Joint Stock Company

“m2 Real Estate“

(Identification Code: 204517399)

Final Prospectus

USD 35,000,000 (thirty five million) Bonds with fixed interest (coupon) rate. The Bonds mature in 3 years from the date of their issue. The nominal value of each Bond is USD 1,000 (one thousand). Issue price: 100% of the nominal value. Interest on the Bonds is payable semi-annually in arrears at the rate of 7.5%. The exact rate will be determined from book building and will be reflected in the Final Prospectus.

JSC “m2 Real Estate” (hereafter the **“Company”** or **“m2 Real Estate“** or the **“Issuer”**) accepts responsibility for the information contained in this Memorandum. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Memorandum is in accordance with the facts and does not omit anything likely to significantly affect the accuracy and completeness of such information. *In addition, attached prospectus (the **“Prospectus”**) contains all the material information known to the Company and there has not been intentionally omitted information, which could affect the content of the prospect.*

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:
General Director – Irakli Burdiladze
Deputy General Director – Giorgi Natroshvili

Signed on behalf of JSC m2 Real Estate:

Signatory:

Name, surname: Irakli Burdiladze
Position: General Director
Signature:
Date:

Signatory:

Name, surname: Giorgi Natroshvili
Position: Deputy General Director
Signature:
Date:

Signatory:

Name, surname: Irakli Gilauri
Position: Chairman of Supervisory Board
Signature:
Date:

Signed on behalf of JSC Galt and Taggart:

Signatory:

Name, surname: Otar Sharikadze
Position: Managing Director
Signature:
Date:

IMPORTANT INFORMATION FOR THE INVESTORS:

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

Responsible body for approval of this Prospectus:

National Bank of Georgia - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: 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.

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

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

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

The investor's representation: The attached Prospectus is delivered to the prospective investor at his request and on the basis that the investor has confirmed to JSC Galt & Taggart (Identification Code 211359206), Address: 79 D. Agmashenebeli Avenue, Tbilisi 0179, Georgia, Tel: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge (the **"Placement Agent**") and the Issuer that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she/it is located.

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

For avoidance of any doubts, preference is given to the publicly issued prospectus by the company, (which is identical to the one approved by the National Bank of Georgia).

After the submission to the approval of the prospectus, there has not been any material change in the circumstances. If there happens to be any change the prospect will be updated respectively.

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

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

Approved by the National Bank of Georgia

[date]

Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

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GENERAL OVERVIEW OF THE PROSPECTUS

Introduction

Name of the Security	JSC "m2 Real Estate" Bonds
Name of the Issuer, legal form, identification number and contact information	Joint Stock Company "M2 Real Estate", ID 204517399. Address: 29 Chavchavadze Ave, 0179 Tbilisi, Georgia; Tel: (995 32) 2444-111; email: iburdiladze@m2.ge
Name and contact information of the Placement Agent	JSC Galt & Taggart (Identification Code 211359206), Address: 79 D. Agmashenebeli Avenue, Tbilisi 0179, Georgia, Tel: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge
Name and contact information of the body responsible for approving the Prospectus	**National Bank of Georgia** - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge
Prospectus approval Date	[●]

Important references:

The general overview is an 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 presented 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 prospect or does not provide the basic information to help the 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 investment and take into account the fact that the repayment of the principal amount of the Bonds and accrued interest will depend on the Issuer's solvency. See "*Risk Factors* of the Prospectus regarding the types of the risk factors related to investment in the Bonds. Neither this Prospectus nor any other information supplied by the Company or the Placement Agent in connection with the Bonds is intended to provide an evaluation of the risks involved in investing in Bonds. Each investor is advised to make his own evaluation of the potential risks involved.

Preliminary Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances, which is reflected in the final Prospectus (e.g. fixing the interest rate, correction of technical deficiencies, clarification of the issue size, etc.). The Issuer will notify the investors about such alterations and additions in accordance with the legislation. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia.

Offering of the Bonds described in this Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful.

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

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

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

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 "*Risk Factors*". Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. In particular, each potential investor should:

- 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;
- 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;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments (the US dollar) is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of the financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

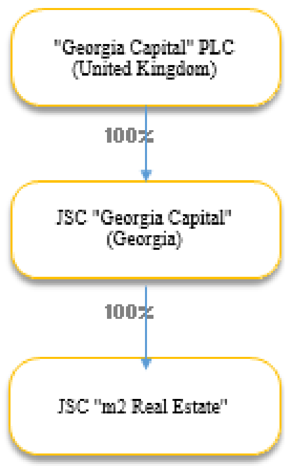
Information about the Issuer

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.

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 PLC "Georgia Capital", 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 structure as at 30 June 2019 is as follows:



The main areas of the company are: real estate development, property management, and construction management.

In June 2017, the direction of construction management was added to the company through the acquisition of construction company BK Construction Ltd, which has been operating in the construction market since 1993 and has 26 years of experience in the construction of multifunctional residential complexes and hotels.

As of today the company has 10 completed residential complexes. A total of 2,855 completed apartments, 99% of which are sold. The company has two ongoing construction projects: m3 Saburtalo on Marshal Gelovani Avenue and residential property on Melikishvili Street.

In addition, the company is actively developing hotels. The 152-room international brand hotel Ramadan Encore, located on Kazbegi Avenue, Tbilisi has been hosting guests since March 2018. Since 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 and / or any income from hotel management. The validity of the management contract is till December 2023. For detailed information on the terms and conditions of the contract, please see the section: "Principal Activities".

Today the company is developing a network of medium to upscale hotels (with a total of 1,222 rooms, of which 152 are operating as of June 30, 2019).

The company has one completed, five under construction and five initial design hotels.

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

The company (as of the date of this prospectus) currently employs 605 employees of which 293 are staffed and 312 are hired on a temporary basis. The company owns four sales offices throughout Georgia.

The issuer is JSC "**m2 Real Estate**"

The issuer is one of the largest developers in its share of total construction area in 2018. The Company's business mainly involves residential projects and at the same time company owns commercial assets in the form of office, retail, warehouse and residential spaces, generating a fixed monthly rental income.

Georgia's commercial real estate market is quite fragmented with some relatively large size players. As of today, on the balance of the company there is approximately 27,558 square meters of office and retail, 12,346 sq.m of warehouse and 3,427 sq.m of residential spaces. The company currently occupies a relatively low share of commercial real estate on the market.
In case of office and retail commercial spaces, are almost entirely leased out, with the average occupancy rate being higher than the average market occupancy ratio. (For further details about occupancy rates are disclosed in "Main Activities" chapter of this prospectus).

Issuer's assets are geographically localized in Georgia.

Brief overview of the Georgian real estate sector:

The construction sector has been a major source of economic growth since 2014 and its contribution to GDP growth was almost 20% during 2014-2017. This sector remains the backbone of the economy, as the realization of investment opportunities in the tourism industry, as well as in residential and commercial real estate, requires direct involvement of the sector. In 2018, the construction sector accounts for 9.3% of GDP. As of September 2019, there were 7,375 construction companies operating in the market.

