes
Optima Ltd	Asian Development Bank loan	Ratio of available cash flow for quarterly loan servicing to quarterly loan servicing cash flow	> 1.5	6.00	Yes
Optima Ltd	Asian Development Bank loan	current ratio	> 1.1	1.54	Yes

The company also has covenants on hospitality business loans. The main financial covenant for hotel loans is DSCR, which is violated for all hotels due to the recent developments (pandemic, Russia-Ukraine war). Hotels are experiencing disruptions

Company	Borrower	Covenant Type	Limits	31/12/2021 excluding the Sub. loan	In Compliance (Yes/No)	31/12/2021 Excluding Sub.loan	In Compliance (Yes/No)
JSC Georgia Real estate	ADB Loan	Liabilities to (assets minus liabilities and intangible assets) - should not exceed 8x	<8	3.0	Yes	10.4	No
JSC Georgia Real estate	ADB Loan	(Assets minus liabilities and intangible assets) must not be less than US$20,000,000	>20,000,000	43,764,850	Yes	15,586,260	No
JSC Georgia Real estate	ADB Loan	The ratio of loans to the difference between (total assets and intangible assets) should not be more than 65%	<65%	46.9%	Yes	63.2%	Yes
M2 Group LTD	ADB Loan	Liabilities to (assets minus liabilities and intangible assets) - should not exceed 9x	<9	5.60	Yes	(11)	No
M2 Group LTD	ADB Loan	(Assets minus liabilities and intangible assets) must not be less than US$ 7,000,000	>7,000,000	11,366,758	Yes	(7,587,810)	No
M2 Group LTD	ADB Loan	The ratio of loans to the difference between (total assets and intangible assets) should not be more than 40%	<40%	15.0%	Yes	36.9%	Yes
Optima Ltd	ADB Loan	Ratio of 12-month EBITDA to 12-month interest payable on loans	> 1.5 (2021-მი) > 4 (2022-დან)	21.10	Yes	NA	NA
Optima Ltd	ADB Loan	Ratio of available cash flow for quarterly loan servicing to quarterly loan servicing cash flow	>1.5	8.48	Yes	NA	NA
Optima Ltd	ADB Loan	current ratio	>1.1	2.63	Yes	NA	NA

in operations and are unable to generate revenue to service debt. The company has obtained confirmations that even though it violates covenants ratios, the banks will not demand prepayment of the loans. Also, all hotel loans have been restructured. Restructuring also involves releasing the company from the obligation to fulfill the covenants.

Company	Borrower	Covenant	31-Dec-21	30-Jun-22	Limits	Satisfies covenants before restructruring
M2 LTD	BOG, IsBank	Debt Service Coverage Ratio	NMF	NMF	> 1.1	No
M2 LTD on Melikishvili	Liberty Bank	Debt Service Coverage Ratio	NMF	NMF	> 1.2	No
LTD Gudauri Lodge	TBC Bank	Debt Service Coverage Ratio	NMF	NMF	> 1.3	No

Operational results

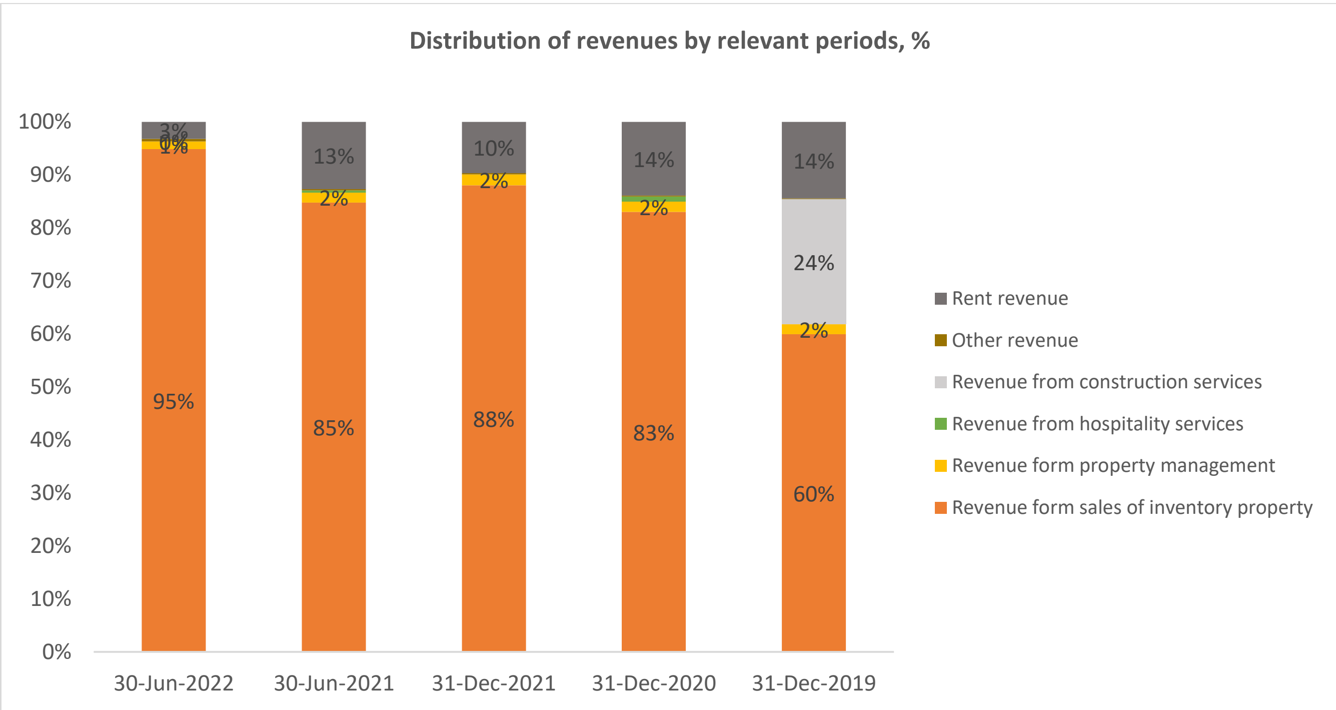
The Company generates Revenue from three primary sources: sale of inventory property, rental, and property management. In 2020, the Company had additional revenue from hotel services and in 2019 from construction services. Since 2017, the Company received construction service revenues through BK Construction which was sold in 2021.

Consolidated statement of profit and loss (condensed) (000' GEL)	30-Jun-2022	30-Jun-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
	Unaudited	Unaudited	Audited	Audited	Audited
Sales of inventory property	69,305	44,543	80,511	82,765	55,413
Cost of sales – inventory property	(61,644)	(35,548)	(84,459)	(66,416)	(47,802)
Gross profit on sale of inventory property	**7,661**	**8,995**	**(3,948)**	**16,349**	**7,611**
Rental income	2,381	6,674	8,878	13,872	13,377
Property operating expenses	(588)	(1,505)	(2,518)	(2,515)	(3,025)
Net rental income	**1,793**	**5,169**	**6,360**	**11,357**	**10,352**

Revenue from construction services	-	-	-	-	21,835
Cost of construction services	-	-	-	-	(19,411)
Gross profit from construction services	**-**	**-**	**-**	**-**	**2,424**
Revenue from property management	1,069	969	1,920	1,926	1,721
Cost of property management	(1,309)	(1,059)	(2,295)	(2,210)	(1,663)
Net profit from property management	**(240)**	**(90)**	**(375)**	**(284)**	**58**
Revenue from hotel services	-	236	-	947	-
Cost of hotel services	-	-	(7)	(1,466)	-
Gross profit from hotel services	**-**	**236**	**(7)**	**(519)**	**-**
Net gain from revaluation	(51,221)	(666)	9,291	(110,137)	23,146
Other revenue	335	118	189	184	115
Other operating expenses	(10,536)	(5,265)	(19,806)	(20,182)	(27,613)
Depreciation and amortization	(1,529)	(1,212)	(2,011)	(4,098)	(3,347)
Non-recurring items	(1,863)	-	964	(2,025)	-
Operating profit	**(55,600)**	**7,285**	**(9,343)**	**(109,355)**	**12,746**
Income from financial activity	496	573	3,882	844	837
Cost of financial activity	(12,691)	(17,569)	(31,279)	(28,697)	(15,894)
Share of association loss	-	-	-	(344)	-
Net foreign exchange loss	20,612	4,265	7,974	(14,759)	(1,163)
Net other nonoperating income	-	-	-	-	523
Profit / (loss) before profit tax expense	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(2,951)**
Profit tax expense	-	-	-	-	(376)
Profit / (loss) from continuing activity for the year	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(3,327)**
Loss from operations terminated after tax	-	(12,174)	(9,924)	(2,152)	-
Profit / (loss) from continuing activity for the year	**(47,183)**	**(17,620)**	**(38,690)**	**(154,463)**	**(3,327)**
- attributable to non-controlling interests	-	*943*	*943*	*1,960*	*(28)*
- attributable to shareholders of the Company	*(47,183)*	*(18,563)*	*(39,633)*	*(156,423)*	*(3,299)*

Distribution of revenues by relevant periods:

	30-ივნ-2022	30-ივნ-2021	31-დეკ-2021	31-დეკ-2020	31-დეკ-2019
Revenues from sales of inventory property	**69,305**	**44,543**	**80,511**	**82,765**	**55,413**
Residential area	66,825	43,850	77,557	78,900	51,216
Parking lot area	1,334	394	1,705	2,392	4,197
Commercial area	1,146	299	1,249	1,473	-
Revenue from property management	**1,069**	**969**	**1,920**	**1,926**	**1,721**
Revenue from hospitality services	**-**	**236**	**-**	**947**	**-**
Food and beverages	-	236	-	947	-
Revenue from construction services	**-**	**-**	**-**	**-**	**21,835**
Commercial area	-	-	-	-	15,961
Hotel	-	-	-	-	2,828
Residential area	-	-	-	-	2,487
Other	-	-	-	-	559
Other revenue	**335**	**118**	**189**	**184**	**115**
Total revenue from customer contracts	**73,090**	**52,540**	**82,620**	**85,822**	**79,084**
Recognized during a certain period of time	69,305	44,543	80,511	82,765	77,248
Recognized at a particular point of time	3,785	7,997	2,109	3,057	1,836
Rent revenue	**2,381**	**6,674**	**8,878**	**13,872**	**13,377**
Total revenue	**73,090**	**52,540**	**91,498**	**99,694**	**92,461**



Sale of inventory property

Residential construction segment offers customers affordable housing which also includes maintenance, cleaning, etc. of common areas after completion of the complex.

Revenue from sale of developed real estate property is recognized over the time until contractual obligations are fully fulfilled. In terms of accounting, revenue is recognized based on the proportion of costs incurred up to date to total expected project cost. Percentage of completion is calculated based on total construction costs and then is applied to apartment sales to recognize revenue from apartment sale.

Revenue from the sale of inventory property is based on the Company's ongoing projects.

As at 30 June 2022, 95% of the revenue is mainly generated through the sale of residential property, however 1.9% of total revenue accounts for sale of parking lots (2019 HY: 0.9%), while 1.7% accounts for sale of commercial area. It should be noted that the Company began to sell commercial area since 2020, when it decided to exit commercial real estate business.

In 2022 revenues from sale of residential apartments were distributed according to the types of sales as follows - 70% inner installments, 12% bank loans, 18% all-cash payment.

The breakdown of revenue from different sources is as follows:

	2022 6m.	***2021 6m.***	***2021***	***2020***	***2019***
Sale of inventory property	**69,305**	**44,543**	**80,511**	**82,765**	**55,413**
Residential area	66,825	43,850	77,557	78,900	51,216
Parking lot area	1,334	394	1,705	2,392	4,197
Commercial area	1,146	299	1,249	1,473	-

As of 31 December 2020, revenue from sale of inventory property increased by 49% compared to 31 December 2019 and amounted to GEL 82,765 thousand (31/12/2019: GEL 55,413 thousand), mainly as a result of 241% increase in apartments sold, from 336 apartments in 2019 to 1,145 apartments in 2020.

The Company's revenue of the same category amounted to GEL 80,511 thousand as of 31 December 2021 (3% decrease compared to 31 December 2020). The decrease was attributable to 10% decrease in apartments sold, which was partially offset by the increase in the price of apartments. As at 30 June 2022, the revenue increased by 56% compared to the previous year (30/06/2022: 69,305). The increase mainly resulted from a significant growth in apartment prices during the same period – average prices of m^3 Saburtalo Phase I and II increased by 16% and those for Phase III increased by 15%. The same figure for m^2 Nutsubidze stood at 30% while for m^2 Mirtskhulava and m^2 Chkondideli projects the increase amounted to 13%. The increase is mainly due to the change in the company's pricing strategy and the increase in construction prices in 2021-2022. Also there has been significant progress in projects, both in terms of construction, sales and infrastructure, which affected the prices.

It is worth noting that the 2021 data was also significantly affected by the change in revenue recognition. In particular, as construction costs increased, the management made changes to the total construction budget estimate of ongoing projects. As a result, the project percentage of completion decreased (total incurred cost remained unchanged, but the total budgeted costs increased thereby decreasing the completion ratio) which led to the recognition of less revenue in the statement of profit and loss. Consequently, the revenue decreased by GEL 22,193 thousand as of 31 December 2021.

Rental income

The group rented out Commercial property that comprises commercial areas in its own residential developments and spaces purchased for commercial purposes, as well as construction and lease of hotels.

In 2019-2020, the rental income was largely stable, up by only 3.7% to GEL 13,872 thousand. As of 31 December 2021, the income decreased by 36% compared to 31 December 2020, as a result of disposal of 97% of commercial assets portfolio. The same reason explains 64% decrease in rental income in the first half of 2022.

Cost of sales of inventory property

Cost of sales of inventory property comprises costs related to the construction and bringing it to a marketable condition. This item in the statement of profit and loss consists of the following components:

	2022 6 months	***2021 6 months***	***2021 12 months***	***2020 12 months***	***2019 12 months***
Cost of sales of inventory property	**61,644**	**35,548**	**84,459**	**66,416**	**47,802**
Cost of residential area	59,601	34,679	80,295	62,994	42,035
Cost of parking lot area	1,057	631	2,798	2,298	5,767
Cost of commercial area	986	238	1,366	1,124	-

In 2020, the cost of sales of the Company’s inventory property increased by 39% compared to the previous year and amounted to GEL 66,416 thousand. It is worth noting that the revenue in the same year increased by 49%, improving the Company’s total profit margin from 13.7% to 20%.

In 2021, the cost of sales of the Company’s inventory property increased by 27% whereas the revenue decreased by 2.7%, reducing the total profit margin to negative 5%. This decrease was mainly the result of a significant increase in prices of construction materials and change in accounting approach (for details see description of sales).

Around 20% of residential development accounts for steel rebars. At the end of 2020, prices on steel notably increased due to issues in supply chain caused by the Covid-19 pandemic. As shown on the chart below, the prices on steel significantly increased at the start of 2021 and throughout the year it was traded for US$ 700 on average, compared to US$ 450 in 2020 (56% increase). In early 2022 the price on steel increased again because of Russia-Ukraine war, though thereafter it has decreased to around US$ 650. It is expected that steel prices will decrease along with the changes in global economic condition, which will have a positive effect on the business of the Company.

As at 30 June 2022, cost of sales of inventory property showed 73% increase as compared to the relevant period in 2021, with 97% of it (GEL 59,601 thousand) accounting for the cost of residential areas. The main driver of the cost increase was significantly accelerated construction progress in 2022 compared to the same period in 2021.

Steel Prices US$ per Ton

Source: London Metal Exchange

Operating expenses

Breakdown of operation expenses by relevant periods is shown in the table below:

	30-Jun-2022	30-Jun-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Administrative employee salary expenses	(6,900)	(2,480)	(10,115)	(6,105)	(9,093)
Other general and administrative expense	(2,023)	(1,469)	(5,888)	(10,731)	(12,782)
Marketing and advertising expense	(1,613)	(1,316)	(3,316)	(4,628)	(5,738)
Depreciation and amortization	(1,529)	(1,212)	(2,011)	(4,098)	(3,347)
Non-recurring items	(1,863)	-	964	(743)	-
Operating expenses	**(13,928)**	**(6,477)**	**(20,366)**	**(26,305)**	**(30,960)**

In 2020, operating expenses decreased by 15% to GEL 26,305 thousand, as a result of decrease in salaries, general and administrative and marketing and advertising expenses.

As of December 2021, operating expenses decreased by 23% to GEL 20,366 thousand, mainly as a result of decrease in marketing and advertising expenses and depreciation and amortization, whereas decrease/increase in salaries and general administrative expenses offset each other.

As of 30 June 2022, the indicator increased by 115% compared to 30 June 2021 data and amounted to GEL 13,928 thousand. The increase is mainly attributable to the increase in salary expenses. A sharp increase in the salary expenses resulted from the change in accounting approach of the management. In particular, since 2021, the management doesn't capitalize employee salaries which has caused the increase in the expense in the profit and loss statement.

Revaluation

	30-Jun-2022	30- Jun-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Net gain from revaluation	(51,221)	(666)	9,291	(110,137)	23,146

Considering the pandemic in 2020, the Company's management revalued assets on the Company's balance sheet which resulted in revaluation loss. GEL 110,137 thousand revaluation loss caused the increase in operating losses in 2020 (Regarding the revaluation of investment property, see the *Appraisal and revaluation of investment property and investment property under construction* above).

In 2021, the Company did not have any substantial revaluation and consequently the operating loss somewhat stabilized and comprised GEL 9,343 thousand.

In the first half of 2022, the Company's management revalued investment property and investment property under construction, which resulted in the revaluaton loss on Company's hotel property (including investment under construction) in the amount of GEL 51 million. The revaluation reflects hotel disposal efforts by the management and reflects conservative approach to investment property valuation.

Overview of Cash Flow Statement

	30-Jun-2022	*30-Jun-2021*	*31-Dec-2021*	*31-Dec-2020*	*31-Dec-2019*
	Unaudited	Unaudited	Audited	Audited	Audited
Cash flow from operating activities					
Cash inflows from sale of apartments	73,499	54,050	109,954	151,457	51,567
Cash outflows related to the development of apartments	(73,126)	(41,612)	(80,607)	(76,349)	(32,686)
Net cash from real estate management	(133)	(254)	(774)	8,855	7,675
Net outflow from limited access deposits	-	-	-	(543)	-
Cash inflow for hospitality services	-	-	-	1,880	-
Cash outflow for hospitality services	-	-	-	(1,865)	-
Cash inflow for construction services	-	-	-	-	29,574
Cash outflow for construction services	-	-	-	-	(30,208)
Net cash from rental and real estate management	-	-	-	-	-
Net cash from rental	3,765	6,289	8,877	-	-
Cash paid for operating expenses	(10,642)	(7,466)	(19,717)	(17,009)	(27,674)
Interest received	497	288	2,474	281	235
Taxes paid other than profit tax	(1,966)	(7,804)	(12,521)	(6,624)	(7,596)
Net cash inflows from operating activities - uninterrupted activities	**(8,106)**	**3,491**	**7,686**	**60,083**	**(9,113)**
Net cash inflows from operating activities - interrupted operations	-	932	932	(3,259)	-
Net cash inflows from operating activities	**(8,106)**	**4,423**	**8,618**	**56,824**	**(9,113)**
Cash flows from investment activity					
Acquisition of investment property	-	-	(997)	(1,129)	(29,197)
Proceeds from sale of investment property	1,843	6,846	133,191	9,829	-

Proceeds from sale of other assets	-	-	13,206	-	5,228
Capital expenditure on investment property	(2,606)	(2,957)	(5,012)	(34,588)	(57,749)
Acquisition of investment securities	-	(747)	(47,322)	-	-
Proceeds from repayment of investment securities	1,102	-	46,575	-	-
Acquisition of property and equipment	(724)	(140)	(667)	(559)	(4,443)
Transfer to time deposits	9,123	(2,445)	(20,232)	(30,097)	-
Net transfer to limited access deposits	297	1,468	207	-	-
Loans issued	(487)	-	(200)	(300)	(50)
Repayment of issued loans	208	524	2,089	-	-
				-	-
Disposal of subsidiary, minus issued amount	-	(46)	(46)	-	(1,295)
Other cash flows from investment activity	315	-	-	-	-
Acquisition of related parties	-	-	-	-	(10,823)
Net cash flows from (used in) investment activity – uninterrupted activities	**9,071**	**2,503**	**120,792**	**(56,844)**	**(98,329)**
Net cash flows used in investment activity – terminated operations	-	(287)	(287)	2,696	-
Net cash flows from (used in) investment activity	**9,071**	**2,216**	**120,505**	**(54,148)**	**(98,329)**
Cash flows from finance activities					
Proceeds from debt securities issued	-	-	-	-	152,546
Repayment of debt securities issued	-	-	(92,883)	-	(74,143)
Borrowings	43,446	5,081	8,224	30,460	137,356
Repayment of borrowings	(32,503)	(1,442)	(5,924)	(22,141)	(107,934)
Interest paid on borrowings	(8,984)	(12,991)	(29,810)	(21,740)	(29,443)
Repayment of rental liabilities	(727)	(98)	(531)	(565)	(1,472)
Interest paid on rental liabilities	(135)	(35)	(386)	(52)	(264)
Proceeds from preferred shares issued	-	-	-	1,137	36,519
Dividends paid	-	-	-	-	(10,000)
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	-	(702)
Net cash flows used in finance activities – uninterrupted activities	**1,097**	**(9,485)**	**(121,310)**	**(12,901)**	**102,463**
Net cash flows used in finance activities – terminated operations	-	(659)	(659)	(2,303)	-
Net cash flows used in finance activities	**1,097**	**(10,144)**	**(121,969)**	**(15,204)**	**102,463**
Effect of exchange rate changes on cash and cash equivalents – uninterrupted activities	(3,573)	(1,722)	(2,779)	14	1,753
Net increase (decrease) in cash and cash equivalents – uninterrupted activities	**(1,511)**	**(5,227)**	**4,375**	**(12,514)**	**(3,226)**
Net decrease in cash and cash equivalents – terminated operations	-	(14)	(14)	(12,514)	-
Net increase (decrease) in cash and cash equivalents	**(1,511)**	**(5,241)**	**4,361**	**(25,028)**	**(3,226)**
Cash and cash equivalents at the beginning of the period – uninterrupted activities	23,209	18,834	18,834	31,348	34,573
Cash and cash equivalents at the end of the period – uninterrupted activities	**21,698**	**13,607**	**23,209**	**18,834**	**31,347**

Cash from operating activities

In 2020, cash income from operational activities increased and amounted to GEL 56,824 thousand (31/12/2019: (9,113) thousand GEL). The difference is mainly caused by the 194% increase in income from the sale of apartments, from GEL 51,567 thousand to GEL 151,457 thousand. The increase in revenue was largely driven by a 241% increase in the number of apartments sold, from 336 apartments sold in 2019 to 1,145 in 2020.