Georgia's seaside, medical and healing, winter skiing, four-season resorts, wine tourism, cultural landmarks and the gaming industry have made tourism a key sector for the country, resulting in a 17.7% increase in visitors and a steady influx of currency in the country in 2011-2018. The increase in the number of tourists coming in recent years and the positive future expectations have encouraged investors to invest in hotel construction. Foreign direct investment in accommodation facilities amounted to US $ 1.0 billion in 2007-2018, or 6.2% of total inflows.

Demand for residential real estate in Tbilisi has been steadily increasing since 2015. The number of flats sold in the first half of 2019 reached almost 18,000, a 2.5% increase over the same period last year. Demand is mainly for suburban apartments. The most popular districts are Gldani, Samgori, Isani, Didi Dighomi, which made up 49.7% of total sales.

As for commercial real estate, supply of office space increased by 77% during 2012-2017. The Tbilisi office space market is characterized by the highest rentals compared to Central and Eastern European cities, which is one of the main incentives for investors. The rent for top class A business centers in the central business districts of Tbilisi in 2017 was mainly US $ 21.9.

Company Shareholders

The company fully owned by JSC "Georgia Capital" and is ultimately owned and controlled by "Georgia Capital" PLC, a premium listed company incorporated in the United Kingdom.

Directors of the Issuer

Irakli Burdiladze – General Director, Managing Partner.

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

Shota Berekashvili – Managing Partner, in charge of Construction Management.

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

Giorgi Natroshvili – Deputy CEO in Finance and Operations.

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

Nikoloz Jalagania – Deputy CEO in Legal and Human Resources Management.

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

***Shorena Darchiashvili* –** Deputy CEO in Sales and Marketing.

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

Nino Rukhadze – Deputy CEO in charge of Public Relations.

Employed on the position since November 2018. She has 5 years of work experience in real estate international consulting company – Cushman & Wakefield, she was director of business development and marketing. From 2005 to 2012 she was holding leading positions in various departments of public sector, also she was employed at the Administration of the President of Georgia, Ministries of Defense and Foreign Affairs. She holds a degree in the field of business administration of Georgian University, was studying in Georgian-American University in the field of public relation and marketing. Also she has graduated the course – International Relations and National Security, financed by USA Embassy.

Davit Oniani – Deputy CEO in charge of Technical Supervision and Quality Assurance.

Employed on the position since May 2019. He joined company in 2014, till December 2018 he was holding a position of project manager on the constructions of various residential complexes. From December 2018 to May 2019 he was a head of the department of technical supervision and quality assurance. Before employment at the Company he was employed at various construction organizations at the posts of technical engineer and senior engineer. He graduated Georgian Technical University with master’s academic degree by the specialty of construction management.

Nato Bochorishvili – Deputy CEO in charge of Property Management.

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

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

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

Ruso Sanadze – Deputy CEO in charge of Information Technology.

Employed on the position since 2019. In 2017-2019 she was Deputy CEO in charge of Technical Supervision and Quality Assurance. In 2014-2016, she was the Director of Business Development, at "Tegeta Motors"; she was in charge of SAP and IT departments. In 2013-2014, she was the Head of the Risk Management Center for the company "Georgian Card". Before that, she had been working on managerial positions at various IT companies. In addition, she was engaged in scientific work at the German University (CAU, UdS, TUM); she has a PhD academic degree. At present, she is an Associate Professor of Iv.Javakhishvili Tbilisi State University.

***Nino Kvirikashvili* –** Deputy CEO in charge of Business Development.

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

***Nikoloz Medzmariashvili* –** Deputy CEO in charge of Investment Management.

Employed on the position since May 2019. In 2017-2018 he was leading one of the departments of "TBC BANK". In 2011-2017 he was employed at Austrian Investment Company at the post of executive director. In 2009-2011 he was holding a position of business development manager also at Austrian Investment Company. Nikoloz was awarded master's degree in Vienna at Webster University, but bachelor's degree was awarded to him at Ivane Javakhishvili Tbilisi State University in the field of finances and insurance.

***David Mdzleuri* –** Deputy CEO in charge of Security.

In 2015-2017, prior to joining the Company, he was a Regional Manager of the Problem Assets Department at the Bank of Georgia. In 2006-2015, he worked in the Public Sector: Ministries of Regional Development and Infrastructure, Internal Affairs, Environmental Protection and Natural Resources, and Finance. He graduated from the Academy of Physical Education and Sports, and in 2008-2009, he studied at the Warsaw Police Academy.

Issuer Auditors and third parties involved/mentioned in the Prospectus

Issuer's financial auditor is EY LLC, Identification code: 204441158. Address: Georgia, City Tbilisi, Old Tbilisi district, K. Abkhazi street N44. Gmail: info@ge.ey.com

Third persons and experts

The company's real assets are evaluated by the "Colliers International Georgia". Identification code: 405029810; Company address: M. Aleksidze Street. 12, 0193, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Web site: www.colliers.com. The valuation is conducted in accordance with International Valuation Standards (IVS 2013).

Nikoloz Kevkhishvili – MRICS – Head of Valuation & Advisory Department
IVS Registered Valuer A-0296
RICS Registered Valuer

Levan Shalikiani – Manager of Valuation & Advisory Department
IVS Registered Valuer A-0305

Mariam Benashvili – Senior Valuer of Valuation & Advisory Department
IVS Registered Valuer A-0298

Nino Jashi – Senior Valuer of Valuation & Advisory Department
IVS Registered Valuer A-0226

Parties involved in the Placement of the Bonds

Placement Agent: JSC "Galt & Taggart" (ID 211359206), Address: Agmashenebeli Avenue 79, Tbilisi, 0179, Georgia. Mob: (+995 32) 2-444-132; E-mail: st@gt.ge

The Agreement signed with placement agent obliges JSC Galt & Taggart to provide underwriting of bonds only on non-guaranteed basis.
The agent's duty is to prepare the necessary documents (including the Bonds Prospectus) for placing bonds, perform the functions of the placement agent and provide consultations about bond issuance, sales and settlement for the company.

The Issuer, Placement Agent, Calculation and Principal Paying Agent are former related persons. It should be noted that the 100% shareholder of the issuer, Georgia Capital Company PLC, owns 19.9% in the Bank of Georgia Group PLC, 100% shareholder of the Placement Agent. The Placement Agent and the Calculation and Principal Paying Agent and Registrar are related persons. The members of the management boards (management board/board of directors) of such persons may be also on the management board of other related persons. Notwithstanding the fact, that the respective persons (and the members of their management board) act in accordance with the requirements of the applicable legislation (including with respect to conflict of interest) with respect to the approval/entering into the transactions related to Bond issuance and all such transactions are entered into on arm's-length terms, the conflict of interest may pose additional risk factor for the investors.