The company's net cash flows from operating activities decreased by 87% in 2021 and amounted to GEL 7,686 thousand. The reason for the decrease was, on the one hand, a 10% decrease in the number of apartments sold and on the other hand, a 6% increase in cash outflows related to apartment development.

As of June 30, 2022, a 15% decrease in the number of apartments sold was offset by a significant increase in the average price of apartments for sale, resulting in a 36% increase in income from the sale of apartments. It should be noted that the price per square meter of apartments for sale in the first half of 2022, compared to the same period of 2021, has increased by 17% in the case of m^3 Saburtalo and 18% in the case of 'Sveti' projects.

Cash from investment activities

In 2019, the Company had a cash outflow of GEL 29,197 thousand in connection with the purchase of investment property, which was mainly related to the purchase of hotel assets. In 2020, there were virtually no expenditures on purchases of investment property (GEL 1,129 thousand), which is 96% less than in the previous year. In addition, the Company's capital expenditures on investment property decreased by 40% from GEL 57,749 thousand to GEL 34,588 in 2020. As a result of the COVID-19 pandemic, there were delays in the construction of the Company's hotels, which was the main reason for the abovementioned decline. In 2019, the Company also acquired a 28.9% share of "YTONG Caucasus" LLC, for which it paid GEL 10,823 thousand. This company is a block manufacturer and operates in Georgia. Also, in the same year, Georgia Real Estate acquired a 50% share in JSC Litera, which operates in the food and beverage industry and was acquired to develop the company's hospitality direction. There were no acquisitions of subsidiaries in 2020. Due to the aforementioned changes, the investment funds used in investment activities decreased from GEL 98,330 thousand to GEL 56,844 thousand, i.e. by 42%, in 2020.

As of December 31, 2021, cash flows from investment activities amount to GEL 120,792 thousand, the main part of which was generated by the income received from the sale of investment property, namely GEL 133,191 thousand. This income was entirely related to the commercial property sold by the Company in 2021. In 2021, the group had excess cash on deposit, the purpose of which was to cover upcoming bonds. In order to receive benefit before the maturity date of the bonds, the group purchased debt securities issued by a Georgian commercial bank for GEL 47,322 thousand, which were redeemed on time for the same amount in December 2021.

As of June 30, 2022, the Company's funds from investment activities amount to GEL 9,071 thousand, which is 3.6 times more compared to June 30, 2021. The main determining factor of such increase is GEL 9,123 thousand released from the term deposit.

Cash from financing activities

In December 2018, the Company issued US$ 30 million debt securities (ISIN: 405263101) of which US$ 22,700 thousand were placed in 2019. Also, in October 2019, the Company issued debt securities of US$ 35,000 thousand. In total, the monetary income received from the issued debt securities of the Company amounted to GEL 152,546 in 2019. In the same year, the Company covered GEL 74,143 debt securities. In 2020, debt securities were not issued or redeemed. The amount of loans taken in 2020 was reduced by 73%. As a result, cash from financing activities as of December 31, 2020 is a negative GEL 12,901 thousand (31/12/2019: GEL 102,463 thousand).

As of December 31, 2021, the funds of Georgia Real Estate from financial activities represent negative GEL 121,310 thousand. During 2021, the Company covered the debt securities issued in December 2018 (ISIN: 405263101) with proceeds from the sale of commercial assets.

As of June 30, 2022, the funds raised by loans increased by 8.55 times compared to the same period of 2021 and amounted to GEL 43,446 thousand. Furthermore, in the same period, GEL 32,503 thousand of borrowed funds were repaid, which is 22.5 times more than the figure of the same period of the previous year. As a result, the funds raised by the Company through financial activities increased and amounted to GEL 1,097 thousand.

Regulatory environment

Regulations related to credits

In 2019, new credit regulations regarding mortgage accessibility came into force and before its adoption such restrictive regulations did not apply/depended on the internal approaches and business processes of banking institutions. The goal of the new regulations is to promote healthy lending by using standards for checking the creditworthiness of customers. The National Bank of Georgia established the borrower's payment-to-income ratio (PTI) standards to limit delinquency and the loan-to-value ratio (LTV) to limit the proportion of the mortgage in relation to the value of the asset. Hedged and unhedged borrowers have different standards.

In accordance with the de-dollarization policy, NBG took certain measures to reduce the dollarization of the Georgian economy. The actions of NBG included the following:

From 2019, any bank loan of less than GEL 200,000 is being issued in GEL;

Pricing of all goods and services, including real estate, is required in GEL.

Table 1: Payment-to-income ratio (PTI) standards pursuant to the new regulation

Monthly net salary, GEL	**Monthly PTI**			
	Hedged borrower		**Unhedged borrower**	
	Maximum conditions	Contract conditions	Maximum conditions	Contract conditions
<1,000	25%	35%	20%	25%
1000-2000	35%	45%		
2000-4000	45%	55%	25%	30%
More than 4,000	50%	60%	30%	35%

Table 2: Loan-to-value ratio (LTV) standards pursuant to the new regulation

Currency	**LTV**
GEL	85%
Foreign currency	70%

REGULATION OF CONSTRUCTION IN GEORGIA

Recent construction regulations

- **Fire safety regulations (Regarding the approval of the technical regulations "Safety rules for buildings and structures".) that was adopted in 2017, and became effective since 2019, requires stricter safety regulations for developers and stricter quality standards for producers/importers of construction products.**
- **City Hall announced in the beginning of 2019 that sale of K2 coefficient will be banned. Thus, construction area will be capped to original value indicated in the project, eliminating common practice of increased K2 coefficient.**
- City Hall adopted Masterplan of Tbilisi development in March 2019, which defines general parameters and constraints of construction in the boundaries of Tbilisi.

Construction Permits

For the purposes of construction, buildings are divided into five types:

1st class buildings - no construction permit is required;

2nd class buildings - buildings with low risk factors;

3rd class buildings - buildings with medium risk factors;

4th class buildings - buildings with high risk factors;

5th class buildings - buildings with very high risk factors.

Permission Issuance Process

Stage I - Statement of urban construction terms

Architectural Bureau of the City Hall provides density and footprint parameters as well as minimum green area requirement. This document also may give specific requirements depending whether site is located in historic part of the city, land plot is part of the recreational area or adjacent to major transport artery. Main documents to be submitted consist of land title, cadastral map and pictures of the site. Time frame for the obtaining land zoning parameters is 25 working days.

Stage II - Approval of architectural-construction project

Architectural design is submitted. All major parameters, including GFA (Gross Floor Area) and NSA (Net Sellable Area) or NLA (Net Leasable Area) are given precisely as well as the building's physical appearance with detailed facade material description. This stage does not require providing either soil survey or any construction documentation. The set of mandatory documentation is mostly comprised of the following: topographic survey, master plan, layouts, sections, facades, rendering of the proposed building, etc. Time frame is from 5 to 25 working days depending on the project scale.

Stage III - Issuance of Construction Permit

Company needs to provide soil survey, independent engineer's report, and construction site organization map and construction time schedule. Time frame is from 5 to 25 working days depending on the project scale. At the end of this stage building permit is to be provided.

State organs responsible for the issuance of permits

Local self-governmental (municipal) organs -for II, III class buildings within the municipal territory (at stages I and II) except from Gudauri, Bakuriani, Bakhmaro, Ureki-Shekvetili recreation territories and for special regulatory zones on the territory of Borjomi.

Local self-governmental (municipal) organs - for IV class buildings (at stages I and II) with the participation of corresponding state organs

Local self-governmental (municipal) organs - for II, III and IV class buildings (at III stage) independently (including Gudauri, Bakuriani, Bakhmaro, Ureki-Shekvetili recreation territories and for special regulatory zones on the territory of Borjomi)

Tbilisi City Hall -for II, III and IV class buildings in Tbilisi Municipality (at all stages) independently

Corresponding local organs of Adjara Autonomous Republic and Abkhazia Autonomous Republic - for II, III and IV class (at all stages) on the territory of the Autonomous Republics

Local self-governmental (municipal) organs - II, III and IV class buildings (at stages I and II)Gudauri, Bakuriani, Bakhmaro, Ureki-Shekvetili recreation territories and for special regulatory zones on the territory of Borjomi -with the participation of the Ministry of Economy and Sustainable Development.

Ministry of Economy and Sustainable Development - for V class buildings

Information about already known trends, uncertainties, requirements or events that may have a significant impact on the Issuer's activities at least during the current financial year

Changes in the executive management team are planned from October 2022. In particular, Giorgi Vakhtangishvili will leave the position of executive director after the expiration of the term contract and Guram Akhvlediani will take his place. Giorgi Vakhtangishvili will only retain the position of a member of the company's supervisory board.

In addition to the information disclosed in the Prospectus, there is no additional information available to management regarding trends, uncertainties, requirements or events that may have a significant impact on the Issuer's operations.

Governing body and management

Overview

According to the Law of Georgia on Entrepreneurs, adopted on August 2, 2021 ("Law on Entrepreneurs"), and the Issuer's Articles of Association, the control and management of the Issuer is divided between the shareholders, the Supervisory Board and the CEO. The latter is responsible for the day-to-day management of the Company and its representation.

General Meeting of Shareholders

All shareholders registered in the share register as of the date of convening the General Meeting of Shareholders have the right to attend and vote (if they have the right to do so) at the meeting. As of the date of the Prospectus, the Issuer is fully owned by JSC Georgia Capital, which in turn is owned by Georgia Capital PLC, a holding company registered in the United Kingdom and listed on the premium segment of the London Stock Exchange. The Law on Entrepreneurs provides that the holders of preferred shares do not have the right to vote in the general meeting of shareholders, unless the articles of association or the prospectus for the issue of the relevant shares provide for this right to vote. According to the Articles of Association, holders of preferred shares do not have the right to vote at the General Meeting of Shareholders. Shareholders may be represented at the General Meeting of Shareholders by a representative.

According to the Law on Entrepreneurs and the Articles of Association, the shareholders are authorized to make decisions at the General Meeting of Shareholders, inter alia, on the following issues:

- Changing the Issuer’s share capital
- Approval of amendments to the Charter;
- Liquidation of the Issuer;
- Any merger, division or transformation of the Issuer into another legal entity;
- Preliminary or partial cancellation of pre-emptive rights during an increase of share capital;
- Approval of proposals by Supervisory Board and/or CEO regarding distributions of profits;
- Election and dismissal of the members of the Supervisory Board and determination of its members' term of service;
- Approval of the reports of the Supervisory Board and the CEO;
- Acquisition, sale, transfer, exchange or encumbrance (whether through a single transaction or a series of related transactions) of the Issuer's assets, with a value exceeding GEL 20,000,000 (twenty million);
- Approval of the annual accounts of the Issuer;
- Election and/or dismissal of an external auditor; and
- Other matters provided by the Law on Entrepreneurs and the Charter.

The rights of the Issuer's shareholders are contained in the Charter and the Issuer will be managed in accordance with the Charter and the Law on Entrepreneurs.

Supervisory Board

The Supervisory Board consists of at least three members, each of whom is elected by the shareholders at the General Meeting of Shareholders. Members of the Supervisory Board are required to act in the best interests of the Company business while performing their duties.

The responsibilities of the Supervisory Board include, inter alia, the following:

- Appointing and dismissing the CEO and controlling his/her activities;
- Approving and amending the Issuer's policies and other regulatory documentation;
- Inspecting the Issuer's accounts and property, personally or with the help of invited experts;
- Requesting reports of the Issuer's activities from the CEO (including information concerning related companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- Convening extraordinary general meetings, if necessary;
- Reviewing annual reports and the proposals on profit distribution;
- Approving the annual budget;
- Other matters provided by the Law on Entrepreneurs and the Charter.

The following activities can only be carried out with the prior approval of the Supervisory Board:

- Acquisition and disposal of shareholdings in other companies if the amount of such shares exceeds 50.0% of the total equity of such company or the value of the transaction exceeds GEL 1,000,000 (one million);
- Adopting general principles of business strategy and the business plan of the Issuer and approving the annual budget and long-term obligations;
- Taking and securing obligations (whether through a single transaction or a series of related transactions) the value of which exceeds GEL 1,000,000 (one million) (securing liabilities of the Supervisory Board members and of the CEO shall be approved by the GMS);
- Acquisition, sale, exchange, encumbrance or otherwise disposal of property and property rights, if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- Taking or granting loans and credits if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- Entering into any agreement or transaction if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- Commencing any new economic activities or terminating existing ones;
- Appointment and dismissal of trade representatives;
- Issuance/allocation of new shares within the limits of authorised share capital and approving listing of the Issuer's securities on a particular stock market or other security market;
- Redemption of the Issuer's shares in cases envisaged by the applicable laws, including the redemption of treasury shares;
- Determination of the remuneration and/or additional benefits for the Issuer's senior management (CEO, other members of the executive management team) and its submission for approval at the GMS; and
- Other matters provided by the Law on Entrepreneurs and the Charter.

The CEO and Management

The CEO, as appointed by the Supervisory Board, is responsible for the day-to-day management and representation against third parties of the Issuer (subject to approvals of GMS and the Supervisory Board, as may be required by the Charter and the Law on Entrepreneurs).

The responsibilities of the CEO include:

- Conducting the Issuer's day-to-day activities;
- Reviewing agenda items for the GMS or Supervisory Board meetings, obtaining all the necessary information, preparing proposals and draft resolutions;
- Preparing and presenting to the Supervisory Board for approval the business plan for the following year (such business plan to include the budget, profit and loss forecast and the Issuer's investments plan);
- Ensuring performance of resolutions passed at the GMS and meetings of the Supervisory Board;
- Developing policies, by-laws and other regulatory documents which are to be approved by the Supervisory Board and ensure compliance with such policies, by-laws and regulatory documents;
- the appointment, dismissal, training and remuneration of staff, considering also recommendations of the GMS and/or the Supervisory Board;
- Convening extraordinary general meetings; and
- Any other issues which may be assigned to the CEO by the Supervisory Board and/or the GMS.

The following actions may be taken by the CEO:

- Coordination and management of the Issuer's operations;
- Acting on behalf of the Issuer, without a power of attorney and solely and independently representing the Issuer on any issue before any third party and state authority, as well as issuing a power of attorney;
- Starting a transaction on behalf of the Issuer, subject to all necessary approvals or consents of the General Meeting of Shareholders or/and the Supervisory Board;
- Using incentives or/and sanctions for the Issuer's employees with the approval of the Supervisory Board, in accordance with internal regulations and provisions;
- Appointment of personnel and
- Dismissal from office;
- Preparation of necessary materials/reports and submitting them for approval to the General Meeting of Shareholders or the meetings of the Supervisory Board;
- Ensuring the implementation of the decisions made by the General Meeting of Shareholders or/and the Supervisory Board;
- Founding, reorganization and liquidation of the Issuer's branches and subsidiaries; and
- Any other activity that is considered necessary to achieve the Issuer's goals, except for the cases that specifically require the approval of the General Meeting of Shareholders or/and the Supervisory Board.

The Executive Management Team is managed by the CEO.

The Executive Management Team is accountable to the CEO, the Supervisory Board and the shareholders. The Supervisory Board approves the remuneration and other material conditions of employment for each member of the Executive Management Team. Certain resolutions of the Executive Management Group are subject to the prior approval of the Supervisory Board.

Composition of the Governing Body

Between the prospectus preparation date and bond issue dates, the issuer is planning changes to the governing body, which is also related to ensuring compliance with legal requirements for corporate governance. The information presented below reflects the composition of the issuer's governing body as of the date of preparation of the prospectus and, after the change, the planned composition as of the bond issue date. According to the Law On the Securities Market the issuer was an "accountable enterprise" even before the issuance of the present bonds, which, in accordance with Article 91 of the mentioned law, is required to create an audit committee in the Supervisory Board, which is comprised by members of the Supervisory Board and at least 1 independent member (the requirements of which are additionally determined by the "On Entrepreneurs" Article 57 of the Law of Georgia). The issuer was in violation of this requirement as of the date of approval of the prospectus. However, the issuer undertakes obligation to create an audit committee and to include an independent member of the supervisory board by the bond issue date. The documentation reflecting the said change will be made public together with the final prospectus and is an integral part thereof.

In addition to the above, as a result of the planned changes, the issuer will also be in compliance with the requirements of Article 214, Paragraph 1 of the Law of Georgia "On Entrepreneurs", according to which "a member of the supervisory board of a joint-stock company cannot be a member of the governing body of a joint-stock company at the same time."

The table below summarizes the composition of the members of the governing body and the planned changes for the dates of the preparation of the prospectus and the bond issue dates:

Position at the company (GRE)	Composition of the governing body as of the date of preparation of the prospectus	Planned composition of the governing body as of the bond issue date
Management members		
CEO	Giorgi Vakhtangishvili	Guram Akhvlediani
CFO	Givi Koberidze	Givi Koberidze
CTO	Guram Akhvlediani	
Members of the Supervisory Board		
Chairman of the Supervisory Board	Avtandil Namicheishvili	Avtandil Namicheishvili
Member of the Supervisory Board	Irakli Gilauri	Irakli Gilauri
Member of the Supervisory Board	Giorgi Vakhtangishvili	Giorgi Vakhtangishvili
Independent member of the Supervisory Board	N/A	Ioseb Kurdadze
Members of the Audit Committee		
Chairman of the Audit Committee	*As of the date of preparation of the prospectus, the issuer does not have an audit committee, in accordance with Article 91 of the Law on Securities Market of Georgia*	Ioseb Kurdadze
Member of the Audit Committee		Avtandil Namicheishvili
Member of the Audit Committee		Giorgi Vakhtangishvili

Supervisory Board:

Each current member of the Supervisory Board was appointed by the sole shareholder. The official address of all members of the Supervisory Board is the registered address of the Issuer. There is no potential conflict of interest between the duties of members of the Supervisory Board and their personal interests or other duties.

The details regarding the current members of the Supervisory Board are as follows:

Name	Position	Age	Date of appointment	Expiration of Term of Office / Reappointment
Avtandil Namicheishvili	Chairman	48	15-07-20	3 years from appointment, 1 year remaining
Giorgi Vakhtangishvili	Member	38	12-04-21	3 years from appointment, 1.5 year remaining
Irakli Gilauri	Member	46	15-07-20	3 years from appointment, 1 year remaining

Avtandil Namicheishvili - In addition to his position as a Deputy CEO of Georgia Capital, Avtandil is a Chairman of the Supervisory Board of the group's renewable energy, beverage, residential real estate development and hospitality and commercial real estate businesses. He was a General Councel of BGEO Group, and before that he was a partner of a leading Georgian law firm. Avtandil has an LL.M. in International Business Law from Central European University, Hungary.

Irakli Gilauri - Irakli is a Chairman of the Supervisory Board and CEO of Georgia Capital. He was also the CEO of BGEO Group from 2011 to May 2018, and before that he was the CFO of Bank of Georgia from 2004 and the CEO until 2006. Before he was a banker at the EBRD. Irakli has up to 20 years of experience in banking, investment and finance fields. Over the past decade, Irakli's leadership at BGEO/GCAP has played an important role in Georgian industries, including banking, healthcare, utilities, real estate, etc. He has an MS in Banking from Cass Business School.

Giorgi Vakhtangishvili - Giorgi joined the company as a CEO in 2021. Before that he held the positions of both the CEO and CFO at GGU (Georgian Global Utilities). From August 2022, Giorgi is represented as a member of the supervisory boards of GRE and m2. In 2012-2015, Giorgi was the CEO of “m^2 Real Estate”. He also held other managerial positions in BGEO Group companies. He has a Bachelor's degree from the European School of Management (ESM).