Main Financial Indicators

The table shows the consolidated financial statements of JSC "m2 real estate" for the year 2018 and 2017, together with 2019 and 2018 half-year reports.

The data represents the interpretation of the company: Due to changes in borrowing cost capitalization approaches, the data differs from prior period audited financial reports. The reasons and effects of the adjustments, and their relationship to the audited financial statements, are detailed in section "Financial position".

The audited and reviewed financial statements can be viewed at the following web addresses:

Interim Condensed Consolidated Financial Statements for the period ended June 30, 2019:
https://m2.ge/uploads/pages/m2-group-consolidated-halfyear-2019-report-46.pdf
Consolidated Audited Financial Statements for the year ended December 31, 2018:
https://m2.ge/uploads/pages/m2-group-consolidated-financial-statements-2018-13.pdf
Consolidated Audited Financial Statements for the year ended December 31, 2017:
https://m2.ge/uploads/pages/m2GroupConsolidatedFinancialStatements2017_ENG.pdf

Consolidated Balance Sheet (Condensed) (000'GEL)	Unaudited Reviewed **2019 HY 30 June**	Unaudited Not Reviewed **2018 30 June**	Audited Restated **2018 31 December**	Audited Restated **2017 31 December**
Assets				
Non-current assets				
Investment property	190,031	207,602	160,158	115,143
Investment property under construction	143,071	35,943	117,376	35,000
Inventory property	71,673	7,174	64,487	8,865
Other non-current assets	35,892	14,389	26,098	57,041
Total non-current assets	**440,667**	**265,108**	**368,119**	**216,049**
Current assets				
Cash at bank	5,248	22,730	34,573	34,751
Time deposits with credit institutions	6,323	324	3,974	114
Trade and other receivables	10,727	2,920	6,528	330
Inventory property	22,049	44,921	33,745	47,421
Prepayments and other assets	83,272	62,144	62,052	44,430
Other current assets	5,980	1,730	2,594	4,337
Total current assets	**133,599**	**134,769**	**143,466**	**131,383**
TOTAL ASSETS	**574,266**	**399,877**	**511,585**	**347,432**
Equity				
Share capital	5,258	4,180	5,091	4,180
Share premium	128,111	87,328	119,710	82,793
Translation and other reserves	22,350	4,364	21,030	14,090
Retained earnings	65,217	52,236	66,949	49,329
Total shareholders' equity	**220,936**	**148,108**	**212,780**	**150,392**
Non-controlling interests	-	9,849	10,761	10,418
Total Equity	**220,936**	**157,957**	**223,541**	**160,810**
Non-current liabilities				
Loans received	132,726	126,943	146,325	42,885
Debt securities issued	86,766	60,848	19,609	64,121
Other non-current liabilities	3,090	2,214	2,797	2,400
Total non-current liabilities	**222,582**	**190,005**	**168,731**	**109,406**
Current liabilities				
Loans received	20,125	5,007	4,301	16,107
Debt securities issued	72,288	931	67,697	1,001
Trade and other payables	9,952	10,010	12,380	6,970
Deferred revenue	11,899	22,459	23,296	47,083
Other current liabilities	16,484	13,508	11,639	6,055
Total current liabilities	**130,748**	**51,915**	**119,313**	**77,216**

Total Liabilities	**353,330**	**241,920**	**288,044**	**186,622**
TOTAL LIABILITIES AND EQUITY	**574,266**	**399,877**	**511,585**	**347,432**

Consolidated Statement of Profit or Loss (Condensed) (000' GEL)	Unaudited Reviewed **2019 HY**	Unaudited Not Reviewed **2018 HY**	Unaudited Restated **2018 FY**	Unaudited Restated **2017 FY**
Sales of inventory property	16,584	52,654	95,046	91,857
Cost of sales – inventory property	(14,586)	(42,660)	(79,164)	(77,698)
Gross profit on sale of inventory property	**1,998**	**9,994**	**15,882**	**14,159**
Rental income	5,910	2,215	5,467	3,599
Property operating expense	(1,533)	(315)	(879)	(557)
Gross profit of rental income	**4,377**	**1,900**	**4,588**	**3,042**
Revenue from construction services	14,457	6,811	27,864	-
Cost of construction services	(12,741)	(5,805)	(23,637)	-
Gross profit from construction services	**1,716**	**1,006**	**4,227**	**-**
Revenue from hospitality services	-	1,576	5,151	-
Cost of hospitality services	-	(1,119)	(3,206)	-
Gross profit from hospitality services	**-**	**457**	**1,945**	**-**
Net gain from revaluation	7,956	2,311	34,039	22,563
Other revenue	417	160	209	277
Other operating expenses	(8,836)	(5,298)	(14,422)	(8,579)
Depreciation and amortization	(1,371)	(437)	(972)	(508)
Non-recurring items	-	(5,630)	(7,557)	(128)
Operating profit	**6,257**	**4,463**	**37,939**	**30,826**
Finance income	586	303	517	816
Finance expense	(7,844)	(4,317)	(9,383)	(6,764)
Net foreign exchange gain/(loss)	(383)	(545)	(1,570)	(117)
Net other non-operating income	-	-	219	-
Profit / (loss) before income tax expense	**(1,384)**	**(96)**	**27,722**	**24,761**
Income tax expense	(376)	-	-	(1,554)
Profit / (loss) for the year	**(1,760)**	**(96)**	**27,722**	**23,207**
• *attributable to the shareholder of the Company*	*(1,732)*	*(94)*	*27,718*	*23,207*
• *attributable to non-controlling interests*	*(28)*	*(2)*	*4*	*-*

Other Important Information

As per audit opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

No significant event has occurred after last reporting period before prospectus presentation date that would cast significant doubt over company's ability to continue as a going-concern.

Various ratios of the company are presented below:

	Reviewed	*Reviewed*	*Unaudited Restated*	*Unaudited Restated*
	2019* HY	**2019 HY**	**2018 FY**	**2017 FY**
Financial Leverage Ratios				
Long-term Debt to Equity	1.45	0.99	0.74	0.67
Return on Capital Employed **	0.58%	0.63%	4.82%	6.76%
Debt Service Coverage Ratio	0.22	0.22	1.02	0.83
Interest Coverage Ratio **	0.30	0.30	1.32	1.32
Total Debt Ratio	0.56	0.54	0.47	0.36
Total interest bearing liabilities to total equity	1.54	1.41	1.06	0.77
Total interest bearing liabilities / EBITDA **	87.59	80.35	19.14	13.95
Free Cash Flow	(50,237)	(50,237)	(34,287)	(2,708)
Profitability Ratios				
Return on Assets **	5.20%	5.35%	6.45%	6.45%
Return on Equity **	13.75%	13.75%	14.43%	15.76%
Gross Profit Margin	21.90%	21.90%	19.95%	18.02%
Operating Profit Margin	16.93%	16.93%	28.41%	32.29%
Net Profit Margin	(4.76%)	(4.76%)	20.76%	24.31%
Earnings Per Share (GEL) **	0.062	0.062	0.066	0.056
Dividend Yield (GEL)	n/a	n/a	0.0635	n/a
Operating Cash Flow Ratio ***	(50.34%)	(30.42%)	(14.53%)	29.91%
Liquidity Ratios				
Liquid Assets/Total Assets	8%	4%	9%	10%
Liquid Assets/Current Liabilities	86%	17%	38%	46%
Working Capital Turnover **	1.04	37.61	5.53	1.76
Current Ratio	2.77	1.02	1.20	1.70
Net asset value	0.53	0.53	0.53	0.38
Operating Ratios				
Fixed Asset Turnover **	36%	36%	55%	60%
Days of Inventory outstanding (DIO)	606.92	606.92	263.83	394.82
Days of Receivables outstanding (DRO)	42.61	42.61	9.37	1.97
Days of Payables outstanding (DPO)	61.07	61.07	54.38	14.59
Cash conversion cycle	588.47	588.47	218.82	382.20