After the change, the Supervisory Board will have the following composition:

Name	Position	Age	Date of appointment	Expiration of Term of Office / Reappointment
Avtandil Namicheishvili	Chairman	48	15-07-20	3 years from appointment
Giorgi Vakhtangishvili	Member	38	12-04-21	3 years from appointmentyear
Irakli Gilauri	Member	46	15-07-20	3 years from appointment
Ioseb Kurdadze	Independent member and chairman of the audit committee	39	To be determined by the issue date	3 years from appointment

Ioseb Kurdadze – independent member of the GRE Supervisory Board and Audit Committee, Chairman of the Audit Committee

In 2005-2012, Ioseb held various positions in the municipal government bodies of Tbilisi and Khashuri. In different years, he held the positions of lawyer, head of the legal department and deputy chairman of the municipality. His responsibilities included the analysis and drafting of various statutory and individual administrative legal acts; Preparation of all types of contracts and other legal documents, submission to the municipal court; Administration and management of various departments of legal enterprises under the jurisdiction of the municipality.

In 2012, Ioseb joined JSC "Bank of Georgia" as a lawyer. In 2016, he was promoted to head of the corporate and internal support team and then to deputy head of the legal department. In 2018-19, he worked as the head of the legal support department of JSC "Liberty Bank".

Ioseb will join the Issuer's Supervisory Board and Audit Committee as an independent member and chairman of the Audit Committee this year on the bond issue date.

Apart from Ioseb, Avtandil Namicheishvili and Giorgi Vakhtangishvili will join the Audit Committee.

Executive Management Team

See the details regarding the current members of the Executive Management Team below:

Name, surname	Position	Age	Date of Appoinment	Expiration date
Giorgi Vakhtangishvili	CEO	38	12-04-21	1 month
Guram Akhvlediani	CTO	35	01-05-21	1 month
Givi Koberidze	CFO	27	01-05-21	18 months

Changes in the executive management team are planned from October 2022. In particular, Giorgi Vakhtangishvili will leave the position of executive director after the expiration of the term contract and Guram Akhvlediani will take his place. Giorgi Vakhtangishvili will only retain the position of a member of the company's supervisory board.

Giorgi Vakhtangishvili – CEO of GRE, member of the Supervisory Boards of GRE and m2 Group

Giorgi joined the company as a CEO in 2021. Before that he held the positions of both the CEO and CFO at GGU (Georgian Global Utilities). In 2012-2015, Giorgi was the CEO of "m^2 Real Estate". He also held other managerial positions in BGEO Group companies. He has a Bachelor's degree from the European School of Management (ESM).

Guram Akhvlediani – GRE's Technical Director

Guram joined Georgia Real Estate in 2021 as CTO. From 2015 to 2021, he worked as Head of Investment Planning and Project Management Departments at GGU, overseeing a portfolio of capital expenditures and launching several renewable energy projects. Prior to GGU, Guram worked as an investment and financial analyst at Ontario Power Generation, one of the largest power generation companies in North America. He holds a Bachelor's Degree in economics from the University of Toronto and a Master's Degree in economics from York University.

Givi Koberidze – Financial Director of GRE, Chairman of the Supervisory Board of LLC M2 Group

Givi held a number of positions in GRE's parent company, JSC Georgia Capital ("GCAP"), most recently as Vice President of the Strategy Department, after which he joined Georgia Real Estate. Before starting working at Georgia Capital, he worked at Ernst & Young in the Strategy and Transactions Department (SaT). Givi holds a Bachelor of Business Administration degree in Finance from the Free University.t

Changes in the executive management team are planned from October 2022. In particular, Giorgi Vakhtangishvili will leave the position of executive director after the expiration of the term contract and Guram Akhvlediani will take his place. Giorgi Vakhtangishvili will only retain the position of a member of the company's supervisory board.

After the change, the executive management team will have the following composition:

Name, surname	Position	Age	Date of Appoinment	Expiration date
Guram Akhvlediani	CEO	35	To be determined by the issue date	To be determined by the issue date
Givi Koberidze	CFO	27	01-05-21	18 months

The business address of each member of the Executive Management Team is the registered address of the Issuer.

Corporate governance

The Issuer fully meets all the requirements defined in the corporate governance regulations stipulated by the “Law On Entrepreneurs". In addition, on December 7, 2021, by order of the National Bank of Georgia, the Corporate Governance Code was published, which will come into force from January 2022, although the issuers will be required to submit the reporting under the mentioned Code for the first time by the date of the 2023 annual reporting. The mentioned Code is based on the approach: "comply or clarify and present an alternative", which aims to promote the widespread use of the best practices of corporate governance.

Conflict of interest

There is no conflict of interest between the members of the Supervisory Board and/or the Executive Management of the Issuer taking into consideration the changes described in the subsection "Composition of the Governing Body" in the Prospectus Registration Document.

Litigation Statement

As of the date of this prospectus and during at least the previous five years, none of the members of the Supervisory Board and none of the members of the executive management, as well as the selected members in accordance with the changes described in the subsection "Composition of the governing body" of the prospectus registration document:

- Has not been convicted of fraud, economic crime or money laundering;
- did not have an executive function, as a member of management or supervisory bodies in any company during bankruptcy or liquidation (except for voluntary liquidation); or
- is not subject to any formal indictment and/or sanction by any government or regulatory body (including any professional body) and has never been disqualified by a court of law for serving as a member of the management or supervisory body of any company;

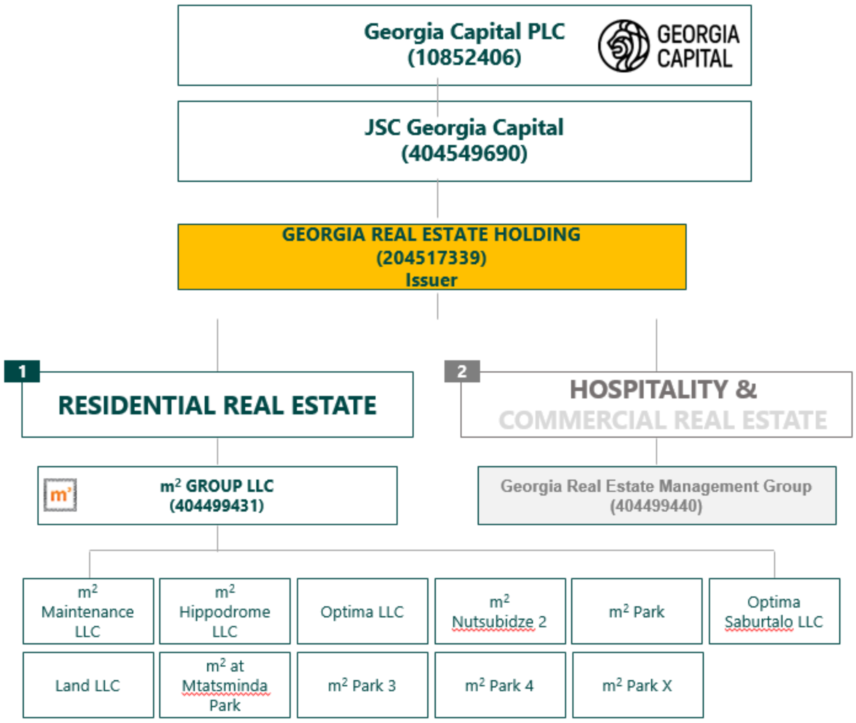
Pensions

The Issuer is subject of the mandatory state pension scheme provided by the Law of Georgia on Funded Pension dated 21 July 2018, which encompasses an investment of up to 6% of a person's income into a personal pension account, with 2% contributed by each of the employee and the employer and the additional state contribution varying depending on the employee's income. At present, the Government contributes, in favour of the participant of the pension scheme, 2% of the amount of the taxable income of an employee whose total yearly income does not exceed GEL 24,000 and 1% of the amount of the taxable income of an employee whose annual taxable income falls within the range of GEL 24,000 to GEL 60,000. The Government does not make any contributions if the annual taxable income of an employee exceeds GEL 60,000 (only for the part of the income that exceeds 60,000 GEL per year).

Major Shareholders

GCAP represents leading investment management company in Georgia, listed on the premium segment of the London Stock Exchange. Its strategy focuses on larger-scale investment opportunities in Georgia, which can reach at least GEL 300 million equity value in 3-5 years after initial investment.. Core strategy enablers of the company include superior access to capital, access to good management and strong corporate governance amongst others.

Georgia Real Estate - legal structure:



**The chart shows the issuer's main business areas and subsidiaries. See detailed information about the issuer's subsidiaries in the subsection: "Principal activities".*

GCAP major shareholders as of 30 June, 2022:

Rank	Shareholder's name	Percent of shares
1	Gemsstock Ltd	10.18%
2	Allan Gray Ltd	6.54%
3	Coeli Frontier Markets AB	4.38%
4	Lazard Asset Management LLC	4.14%
5	M&G Investment Management Ltd	3.79%
6	BlackRock Investment Management (UK)	3.40%
7	RWC	3.11%
8	Firebird Management LLC	2.68%
9	GLG Partners LP	2.64%
10	Van Eck Associates Corporation	2.21%
	Total	**43.07%**

Related party transactions

In accordance with IAS 24, *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's-length basis.

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

	Parent	Entities under common control	Key management personnel	Joint venture3	Related party	Other 4
Balances as of 30 June 2022 (GEL '000)						
Short-term loans issued	-	491	-	-	-	-
Investment securities	-	-	22	-	-	-
Assets related to contracts with clients	-	-	278	-	-	-

	Parent	Entities under common control 2	Key management personnel	Joint venture3	Related party	Other 4
Balances as of 31 December 2021 (GEL '000)						
Short-term loans issued	-	201	-	-	-	-
Deferred Income	-	-	259	-	-	-
Prepayments	-	462	-	-	-	-
Borrowed funds	87,286	-	-	-	-	-
Debt securities issued	-	-	629	-	-	-
Transactions for the year ended 31 December 2021 (GEL '000)						
Interest expense on borrowings	9,072	-	-	-	-	-
Construction expenses	-	13,395	-	-	-	-
Interest expense on debt securities issued	-	-	46	-	-	-
Revenue from sale of inventory property	-	-	146	-	-	-
Finance revenue	-	2	-	-	-	-
Employee benefits expense	-	-	8,608	-	-	-
Rental income	158	746	-	-	-	-
Insurance income	-	154	-	-	-	-
Other general and Administrative expenses	8	-	-	-	-	-
Prepayments	-	1,028	-	-	-	-
Trade and other accounts payable	4	730	-	-	-	-
Deferred Income	-	-	288	-	-	-
Transactions for the year ended 31 December 2021						
Interest expense on borrowings	4,082	-	-	-	-	-
Revenue from sale of inventory property	-	-	181	-	-	-
Finance income	-	10	-	-	-	-
Employee benefits expense	-	-	3,067	-	-	-
Rental income	-	2,068	-	-	-	-
Insurance income	-	8	-	-	-	-
Real estate management expenses	-	16	-	-	-	-
Other operating income	-	223	-	-	-	-
Administrative expenses	3	8	-	-	-	-
Other non-recurring costs	1,863	-	-	-	-	-

	Parent	Entities under common control 2	Key management personnel	Joint venture3	Related party	Other 4
Balances as of 31 December 2020 (GEL '000)						
Accounts receivable	-	897	-	-	-	-
Short-term loans issued	-	-	-	2,211	17	1,878
Deferred Income	-	-	2,183	-	-	-
Borrowed funds	94,475	-	-	-	-	-
Debt securities issued	-	-	1,643	-	-	-
Withheld amounts payable to general contractor	-	-	-	-	-	400
Prepayments	-	494	-	-	-	-
Accounts payable	-	944	-	-	-	-
Transactions for the year ended 31 December (GEL '000)						
Interest expense on borrowings	4,038	-	-	-	-	-
Construction expenses	-	-	-	-	-	1,396
Interest expense on debt securities issued	-	-	121	-	-	-
Revenue from sale of inventory property	-	-	280	-	-	-
Finance revenue	-	-	-	312	-	209
Employee benefits expense	-	-	9,508	-	-	-
Insurance income	269	1,874	-	-	-	-
Insurance expenses	-	652	-	-	-	-
Other general and Administrative expenses	-	132	-	-	-	-

1 As of 31 December 2020 and 2021, Parent includes balances and transactions with Georgia Capital PLC and JSC Georgia Capital.

2 As of 31 December 2020 and 2021, entities under common control include subsidiaries of Georgia Capital PLC, with the exception of subsidiaries that fall into the parent company category.

3 The share of the Group in the joint venture is 6%, and the investment funds are not material as of 31 December 2021 and 2020. The Group has common control over joint activities based on a contractual transaction signed with another shareholder.

4 Other related parties are represented by companies under the control of Key management personnel.

In 2020, the group sold 50% of its subsidiary company, LLC "BK Construction" (S/N 404537809) to its top management (this year the divestment was carried out nominally, with an agreement reached and no compensation), and in 2021, it sold the remaining 50%. The initial purchase of "BK Construction" LLC took place in 2017 for $1 million. In the same year, the issuer purchased a 28.9% share of the brick manufacturer "Ytong Caucasus" LLC (S/N 405154130) for $3.655 million. Ytong was was part of the construction business (although, legally, it was a subsidiary company of the issuer). At the time of the sale, LLC "BK Construction" was a loss-making organization with a negative ₾2 mln equity, same figure for "Ytong Caucasus" LLC stood at ₾27 mln. (of which, 28.9% belonged to the issuer). "BK Construction" LLC and "Itong Caucasus" LLC were sold for US$ 1 million. In return, the issuer recognized a loss of approximately ₾11.6 mln. which in fact was fully attributable to the sale of 29% of the share of "Ytong Caucasus" LLC. Ytong was not operational at the time of disposal, and the company's management did not expect commencement of operations for the next 2 years, nor to receive any kind of dividend or income from this enterprise. The said transaction is not presented in the table of related party transactions of the audited statement, because at the time of disposal, the mentioned purchasers were no longer represented in the issuer's management, and the disposal of 2020 was considered to be only a nominal agreement. The transaction was not evaluated by an external appraiser, however, according to the organization's management, the transaction was performed on Arms-length basis. For details, please see Note 21 of the Issuer's 2021 audited consolidated financial statements: "Changes in Group Structure and Investments in Associates".

In 2020 and 2021, the terms of the lease agreement related to the hotel leased to the entity under common control of the group were changed and, in light of the COVID-19 pandemic, future lease payments were reduced.

The total number of key management members receiving employee benefits amounted to 11 in 2021 (16 in 2020) – CEO and 10 Deputies (2020: two CEOs and 14 Deputies). Other transactions with key management include the aforementioned 11 employees and three members of the Supervisory Board (2020: 16 employees and three members of the Supervisory Board). The remuneration of the key management is as follows:

	2021	2020
Share-based compensation	5,481	2,213
Salary	2,659	3,344
Cash bonus	468	3,951
Total	**8,608**	**9,507**

Financial information about the Issuer's assets and liabilities, financial position and profit and loss

Balance Sheet

	Audited	Audited	Audited Reviewed	Audited Reviewed
Consolidated Balance Sheet (Condensed, 000'GEL)	**2022** 31 June	**2021** 31 June	**2021** 31 December	**2020** 31 December
Assets				
Non-current assets				
Investment property	104,775	248,528	133,282	289,628
Investment property under construction	85,510	107,842	108,040	107,624
Inventory property	129,180	119,162	136,917	110,341
Property and equipment	8,706	26,252	8,960	39,564
Long-term loans issued	0	2,377	0	2,057
Investment in related party	0	11,200	0	11,612
Long-term contract assets with customers	34,361	28,437	26,740	13,882
Advance payments and other assets	2,382	6,260	2,426	5,038
Term deposits in credit institutions	36,956	33,247	45,949	30,803
Other non-current assets	1,783	4,633	3,577	633
Total non-current assets	**403,653**	**587,938**	**465,891**	**611,182**
Current assets				
Cash at bank	21,698	13,607	23,209	18,834
Prepayments and other assets	39,396	31,252	26,419	22,204
Term deposits in credit institutions	4,251	0	4,381	0
Trade and other receivables	801	754	2,189	11,254
Inventory property	7,518	17,046	7,109	15,784
Other current assets	7,334	4,637	8,868	14,487
Total current assets	**80,998**	**67,296**	**72,175**	**82,563**
Total assets	**484,651**	**655,234**	**538,066**	**693,745**
Equity				
Share capital	96,216	6,027	6,027	6,027
Share premium	168,227	164,923	167,228	161,209
Translation and other reserve	5,200	6,465	5,200	6,974
Retained earnings	-187,627	-118,364	-140,444	-100,811
Total shareholders’ equity	**82,016**	**59,051**	**38,011**	**73,399**
Non-controlling interests				374
Total Equity	**82,016**	**59,051**	**38,011**	**73,773**
Non-current liabilities				
Loans received	70,229	187,190	143,958	177,037
Debt securities issued	0	99,558	0	107,381
Deferred revenue	136,811	106,124	129,435	96,808
Trade and other payables	7,932	12,726	10,066	0
Other non-current liabilities	10,821.30	0	11333	258
Total non-current liabilities	**225,793**	**405,598**	**294,792**	**381,484**
Current liabilities				
Short-term share of long-term loans received	44,763	46,985	61,954	61,234
Debt securities issued	104,170	107,120	110,006	106,598
Trade and other payables	13,945	9,455	11,385	30,593
Deferred revenue	3,901	15,675	12,630	21,115
Accruals for employee compensation	2,121	3,121	3,717	10,728
Other current liabilities	7,942	8,229	5,571	8,220
Total current liabilities	**176,842**	**190,585**	**205,263**	**238,488**

Total liabilities	**402,635**	**596,183**	**500,055**	**619,972**
TOTAL EQUITY AND LIABILITIES	**484,651**	**655,234**	**538,066**	**693,745**

Profit and Loss Statement

Consolidated Statement of Profit and Loss (Condensed) (000' GEL)	**30-June-2022**	**30-June-2021**	**31-June-2021**	**31-Dec-2020**	**31-Dec-2019**
	Unaudited	**Unaudited**	**Audited**	**Audited**	**Audited**
Sales of inventory property	69,305	44,543	80,511	82,765	55,413
Prime cost of the sold inventory property	(61,644)	(35,548)	(84,459)	(66,416)	(47,802)
Gross profit on sale of inventory property	**7,661**	**8,995**	**(3,948)**	**16,349**	**7,611**
Rental income	2,381	6,674	8,878	13,872	13,377
Property operating expense	(588)	(1,505)	(2,518)	(2,515)	(3,025)
Net rental income	**1,793**	**5,169**	**6,360**	**11,357**	**10,352**
Revenue from construction services	-	-	-	-	21,835
Cost of construction services	-	-	-	-	(19,411)
Gross profit from construction services	**-**	**-**	**-**	**-**	**2,424**
Revenue from property management	1,069	969	1,920	1,926	1,721
Cost of property management	(1,309)	(1,059)	(2,295)	(2,210)	(1,663)
Net income from property management	**(240)**	**(90)**	**(375)**	**(284)**	**58**
Revenue from hospitality services	-	236	-	947	-
Cost of hospitality services	-	-	(7)	(1,466)	-
Gross profit from hospitality services	**-**	**236**	**(7)**	**(519)**	**-**
Net gain from revaluation	(51,221)	(666)	9,291	(110,137)	23,146
Other revenue	335	118	189	184	115
Other operating expenses	(10,536)	(5,265)	(19,806)	(20,182)	(27,613)
Depreciation and amortization	(1,529)	(1,212)	(2,011)	(4,098)	(3,347)
Non-recurring items	(1,863)	-	964	(2,025)	-
Operating profit	**(55,600)**	**7,285**	**(9,343)**	**(109,355)**	**12,746**
Finance income	496	573	3,882	844	837
Finance expense	(12,691)	(17,569)	(31,279)	(28,697)	(15,894)
Share of association loss	-	-	-	(344)	-
Net foreign exchange loss	20,612	4,265	7,974	(14,759)	(1,163)
Net other non-operating income	-	-	-	-	523
Profit / (loss) before income tax expense	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(2,951)**
Income tax expense	-	-	-	-	(376)
Operating profit / (loss) for the year	**(47,183)**	**(5,446)**	**(28,766)**	**(152,311)**	**(3,327)**
Loss from operations terminated after tax	-	(12,174)	(9,924)	(2,152)	-
Operating profit / (loss) for the year	**(47,183)**	**(17,620)**	**(38,690)**	**(154,463)**	**(3,327)**
- attributable to non-controlling interests	-	*943*	*943*	*1,960*	*(28)*
- attributable to the shareholders of the Company	*(47,183)*	*(18,563)*	*(39,633)*	*(156,423)*	*(3,299)*
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					

Revaluation gain (loss) on shares of the parent held for settlement of the settled share based transactions	-	-	73	(1,010)	(244)
Exchange difference on translation of operations to presentation currency	-	*(510)*	(1,847)	(4,686)	3,322
Total other comprehensive loss	**-**	**(510)**	**(1,774)**	**(5,696)**	**3,078**
Total comprehensive loss for the year	**(47,183)**	**(18,130)**	**(40,464)**	**(160,159)**	**(249)**
attributable to non–controlling interests	-	943	943	(637)	(157)
attributable to the shareholder of the Company	(47,183)	(19,073)	(41,407)	(159,522)	(92)