(*) The ratios are adjusted assuming that the Company will issue $ 35,000,000 of bonds and repay the existing bond and accrued interest issued in October 2016, classified as current liabilities, cash balance is increased with the remaining proceeds. Profit and loss accounts do not reflect the effect of the bond emission.

(**) For 2019 the ratio is calculated for the last 12 months (30 June 2018 to 30 June 2019)

(***) Operating cash flow ratio has been negative for the last two years due to the reduction in the residential real estate projects. There were four active projects in 2018, namely: m2 Hippodrome, m2 Chavchavadze and m2 Melikishvili whose pre-sale cash flow came in 2017. Operating activities in 2018 and 2019 were financed from cash flows from equity injections and loan commitments. Preliminary sales of the first and second phases of m3 Saburtalo for 2019, begins in the third and fourth quarters of 2019, respectively.

For the purposes of calculation of above ratios, Earnings before Interest and Tax (EBIT) and Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) excludes the gain from revaluations of Investment Property and Investment Property Under Construction.

Long-term Debt to Equity – Long-term debt divided by Shareholders' Equity
Return on Capital Employed – EBIT plus Interest Expense divided by Average Shareholders' Equity plus Average Interest Bearing Liabilities
Debt Service Coverage Ratio – EBITDA divided by debt service costs (principal and interest)
Interest Coverage Ratio – EBITDA divided by interest expense
Total Debt Ratio – Interest bearing liabilities divided by total assets
Total Interest Bearing Liabilities to EBITDA – Total Interest Bearing Liabilities divided by EBITDA
Free Cash Flow – Net cash inflow from operating activities subtracted by capital expenditures
Return on Assets – Net income divided by the average assets of the last two years or assets of the same year in the absence of previous year information
Return on Equity – Net income divided by the average Shareholders' Equity of the last two years or Shareholders' Equity of the same year in the absence of previous year information
Gross Profit Margin – Gross profit divided by the sum of sale of inventory property, Rental income, Revenue from construction services and Revenue from hospitality services
Operating Profit Margin – Operating profit divided by the sum of sale of inventory property, Rental income, Revenue from construction services and Revenue from hospitality services
Net Profit Margin – Net income divided by the sum of sale of inventory property, Rental income, Revenue from construction services and Revenue from hospitality services
Earnings per Share – Net income divided by the average number of shares outstanding or the number of shares outstanding of the same year in the absence of prior year information
Dividend Yield – Net income minus preferred dividends divided by ordinary shares
Operating Cash Flow Ratio - Operating Cash Flow divided by average short-term liabilities
L**iquid Assets/Total Assets** –Cash & Cash Equivalents plus time deposits with credit institutions and short-term receivables divided by total assets
Liquid Assets/Short-term Liabilities – Cash & Cash Equivalents plus time deposits with credit institutions and short-term receivables divided by short-term liabilities
Working Capital Turnover – Total sales divided by Short-term assets minus Short-term liabilities
Current Ratio – Short-term assets divided by short-term liabilities
Net Asset Value – Total assets subtracted by total liabilities divided by the number of shares outstanding
Fixed Asset Turnover – Total Sales 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.
Days of Inventory on hand – Average inventory stocks (or inventory at the end of the period in the absence of prior year information) divided by sum of cost of sale multiplied by number of days in a given period.
Days of sales outstanding – Receivables divided by the sum of sale of inventory property, Rental income, Revenue from construction services and Revenue from hospitality services, multiplied by number of days in a given period
Number of days of payables – Average accounts payable divided by sum of cost of sale of inventory property, property operating expenses, cost of construction services and cost of hospitality services, multiplied by number of days in a given period
Cash conversion cycle – Days of inventory on hand plus days of sales outstanding minus number of days of payables

Main characteristics of the Bonds

Interest (coupon)	Annual interest (coupon) rate for bonds is 7.5% on the nominal value of the Bonds. Final interest (coupon) is determined following the book-building Process. (see, *Condition 3(a)"Bond Offering Process" – pg. 106*
Interest Accrual and Payment	The interest is accrued on the Bonds 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 semi-annually on April 7 and October 7. The first payment of interest will be made on 7 April, 2020.
Currency of the Bonds	Bonds are denominated in US dollars
Rights and Restrictions related to the Bonds	There are no special and material rights and restrictions related to the Bonds except for the ones presented in the Terms & Conditions part of the prospectus.
Limitations to the free circulation of the Bonds	There are no special limitations to the free circulation of the Bonds
Bond's credit rating	Bond does not have credit rating. The parent company of JSC "Georgia Capital" has credit rating B+ stabilized, granted from S&P and credit rating B2 stabilized, granted from Moody's. Details about the credit rating in the chapter "Issuer's Group Structure".
Maturity Date	The Bonds will be redeemed on 7 October, 2022 at their nominal value together with accrued and unpaid interest (if any)
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)** Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds.
Status and Ranking of the Bond	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst them. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Company
Dividend disbursement policy	The Company does not have a predefined dividend disbursement policy.

Brief overview of the material risks that are specific to the Company's business:

Risks related to real estate sales and construction management

- The Company may face risks related to cost, quality and revenue collection management during the Construction;
- The customers may not be able to make all of their payments to the Company;
- The Company requires significant funding to support its business and may not be able to find necessary amount of funds in a timely manner;
- The Company may face the risks related to the Customer's financing regulations;
- There is a risk related to the permits and approvals the Company needs to obtain for construction;
- The industry in which company participates is increasingly competitive;
- Increasing supply of newly built residential properties may result in price risk for the Company; The Company may face property development completion, redevelopment and renovation risks;

Risks related to rental income

- Real Property Ownership and Tenant Risks;
- Real estate investment is not liquid. The company may not be able to sell investment property quickly at a favorable price.
- The Company has a high level of tenant concentration in rental income, which is an additional risk factor;
- Incomplete insurance of assets owned by the company could have a significant adverse effect on the company's earnings;