Cash flow statement

	30-June-2022	***30-June-2021***	***31-Dec-2021***	***31-Dec-2020***	***31-Dec-2019***
	Unaudited	Unaudited	Audited	Audited	Audited
Cash flow from operating activities					
Cash inflows from sale of apartments	73,499	54,050	109,954	151,457	51,567
Cash outflows related to the development of apartments	(73,126)	(41,612)	(80,607)	(76,349)	(32,686)
Net cash from real estate management	(133)	(254)	(774)	8,855	7,675
Net outflow from limited access deposits	-	-	-	(543)	-
Cash inflow for hospitality services	-	-	-	1,880	-
Cash outflow for hospitality services	-	-	-	(1,865)	-
Cash inflow for construction services	-	-	-	-	29,574
Cash outflow for construction services	-	-	-	-	(30,208)
Net cash from rental and real estate management	-	-	-	-	-
Net cash from rental	3,765	6,289	8,877	-	-
Cash paid for operating expenses	(10,642)	(7,466)	(19,717)	(17,009)	(27,674)
Interest received	497	288	2,474	281	235
Taxes paid other than profit tax	(1,966)	(7,804)	(12,521)	(6,624)	(7,596)
Net cash inflows from operating activities - uninterrupted activities	**(8,106)**	**3,491**	**7,686**	**60,083**	**(9,113)**
Net cash inflows from operating activities - interrupted operations	-	932	932	(3,259)	-
Net cash inflows from operating activities	**(8,106)**	**4,423**	**8,618**	**56,824**	**(9,113)**
Cash flows from investment activity					
Acquisition of investment property	-	-	(997)	(1,129)	(29,197)
Proceeds from sale of investment property	1,843	6,846	133,191	9,829	-
Proceeds from sale of other assets	-	-	13,206	-	5,228
Capital expenditure on investment property	(2,606)	(2,957)	(5,012)	(34,588)	(57,749)
Acquisition of investment securities	-	(747)	(47,322)	-	-
Proceeds from repayment of investment securities	1,102	-	46,575	-	-
Acquisition of property and equipment	(724)	(140)	(667)	(559)	(4,443)
Transfer to time deposits	9,123	(2,445)	(20,232)	(30,097)	-
Net transfer to limited access deposits	297	1,468	207	-	-
Loans issued	(487)	-	(200)	(300)	(50)
Repayment of issued loans	208	524	2,089	-	-
				-	-
Disposal of subsidiary, minus issued amount	-	(46)	(46)	-	(1,295)
Other cash flows from investment activity	315	-	-	-	-
Acquisition of related parties	-	-	-	-	(10,823)
Net cash flows from (used in) investment activity – uninterrupted activities	**9,071**	**2,503**	**120,792**	**(56,844)**	**(98,329)**
Net cash flows used in investment activity – terminated operations	-	(287)	(287)	2,696	-
Net cash flows from (used in) investment activity	**9,071**	**2,216**	**120,505**	**(54,148)**	**(98,329)**
Cash flows from finance activities					
Proceeds from debt securities issued	-	-	-	-	152,546
Repayment of debt securities issued	-	-	(92,883)	-	(74,143)
Borrowings	43,446	5,081	8,224	30,460	137,356
Repayment of borrowings	(32,503)	(1,442)	(5,924)	(22,141)	(107,934)
Interest paid on borrowings	(8,984)	(12,991)	(29,810)	(21,740)	(29,443)
Repayment of rental liabilities	(727)	(98)	(531)	(565)	(1,472)
Interest paid on rental liabilities	(135)	(35)	(386)	(52)	(264)
Proceeds from preferred shares issued	-	-	-	1,137	36,519

Dividends paid	-	-	-	-	(10,000)
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	-	(702)
Net cash flows used in finance activities – uninterrupted activities	**1,097**	**(9,485)**	**(121,310)**	**(12,901)**	**102,463**
Net cash flows used in finance activities – terminated operations	-	(659)	(659)	(2,303)	-
Net cash flows used in finance activities	**1,097**	**(10,144)**	**(121,969)**	**(15,204)**	**102,463**
Effect of exchange rate changes on cash and cash equivalents – uninterrupted activities	(3,573)	(1,722)	(2,779)	14	1,753
Net increase (decrease) in cash and cash equivalents – uninterrupted activities	**(1,511)**	**(5,227)**	**4,375**	**(12,514)**	**(3,226)**
Net decrease in cash and cash equivalents – terminated operations	-	(14)	(14)	(12,514)	-
Net increase (decrease) in cash and cash equivalents	**(1,511)**	**(5,241)**	**4,361**	**(25,028)**	**(3,226)**
Cash and cash equivalents at the beginning of the period – uninterrupted activities	23,209	18,834	18,834	31,348	34,573
Cash and cash equivalents at the end of the period – uninterrupted activities	**21,698**	**13,607**	**23,209**	**18,834**	**31,347**

Dividends policy

The Company does not have a declared dividend policy.

The dividend disbursement process is as follows:

Within two months from the end of the financial year, the CEO prepares a proposal for the distribution of profits for approval by the Supervisory Board. Afterwards the Supervisory Board and the CEO submit a joint proposal to the General Meeting of Shareholders. In case of failure to reach an agreement on the mentioned issue, independent proposals regarding the issue of profit distribution shall be decided by the General Meeting of Shareholders.

The General Meeting of Shareholders sets the accounting date (hereinafter the "Dividend Accounting Date"), which must be at least 15 days after the General Meeting and must coincide with the business day. Shareholders who own shares of the Company at the end of the Dividend Accounting Date will receive a dividend in proportion to the shares in their possession.

The Meeting of Shareholders sets the Dividend Commencement Date, which must be at least 15 days after the Dividend Accounting Date but within 2 months after the respective General Meeting.

Dividend Accounting Date and Dividend Commencement Date must be published in print within 5 days from the respective General Meeting and the shareholders who own at least 1% of the shares (or less if required by applicable law) must be notified though insured mail or personally.

No dividends were announced and payed by the Company in 2020 and 2021.

Litigation Cases and other proceedings

As of the date of approval of the prospectus and for the past 12 months, the issuer has had no material disputes, except for one. The claimant is Gvinadze and Partners LLC and the lawsuit was filed on December 23, 2020. The dispute will be heard in the Supreme Court. The claimant is seeking US$ 330,594 in punitive damages. According to the management, the probability of winning the case is small, although there is an expectation that the volume of the amount will decrease. The potential closing date for the case is the end of March 2023.

Description of significant changes in the financial or commercial condition of the Issuer

On April 8, 2021, in accordance with its strategy of liquidation of its secondary businesses, the Group fully sold its 100% share in the subsidiary JSC New Development and remaining 50% from the 2020 sales of BK Construction LLC to the general directors of the Group.

Charter Capital

See “Operating and Financial Overview, Financial Condition, Total Capital” in the prospectus registration document.

The list of documents that are referred to / indicated in the registration document

The following documents are referred to in the registration document:

- Real Estate Valuation Report of 2021 by Colliers International;
- The Company Articles of Association (published on the Public Registry portal napr.gov.ge: number of searching for the application in the NAPR system: **B21097683**);

- Agreement between Placement Agents and the Issuer (the document is kept in physical form at the address of the Issuer);
- Agreement between the Calculation and Paying Agent and the Issuer (the document is kept in physical form at the address of the issuer);
- Agreement between the Issuer and the Bondholders.

The agreements listed above are confidential documents, which the issuer does not plan to publish, although the aforementioned documents can be made available to existing and potential investors in physical form at the addresses specified in the prospectus of the issuer and relevant parties (representative of placement agents, calculation and payment agent, bondholders), as well as in electronic form, in case of request from the e-mail address specified for them in the prospectus. Sharing of the latest available version of the mentioned documents to existing investors should be done in electronic form no later than 5 working days after the request is made. An exeption from the abovementioned is Real Estate Valuation Report of 2021 which is a confidential document and will not be available.

Overview of securities

Statement about working capital requirements

Company’s working capital

The Company’s working capital (short-term assets minus short-term liabilities) as of 30 June 2012 was GEL (95,844) thousand (30/06/21: (123,289) thousand). The current and quick ratios of the Company were 0.46 and 0.42 respectively (30/06/21: 0.35 and 0.26).

As of 31 December 2021, the working capital of the Company amounted to (133,088) thousand (31/12/20: (155,925) thousand). The current and quick ratios of the Company were 0.35 and 0.22 respectively (31/12/20: 0.35 and 0.28).

Proceeds from the issuance of bonds will be fully used to repay US$ 35 million worth securities issued in October 2019 (ISIN: GE2700603865). After the repayment of the bonds, the Company’s short-term liabilities will decrease from GEL 176,841 thousand to GEL 72,672 thousand, which will increase the working capital of the Company to GEL 8,326 thousand. In addition, the Company’s current and quick ratios will increase to 1.11 and 1.01 respectively.

In the Company’s assessment, future financing (including proceeds from the bonds) will be enough to finance its operations during the coming one year.

Description of Interest of the Parties involved in the Offering

The Issuer and Placement Agent 1 which also acts as Calculation and Principal Paying Agent (Galt & Taggart) are directly related persons. The Issuer is the 100% subsidiary of Georgia Capital PLC (ultimate parent), which also indirectly owns 19.90% share (without voting right) in Bank of Georgia PLC which, in turn, owns 100% in Galt & Taggart. Notwithstanding the fact that relationship may be considered risky from the perspective of potential investor, the Issuer believes that such risk is not material as its share in Galt & Taggart is without the voting right. Moreover, members of management boards of the aforementioned companies are totally separated from one another and all agreements with respect to the given transaction are entered into on arm's-length terms.

The Issuer and the Placement Agent 2 (TBC Capital LLC), the Issuer's auditors and third parties or experts involved in the preparation of this prospectus are not related persons and there is no conflict of interest between them.

The Issuer does not have information about any other existing of potential conflict of interest with respect to the offering.

To the best knowledge of the Issuer, the management of the Issuer, members of the management board or board of directors or shareholders do not intend to participate in the offering and purchase bonds. The Issuer has no information about a person that has expressed interest for purchase of more than 5% of the offering.

Information about the registrar of the Issuer is provided in the document on the terms and conditions of the bonds.

TERMS AND CONDITIONS OF THE BONDS

The issue of up to US$35,000,000 (thirty five million) bonds in accordance with the Prospectus and Term Sheet. The Bonds are issued on the basis of the resolution of the Supervisory Board of the Issuer dated September 15, 2022. 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 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Term Sheet*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement. The Agreement is signed in English and the Company does not intend to prepare it in Georgian language. In case of any conflict between the information presented in the Prospectus and the Agreement, the Prospectus shall prevail.

Copies of the Agreement are available for inspection electronically, upon request from th issuer's e-mail indicated in the Prospectus as well at the principal offices of the Bondholders' Representative and the Issuer. 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 Article 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 carry 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 su,ch 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**").The issuer and / or placement agent is entitled to make a placement of the bonds with the Deferred Placement Price from the Issue Date till the Offering Completion Date (including the last date). The deferred placement of the bonds will be conducted with the Deferred Placement Price. 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.

Subscribing Investors and investors who purchase the bonds till the Bond Deferred Placement Date must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or Deferred Placement Date. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer delivers the purchased Bonds to the same brokerage account on the Issue Date or Deferred Placement Date. In exceptional cases, the Placement Agent may at its discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Subscribing Investor's brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorized Nominal Holder.