Risks related to general business activities of the company

- The Company may face operational risks inherent to its business activities;
- The Company may face risks resulting from its consumer segmentation;
- The fair market value of the properties reflected in the appraisals may be an unreliable indication of its current market value;
- The Company may face risks related to liquidity and Company's ability to settle its outstanding liabilities, which could have a material adverse effect on Company business, financial condition and results of operations. Liquidity risk;
- The company does not meet the average standards set by international rating agencies in the real estate sector for certain ratios, which may indicate high credit risk.

	m2 Real estate			Industry Standart	
	30 June, 2019 (Last 12 months)	2018	2017	Scope	S&P
EBITDA/Interest expense	0.30	1.32	1.32	1.7-2.2	1.8-2.4
Debt/EBITDA	80.35	19.14	13.95	6.0-8.0	7.5-9.5
Debt/Assets	54%	47%	36%	-	35%-50%
Cash Flow from Operations/ Short-term Liabilities	-30%	-15%	30%	7-10%	9%-15%

- The construction and real estate business of the Company is highly cyclical and relies heavily on specific projects.
- Company's success in business depends on its ability to attract and retain senior management and key employees;
- The Company may become involved in, named as a party to or the subject of, various legal proceedings;
- Future natural disasters may materially adversely affect the Company's operations and properties;
- The Company may be exposed to risks associated with various regulations that may adversely affect the Company.

Brief overview of Macroeconomic Risks and Political Risks Related to Georgia:

- Regional tensions can negatively impact local economy and company;
- Destruction of Georgia's neighboring countries' markets may have a negative impact on the Georgian economy;
- There are additional risks associated with investing in emerging markets such as Georgia;
- The Company's business may be materially adversely affected by any depreciation of the Georgian Lari against the U.S. dollar and Euro;
- Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business;
- Because the Company operates solely within Georgia, it will be affected by changes in Georgian economic conditions;

Brief overview of the material risks that are specific to the Bonds:

- The market price of the Bonds may be volatile;
- The Bonds constitute unsecured obligations of the Company;
- 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 the benefits of owning the bonds;
- Investors whose financial activities are denominated in a currency or currency unit other than US dollars may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls;
- An investment in the Bonds may involve certain legal investment considerations;
- Transfer of the Bonds will be subject to certain restrictions;
- Investors in the Bonds must rely on procedures of the Registrar and in corresponding cases - Nominal Holders of the Bonds;
- 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;
- There may not be an active trading market for the Bonds.

Overview of the offering

The Offer	USD 35,000,000 debt securities (Bonds) due on 7 October, 2022
Security	Coupon bond (fixed interest bearing security)
Nominal Value	USD 1,000 (one thousand United States Dollar)
Number of Bonds	35,000 (thirty-five thousand)
Total Issue Price	USD 35,000,000 (thirty-five million United States Dollar)
Issue Price	100% of the principal amount (nominal value) of the Bonds
Bond Placement Fee	Bond Placement Fee is not more than 3% and it is fully covered by the issuer, thus no fees are placed upon the potential investors.
Net Proceed from the Placement	If full placement of the Bonds takes place, the net proceeds will not be less than USD 33,950,000
Bond Issuance Date	The Bonds will be issued on 7 October, 2019
Bond Deferred Placement Date	Any date after the Bond Initial Issuance Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Bond Deferred Placement Price	Nominal value of the bond plus interest accrued from the date of issue of the bond to the date of deferred bond issue
Offering Completion Date	On 31 December, 2019 offering and issuance of the Bonds will be completed
Maturity Date	The Bonds will be redeemed on 7 October, 2022, at their principal/nominal value together with accrued and unpaid interest (if any)
Bond Currency	The Bonds are denominated in U.S. dollars
Bond rights and restrictions	Any special rights and limitations on the Bonds are not provided in the Prospectus
Restrictions on the free circulation of the Bonds	The circulation of the Bonds is not limited
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds.
Calculation and Paying Agent	JSC Galt & Taggart (Identification Code: 211359206)
Default	If there is an “event of default”, the Bondholders' Representative (and in some cases Bondholders (s) and / or Nominal Holders) may request the Issuer to promptly repay 100% of the principal amount of the Bonds and the accrued interest (if any) in full (see Prospectus chapter “Terms and Conditions of the Bonds ", sub - 10," events of default ")

Estimated use of Proceeds from the sale of the Bonds	The net proceeds from the issuance of the bonds will be used for refinancing of the bond issued in 2016. The remaining proceeds will be used for financing of on-going project “m3 Saburtalo”. For further details please see “Use of the proceeds” chapter of this prospectus.
Selling Restrictions	The offer and sale of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Contact Information of the Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave.; Tel: (995 32) 2444-132 ; (+995 32) 2401111 E-mail: st@gt.ge
Bond Placement Agreement	The Bond placement agreement obliges the agents to underwrite the Bonds only on non-guaranteed basis. Each agents' duty is to prepare all the necessary documents for Bond placement purposes (including the Bond Prospectus), act as a Placement Agent and consult the Company with regards to the issuance, sale and settlement of the Bonds.

Possible costs incurred by the investor bonding costs are fully reimbursed by the issuer and no additional costs will be charged to the investor within the offer.

RISK FACTORS

Investing in and holding the Bonds involves financial risk. Investors should carefully review all of the information contained in this Memorandum and should pay particular attention to the following risks associated with an investment in the Bonds. These risks should be considered together with all other information contained in this Memorandum.

If one or more of the events described below were to occur, The Company business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, investors could lose all or part of their investment. The risks set out below may not be exhaustive and do not necessarily comprise all of the risks associated with an investment in the Bonds. Additional risks and uncertainties not currently known to the Company or which we currently deem immaterial may arise or become material in the future.

The risks identified in this section are those that The Company believes to be the most important. However, as the risks relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on key risks summarized in this section but also, among other things, the risks and uncertainties described below. Accordingly, the Company does not claim that the risk statements below are exhaustive.

Risks Related to the Company's Activities

The Company has three main revenue streams: Revenue from the sale of inventory property, Revenue from construction services and Rental Income. As of 31 December 2018, revenue distribution between these revenue streams were c.71%, c.21% and c.4% respectively.

Risks related to the inventory property sale and construction services

The Company may face risks related to cost, quality and revenue collection management during the Construction

May arise in relation to the following components:

- ✓ Cost overruns – The share of imported construction materials in the first six months of 2019 is on average 40-45% of the cost of construction materials. 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; (No such event has previously taken place)
- ✓ Work in progress – the project might not be delivered on time. In such case, penalties will be payable to the buyers. (No such event has previously taken place)
- ✓ 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.
- ✓ Sub-contractor risk – sub-contractors might not deliver their work on time and with adequate quality

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 if the buyers who purchase apartments through in-house finance default on their payments.

According to the Company's policy, the buyer may make a two-year domestic installment covering 30% of the total cost, and within two years the buyer is obliged to repay the remaining 70% through a bank loan. The company has developed a relevant product together with the Bank of Georgia.

The company does not evaluate the credit rating of the customer prior to the down payment, so there is a risk that the customer will not repay the schedule as well as the risk that the bank will not approve the consumer loan after 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 by canceling the records in the National Public Registry. However, in the event of such circumstances, the Buyer shall pay to the Seller a termination fee of 10% of the flat price.

The Company requires 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 highly capital intensive. The Company will require access to capital to maintain its properties and certain capital expenditures from time to time. Although the Company funds part of the cost of building and developing properties 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. There can be no assurance that the Company will have access to sufficient capital or access to capital on terms favorable to the Company. Failure by the Company to access required capital could have a material adverse effect on the Company's financial condition or results of operations and its ability to make distributions to Bondholders regulatory environment of Tbilisi. Adverse changes in the economic condition or regulatory environment of capital city of Tbilisi may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and its ability to make distributions to Bondholders.

The Company may face the risks related to the Customer's financing regulations.

Majority of the company customers (approximately 72% in total) use commercial bank mortgage loans and in-house instalments in order to finance property purchases. From November 2018 National Bank of Georgia has gradually introduced number of new regulations against over-indebtedness of households, including but not limited to: limits on payment-to-income and loan-to-value ratios were introduced with stricter limits for unhedged exposures; limits to the mortgage loan tenor. Moreover, there may be new regulations from NBG in the future, affecting the potential customers of the Company, who consider to take mortgage loans Any regulation restricting commercial banks from issuing mortgages to customers by the company may adversely affect the financial position of the company. (See sub-heading of risks related to financing regulations - p. 83)

There is a risk related to the permits and approvals the Company needs to obtain for construction

The company may face certain delays in getting approval of the projects and project related permits which 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.

The industry in which company participates is increasingly competitive.

Company faces competition in the real estate market in Georgia. The Georgian residential property market is dominated by local developers with a smaller number of foreign investors such as Dirsi (Azerbaijan), Hualing (China) and Dona Group (Israel). The Georgian residential real estate 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.

The Company is also developing mid, upscale and luxury hotels (c. 1,121 rooms as of 31/12/2018, from which 152 are operational), - mid being "Ramada Encore" (opened: Q1-2018) on Kazbegi Avenue, upscale being "Telavi Hotel" (opening: Q4-2021), and luxury being "Kempinski Hotel" (opening: Q3-2020) on Gergeti street, and several more. The detailed list is presented in the chapter "Main Activities" in this prospectus.

The luxury and business hotel segment has expanded significantly in recent years, including the entrance of the internationally branded three-star hotels on Georgian market in recent years. The competition may increase further in the budget hotel segment as the number of tourists visiting Georgia continues to grow and it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Company will compete with other investors, managers and owners of properties in seeking tenants. Some of the properties of the Company's competitors may be newer or better located than the Company's. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the Company. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the Company's ability to lease space and on the rents the Company is able to charge, and could materially adversely affect revenues and the Company's ability to meet its obligations and its ability to make distributions to bondholders. (For information on the competitive environment, see "Issuer's Competitive Environment and Description of its Position in the Market", p. 58)

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 of company revenue. Considering market competitive environment, the Company does not benefit from significant pricing power on the market and it may have to lower its current selling prices due to certain market conditions. This could have a material adverse effect on Company's financial condition.

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

Risks related to the Rental Income

Real Property Ownership and Tenant Risks

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

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

The Company generates income through rent payments made by tenants, and particularly rent payments made by top 10 largest tenants (69% in the first half of 2019). Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favorable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the Company. The Company’s cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Company’s properties was not able to be leased on economically favorable lease terms. In the event of default by a tenant, the Company may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the Company’s cash flows, financial condition or results of operations and its ability to make distributions to bondholders.

The Company’s net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of its top 10 largest tenants. Those tenants generally occupy significant amounts of leasable area (48% of total net leasable area), pay a significant portion of the total rents (69% of total rent income) at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. No assurance can be given that the Company will be able to quickly re-lease space vacated by the largest tenants on favorable terms, if at all. The loss of the largest tenants at any leasable area could cause a reduction in the Company’s cash flows, financial condition or results of operations and its ability to make distributions to bondholders.

Real estate investments are not liquid

The company invests in large-scale real estate, characterized by a low level of liquidity. The Company has no plans to sell the property, but in the future, if the asset is required for sale, the Company may not be able to sell the property at an affordable price, which could adversely affect the Company's financial and operating results.

Tenant Concentration

The Company will derive a significant share of 69% of its annual rent income from top 10 tenants (out of total 95 tenants as at first half of 2019). Parent company group members account for 10% of total revenue. Consequently, revenues will be dependent on the ability of those largest tenants to meet their rent obligations and the Company’s ability to collect rent from them. If those largest tenants were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the Company’s financial condition or results of operations and its ability to make distributions to Bondholders.

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

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

Risks Related to the Company's Business Activities in General

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

The Company is constantly growing and new product lines are added to the operations, the increasing number of projects might cause operational risks if the processes are not standardized. Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. The Company will endeavor to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be constantly reviewed and if deemed necessary improvements will be implemented.

The Company may face risks resulting from its consumer segmentation

Despite the fact that the company's customers are in three consumer segments (luxury, midscale and economy), most of the customers are concentrated in the midscale segment, which along with the economy 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 taxable income and profitability.

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 provide independent estimates of the fair market value range in respect of the investment properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the 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.

The Company may face risks related to liquidity and Company's ability to settle its outstanding 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.

The company does not meet the average standards set by international rating agencies in the real estate sector for certain ratios, which may indicate high credit risk.

Rating companies (for example, S&P and Scope) use a number of key financial ratios, such as loan servicing and debt ratios, to assess the rating risks of companies in the real estate sector. Company indicators and target company rating ranges are summarized in the table below:

	m2 Real estate			Industry Standart	
	30 June, 2019 (Last 12 months)	2018	2017	Scope	S&P
EBITDA/Interest expense	0.30	1.32	1.32	1.7-2.2	1.8-2.4
Debt/EBITDA	80.35	19.14	13.95	6.0-8.0	7.5-9.5
Debt/Assets	54%	47%	36%	-	35%-50%
Cash Flow from Operations/ Short-term Liabilities	-30%	-15%	30%	7-10%	9%-15%

* The coefficients are counted from the last 12 months.

As of the first half of 2019, the Company's figures are significantly below industry targets in the context of these ratios. This is due to the fact that the company is in the initial / construction phase of both major development and hotel construction projects that do not generate revenue yet.

There is no guarantee that the company will be able to improve these rates in the future and maintain an acceptable level of credit risk.

The construction and real estate business of the company is highly cyclical and relies heavily on specific projects.

The residential real estate business is characterized by a high cyclical level. Cyclicality is driven by factors such as consumer expectations, disposable income, unemployment rates, demographic trends, real estate supply conditions, availability of mortgage loans, financing rates and consumer demand for real estate.

The development of commercial real estate (especially office, commercial spaces) is closely linked to the country's GDP growth, as well as to the expectations of the company's management regarding economic growth, unemployment and real estate supply.