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.

(b) Changes during Public Offering

If the Issuer decides to change information about the Bonds during public offering (period between the commencement of offering until the Issue Date), the Issuer shall take necessary steps set out by the Securities Legislation.

(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, 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.

(d) Price Setting

Final amount of offering for prospective investors in the process of offering of the Bonds are determined in the light of the expressed demand for purchase of bonds/conditions (as a result of book-building).

Final allocation to the potential investors are detrmined during the bond offering process, based on the interest expressed/demand for purchasing the bonds (as a result of book-building) as determined by the procedure set-out in Condition 2(a).

(e) Placement

The Issuer and/or the Placement Agent are empowered to issue the Bonds at the deferred price after the Issue Date till the date of the expiry of the offer (including the end of the aforementioned date). The deferred placement of the Bonds will take place at the deferred price. The investors are allowed to express interest to acquire the deferred Bonds by providing application/notice to the Placement Agent. Notifying the agent about the willingness to purchase the Bonds is possible over electronic means of communication and/or by any other means allowed by the Placement Agent.

Subscribing Investors and those investors, who acquire the Bonds at the deferred date (hereinafter, collectively, "Investors") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or before the deferred issue date. The Investor shall open such brokerage accounts with the Placement Agent. The Issuer delivers the Bonds, purchased by the Investor, to the same brokerage account either on the Issue Date or the deferred issue date. In exceptional cases, the Placement Agent may at its discretion allow the Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent instead of the Investor's brokerage account with the Placement Agent. In such cases, the Bonds are delivered to the account of the Investor held with the Registrar or with other authorized Nominal Holder.

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 defined in this Prospectus and/or annul all the issued Bonds (if any) by retuning the money paid by Bondholders for the purchase of the Bonds, if a minimum amount are not subscribed and placed on the Issue Date.

If total number of Bonds, defined by final prospectus, will not be placed by the end of offering date, unplaced Bonds shall be annulled (cancelled) and the Issuer of Bonds will provide National Bank of Georgia with information about placed Bonds and stock exchange – if securities are permitted to stock exchange and will announce it in accordance with Georgian legislation.

Within 1 month from the end of public offering, the issuer will submit to the NBG and publish information regarding the placement of the bonds.

(f) Admission of Securities to Trading on the Stock Exchange

Once the Bonds have been placed, the issuer intends to apply to the Georgian Stock Exchange (GSE) for the admittance of the Bonds to the trading system and listing 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, an d/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 Authorizations 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, licenses, approvals and authorizations necessary in that regard.

(ii) The Issuer shall do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses 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:

(I) 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 undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

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

(i) 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

(ii) 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;

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

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

(II) The Issuer shall procure that no Material Subsidiary shall, without the prior written consent of the Bondholders' Representative (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries' properties or assets, unless, in any case:

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

(i) such Material Subsidiary shall be the Successor Entity; or

(ii) the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary 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;

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

(iv) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(III) Notwithstanding the foregoing, any Material Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of related transactions, all or substantially all of its assets to the Issuer or another Subsidiary of the Issuer (which after such transaction will be deemed to be a Material Subsidiary for purposes hereof).

(IV) This Condition 5(c) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) any 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 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 satisfy the conditions of the Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests".

(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, at the request of Bondholders holding 20% or more (whether directly or through Nominal Holders) of outstanding Bonds the Issuer shall, , 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) any 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 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 satisfy the conditions of the Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests".

(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) including repayment of the subordinated shareholder debt 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 (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 2022, exceeds the sum of:

(a) 50 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 2022 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 2022 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2022 of any Indebtedness of the Issuer into or for share capital of the Issuer;

(h) **Indebtedness**:

(i) The Issuer shall not be permitted to create, incur, assume or otherwise become liable in respect of any Indebtedness (jointly, **"incurrence")**, other than Any Indebtedness, provided that:

(a) total Indebtedness of the Group calculated (determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS), as the sum of the incurred Indebtedness and existing Indebtedness as at the end of the most recent IFRS Fiscal Period, excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time exceed [60%] (sixty per cent) of the total consolidated assets of the Group as at the end of the most recent IFRS Fiscal Period determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS.

(b) total Indebtedness of the Group calculated (determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS), as the sum of the incurred Indebtedness and existing Indebtedness as at the end of the most recent IFRS Fiscal Period, excluding unsecured contingent liabilities arising in the ordinary course of business, which shall be secured/collateralized by the issuer's assets, does not at any time exceed [50%] (fifty per cent) of the total consolidated assets of the Group as at the end of the most recent IFRS Fiscal Period determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS.

(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) **Information Disclosure:**

(I) The Issuer hereby undertakes that:

(i) After the end of the financial year, but not later than 15th of May, it will disclose the Issuer's audited annual financial statements prepared in accordance with IFRS in accordance with the Securities Legislation;

(ii) (ii) After the end of the second quarter of each of the financial years, but not later than 15th of August, it will disclose the Issuer's unaudited interim financial statements for 6 (six) months, prepared in accordance with IFRS in accordance with the Securities Legislation;

(iii) (iii) Comply with other current or periodic reporting requirements as defined by Securities Legislation;

(II) For the purposes of Condition 5 (I)(i) of this Condition 5, the Issuer will be considered to have delivered aforementioned information to the Bondholders, if such information has been made publicly available in accordance with applicable legislation;

(III) If the Bondholders' Representative or Bondholders, who own (directly or through Nominal Holders) more than 25% (twenty-five percent) of the Outstanding Bonds, shall assume, that the Event of Default has occurred, they can demand written information regarding the Event of Default or Potential Event of Default from the Issuer and the Issuer is obligated to disclose this information to these Bondholders. The written demand can be presented as one document signed by Bondholders or Nominal Holders or as many documents with the same contents. This type of demand can also be received through the decision of the Bondholders' meeting.

(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.

(m)**Maintenance of cash balance:** The "Issuer" undertakes that the cash balance on any given date shall be at least 50% of the semi-annual interest expense required to service the bonds.

6. INTEREST

Each Bond bears interest from and including the Issue Date at the annual rate within the range indicated in the “*Term Sheet*”. 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 semi-annually in arrears based on the Interest Payment Dates determined by the “Term Sheet” 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 October 7, 2024. 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 reserve 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$ [1,000,000] 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$ [1,000,000] 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, nationalized, 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

The Issuer's notice to the Bondholders shall be made by either publication (including without limitation on the Issuer’s web-site) or by sending it to the Nominal Holders of the Bonds at their respective electronic mail (e-mail) address or physical mailing address specified in this Prospectus through the Bondholders’ Representative.

In case the Issuer’s notice is made by publication or by sending it via e-mail, any such notice shall be deemed to have been given on the date of publication or at the date when the respective email was sent. If published or sent more than once, the notice shall be deemed to have been duly given on the first date on which publication is made (or e-mail is sent). In case the Issuer’s notice is made by physical mailing, any such notice shall be deemed to have been given on the 4th Business Day after the date of mailing.

The Bondholders shall send notices to the Nominal Holder of Bond(s) at its respective e-mail or physical address as referenced in this Prospectus, unless duly notified otherwise in writing by the Nominal Holder of Bond(s) to the Bondholders.

For the avoidance of any doubt, in case of sending the notice provided for in this Condition in the material form to the appropriate address, the notice shall be deemed to have been duly sent and it shall not require additional mailing. The Issuer will provide the Nominal Holders with information on convening the Meeting of the Bondholders and/or will publish a notice through the Legislative Herald of Georgia.

For the purpose of disclosing regulated information, any public source defined by law (https://reportal.ge/; https://gse.ge/; Legislative Herald of Georgia, Issuer's website) will be used to publish regulated information, including the fulfillment of the obligations set forth in Article 9 of the National Bank of Georgia’s Transparency Rule (181/04):

a) Any changes in the public securities holder's rights, including changes in the terms of the securities that may have an indirect impact on the public securities owner's rights or that result from changes in loan terms and interest rates;

b) Information on interest rates on loan securities, periodic payments, conversion/exchange, purchase or cancellation rights, or repayment;

c) Information required for the proper exercise of the rights of holders of public securities;

d) Information on the place, time, agenda and right to participate in the Issuer's shareholders' meeting;

e) The Issuer plans to use the following sources for different types of regulated information, in case of changes of which it will inform the Bondholders accordingly:

   i. Periodic financial statements: https://reportal.ge/;

   ii. Information on meetings / decisions and other similar issues: website of the National Agency of Public Registry or LEPL Matsne.

   iii. Other information listed above or current reports required by law within framework of transperancy: website of the Issuer or GSE.

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 ("Registered Owner") (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;

"**Deferred Placement Date**" has the meaning given to it in "Overview of the Offering";

"**Deferred Placement Price**" has the meaning given to it in "Overview of the Offering";

"**Offering Completion Date**" has the meaning given to it in "Overview of the Offering";

"**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;

"**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 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 favor 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 does not, at any such time, exceed 50 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.

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 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 (resident and nonresident individuals and nonresident legal person) will be subject to withholding tax at the source of payment at the rate of 5% (five percent). Further, the abovementioned interest taxed at source shall not be included by a recipient resident individual in his gross income.

Payments of interest on the Bonds will be exempt from withholding tax at the source and such payments will not be included in gross income of Bondholder, it the Bonds are issued by a resident legal entity by public offering before 1 January 2023 and allowed on the organized market recognized by the NBG (listing A and B category of the GSE).

The interest accrued on the Bonds is exempt from withholding the income tax at the source and it shall not be considered a gross income of Bondholder, it the Bonds are issued by a resident of Georgia and allowed to trade in a foreign country recognized stock exchange.

Interest paid to Bondholders that are registered in countries having preferential 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 Bond Alienation

Revenue received by a resident legal entity issued by the public offering in Georgia and from the Bonds issued, which are allowed to be traded on an organized market recognized by the National Bank of Georgia is exempt from taxation to a resident of Georgia and non-resident individuals and non-resident legal entities.

If the exemption mentioned above does not apply, the following tax liabilities may arise:

Taxation of profit from sale of Bonds by Non-Resident Legal Entity Bondholders:

Profit of non-resident legal entities (taxable object - difference between initial and sale prices) will be taxed at a 15 percent tax rate. 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 profit from sale of Bonds by Non-Resident Individual Bondholders:

Profit of non-resident individuals (taxable object - difference between initial and sale prices) is taxed at a 20 percent rate. 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 profit from sale of Bonds by Resident Legal Entity Bondholders:

The surplus income received by the resident legal entity of Georgia (the difference between the initial and sale prices) shall be taxed in accordance with the rules established by the legislation of Georgia, when distributing the profit. (15% rate).

Taxation of profit from sale of Bonds by Resident Individual Bondholders:

Income from resident individuals (taxable object - difference between initial and sale prices) will be taxed at a 20 percent rate. 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 provided 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.