In the event of a negative development of the above factors, the Company may be exposed to a significant decrease in the value of its revenue and investment assets, which may adversely affect its financial and operating results.

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 two Managing Partners, one of them also being the General Director (CEO), and Deputy CEOs.

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.

Future natural disasters may materially adversely affect the Company's operations and properties

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

The Company may be exposed to risks associated with various regulations that may adversely affect the Company

1. Changes in regulations imposed on the Company's business 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 (including the principle of retroactivity). Any changes in the legislation that affect the company may adversely affect the rights of the company and the ownership of the buildings. It is not possible to predict whether the regulatory changes that will apply to the company in the future will change or what impact such a change will have on the company's investments.

2. ***The Company may become subject to stringent environmental laws in the future***

Environmental legislation and regulations globally gain more importance in recent years. As an owner of real property in Georgia, the Company may become subject to various laws relating to environmental matters, if they are adopted in Georgia.

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

3. The Company is an Accountable Entity and is subject to additional regulations and reporting requirements

The Company is an Accountable Entity within the meaning of the Law of Georgia on Securities Market ("**Securities Law**"). The Securities Law sets certain approval and transparency requirements for reporting entities and sets out specific reporting obligations.

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

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

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

In March 2014 significant amendments were made to law of Georgia on Competition ("Competition Law"). Various restrictions were introduced in relation to concentration of economic agents, abuse of dominant position, state aid, etc., whereas no competition regulations of general application existed in Georgia previously (except for certain industries such as banking and telecommunications). The Competition Agency was established in April 2014 based on the Competition Law. The Competition Agency is entitled to monitor compliance of private entities with the anti-monopoly legislation in Georgia and has various powers including the right to impose fines for breach of the Competition law. The Competition Agency is expected to issue various normative acts based on the Competition Law in the nearest future. The novelty of anti-monopoly regulations and unpredictability of the process of enforcement of such regulations by the Agency may pose additional regulatory burden on the Company and negatively affect its plans for expansion.

Macroeconomic Risks and Political Risks Related to Georgia

Regional tensions can negatively impact local economy and company

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

Relations between Azerbaijan and Armenia remain tense, and there are sporadic instances of violence between these two countries.

Georgia has close trade relations with Turkey. In recent years, the Turkish National Currency has been significantly devalued due to political instability which will have a negative impact on the country's current account deficit and external debt service. Consequently, ongoing political and economic instability in Turkey, may have a negative impact on Georgia-Turkey trade relations, which is mainly reflected in the reduction of exports. According to Geostat, trade turnover between Georgia and Turkey amounted to 14.0% of Georgia's total trade turnover in first eight months of 2019, this indicator in 2018 was 13.7%. This figure has decreased since 2014 (17.2%). The high trade turnover with Turkey, which is the leader in Georgia's import structure, is mainly due to the large volume of imports from Turkey.

According to the Geostat, in first eight months of 2019 goods imported from Turkey amounted to 17.0% of total imports of Georgia, 16.1% in 2018, 17.3% in 2017 and 18.6% in 2016. It should be noted that Turkey is among the top ten countries that import the largest quantity of goods from Georgia. According to Geostat, export to Turkey amounted to 6% of total export in first eight months of 2019, 6.9% in 2018, 7.9% in 2017, and 8.2% in 2016.

The geopolitical tensions between Ukraine and Russia could also have a negative impact on Georgia's economy. The crisis in Ukraine began at the end of 2013 and the economy is currently recovering, though it is difficult to predict accurately. The United States and the European Union imposed trade sanctions on Russia, as well as various officials in Russia and Crimea, including several Russian banks and companies. The political instability in Ukraine, civil unrest and military conflict, the continuation or escalation of the geopolitical conflict between Russia and Ukraine, as well as the subsequent decline in sanctions and the decline in oil prices or currency devaluation, the rise of political, economic uncertainty and regional uncertainty, increased accessibility and deterioration of Georgia's relations with Russia could have a negative impact on Georgia's political or economic stability.

Since July 8, 2019, direct flights from Russia to Georgia have been banned, which could have a significant negative impact on the tourism sector and the Georgian economy as a whole. At the same time, information on the expected decline in tourist flows from Russia may also reflect on the foreign exchange market and economic growth trends. According to a statement by the National Bank of Georgia on June 27, 2019, preliminary estimates suggest that the decline in tourist flows from Russia in the second half of 2019 will have an impact on the Georgian economy of approximately $ 200-300 million. This external shock is reflected in the balance of payments and therefore in the rate. However, the National Bank also says that under other equal conditions, including the Russian factor, the external balance will be slightly lower than expected in 2019, but still improve. However, Georgia has a successful track record of dealing with the crisis caused by external shocks. The decline in demand and remittances from trading partner countries as a result of falling oil prices in 2014-15, the military situation in Ukraine, the imposition of international economic sanctions on Russia, and the global strengthening of the US dollar have reduced foreign currency inflows by approximately $ 1.2 billion.

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

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

- worsening of economic and financial situation in Turkey

Destruction of Georgia’s neighboring markets may have a negative impact on the Georgian economy

Georgia's economy depends on the economies of the countries in its region (Azerbaijan, Armenia, Russia, Turkey). Azerbaijan and Armenia have historically been the two largest export markets for Georgia, and according to Geostat, their share of Georgia's total exports in 2018 was 15% and 8.3%, respectively. However, in the first eight months of 2019, Azerbaijan's and Armenia's share of Georgia's total exports declined to 13.1% and 9.0%, respectively.

Russia is also one of the largest export markets for Georgia. According to Geostat, its share of total exports for 2016 was 9.8%, 14.5% in 2017 and 13% in 2018, and 14.0% in the first eight months of 2019.

Turkey is the largest importer for Georgia, and according to Geostat its share in Georgia's total imports was 16.1% in 2018. According to Turkstat, the Turkish economy grew by 2.6% in 2018. However, it should be noted that the economy declined by 3% in the fourth quarter of 2018, which continued in 2019 (-2.6% in the first quarter and -1.5% in the second quarter), mainly due to political instability, unfavorable geopolitical developments, sharp depreciation of the Turkish lira and high inflation (annual inflation of 20.3% - December 2018). All these are potential obstacles to further economic growth.

Over the past few years, Georgia's dependence on exports, tourism and remittances has increased significantly from Russia. For example, based on the first half of 2019, goods exported from Russia to Georgia make up 3.3% of Georgia's GDP, tourism revenue is 4.3% of GDP, and remittances from Russia are 2.5% of GDP. Such high reliance on one country carries certain risks, and how adverse its impact on the Georgian economy will depend on the severity of any political, economic or foreign crisis, which in turn may have a material adverse effect on the Company's business, financial condition and operating results. Any subsequent economic downturn or crisis in Georgia's neighboring countries could have a strong negative impact on the country's economy.

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

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

In addition, international investors may react to events, 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 Russian financial crisis and later 2008-2009 years global financial crisis and may be affected by similar events in the future.

Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

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

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

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

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

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

The Company expects further changes to occur, though it cannot predict how much these changes will affect or whether it will be able to comply with any such changes.

In addition, within the framework of the EU association agreement, the legislation on securities is harmonized in accordance with European legislation, and the company, as an accountable enterprise, may have additional regulations.

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

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with the laws, to the extent that the tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. There are divergent opinions on the interpretation of the various provisions of the Tax Code between and within state ministries and organizations, including those within the tax authorities, which create uncertainty, inconsistency and collusion. However, the Tax Code considers pre-tax decision making by tax authorities of Georgia on tax issues raised by taxpayers.

In addition, the tax law is subject to frequent changes and additions, which can create unusual difficulties for the Company and its business. The current version of the Tax Code came into force on 1 January 2011 and has undergone several fundamental changes several times since, than. For example, as of January 1, 2017, change were introduced to corporate income tax rules and the so-called tax code was introduced. The Estonian Model, according to which only distributable profit is taxed, which is defined as a cash or non-cash dividend.

While the Company believes that the Company is currently complying with tax laws, it may be possible for the relevant authorities to take a different position on their interpretation, which may result in tax adjustments or penalties. There is a risk that the Company will be subject to penalties and fines as a result of regular tax audits.

The Company’s business is currently fully exempt from value added tax. However, the government’s tax policy may change, and this in turn may have a negative impact on the Company.

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

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 Company’s business.

Georgia is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental civil, criminal, tax, administrative and commercial laws have only recently become effective. 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, judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system 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.

The Company's business may be materially adversely affected by any depreciation of the Georgian Lari against the U.S. dollar and Euro.

Although the GEL is a fully convertible currency, there is generally no market outside Georgia for the exchange of GEL. A market exists within Georgia for the conversion of the GEL into other currencies, but it is limited in size. According to NBG, in 2017, the total volume of trading turnover in the GEL-US dollar and GEL-Euro markets (including the sum of sale and purchase, excluding the activities of the NBG) amounted to USD 23.71 billion and EUR 6.4 billion. The same indicator for the year 2018 amounted to USD 29.2 billion and EUR 10.7 billion.

According to the NBG, it had USD 3.7 billion in gross official reserves as of 31 August 2019, which is increased by 27.0% annually. The level of current reserves is an adequate by measure the International Monetary Fund (IMF), which allows the country to deal with crisis situations in the short term. In addition, reserves can be used if the GEL exchange rate has been significantly devaluated due to single factors, as currency impairment may have substantial adverse impact on the company's corporate clients and, therefore, the company. Moreover, the volatile situation in the foreign exchange market may have a big impact on the Georgian economy.

Historically, the exchange rate fluctuated significantly. In 2017 the GEL was still strengthened, but due to negative expectations in the past years, it was still down in the fourth quarter. During the first seven months of 2018, the course was stable, although the impairment of the Turkish Lira from 18 August, influenced the Lari exchange rate and by November 29 it was down 7.99% compared to August 1 and reached 2.66. Rapid strengthening of Lari enabled National Bank of Georgia to purchase USD 197.5mn on National Bank currency auctions and feel-up the reserves in April-December 2018. The strengthening trend continued in January-February, 2019, which allowed the National Bank to buy 186 million US dollars. (Source: National Bank of Georgia).

In addition, the ability of the Government and the NBG to limit any volatility of the GEL will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation. According to Geostat, annual consumer price inflation in Georgia was 6.7% in 2017 and 1.5% in 2018 and 4.9% as of August 2019.

High inflation can lead to instabilities in currency and financial markets, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these eventualities could lead to lower current performance of Georgia's economy and negatively affect the businesses of the Company's customers, which could, in turn, have a material adverse effect on the Company. The 4.9% inflation recorded in August 2019 was mainly due to the high rate of excise tax on tobacco and the very high nominal effective exchange rate of the GEL. In order to avoid price levels in the medium term, the National Bank decided to tighten monetary policy and raised the refinancing rate from 6.5% to 7.0% at a meeting of the Monetary Policy Committee on September 4, 2019. However, the National Bank says that monetary policy will continue to tighten until the pressure on the exchange rate weakens.

Changes in currency exchange rates directly impact the Company's financial performance as its balance sheet is diversified in two different currencies (GEL, USD), while the reporting currency of the Company is Georgian Lari. Despite the fact that the company liabilities and revenues are denominated in USD, which decreases the impact of the currency fluctuations on the company, the volatility of the exchange rate may have a negative effect on the financial results of the Company. The customers of the company are mostly the citizens of Georgia and have their salaries denominated in GEL. The company sets the price of apartments in USD. The GEL depreciation against the dollar reduces the company's customer purchasing power, which may lead to a decrease in demand for housing having a negative impact on the company's taxable income.

Considering the fact that customers often use mortgage loans to finance property purchases, increase in the monetary policy rate will result in increased costs for customer's financial resources and hence decrease customer purchasing power, which may lead to a decrease in demand for housing and have a negative impact on the company's financial conditions.

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

Since its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political instability.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. Current, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of the Georgian Dream coalition (The ruling party) government or as a result of a rejection of reform policies by the president, the parliament or others. Powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

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

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

Revenue from the sale of inventory property is the Company’s major revenue stream (As of 31/12/2018 c.92% of the total revenue). As it is fully concentrated in Tbilisi, there is a risk, that oversupply of newly built residential properties may have a material adverse effect on Company’s revenue. Falling sales in Tbilisi cannot be compensated from the sales in other regions, due to geographical concentration of inventory property, which in turn, may have a material adverse effect on Company revenue.

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

Although the Georgian economy has shown signs of resilience during recent long-lasting external shocks related to oil price slump, real GDP growth slowed considerably. According to Geostat, the country’s real GDP grew to 2.8% in 2016 and 4.8% in 2017. The growth in 2018 was 4.7%. International monetary fund (IMF) forecasts 4.6 % growth rate to 2019, also it forecasts average 5.1% growth rate for 2020-2024 years.

Georgia's economic growth prospects still face significant threats, including the fluctuation of exchange rate, financial stability, inflation, budget execution and risks of capital outflows. Market crisis and worsening of economy can result in decrease in expenditures from consumers in Georgia and serious negative impact on the company's liquidity and financial position. Uncertain and volatile global economic conditions, such as in the region and the EU to deepen political tensions, can lead to significant political and economic reforms across the world, which, in turn, have a significant effect on the local economy, which may adversely affect the company's business on the financial condition and results of operations.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

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

The Bonds constitute unsecured obligations of the Company

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

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

The Company intends to make an application to the GSE for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. Securities legislation may be subject to further 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.

Investors whose financial activities are denominated in a currency or currency unit other than USD 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 USD. 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 USD. These include the risk that exchange rates may significantly change (including changes due to devaluation of USD 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 USD 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, or no interest or principal, on the Bonds.

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 any applicable risk-based capital or similar rules.

Transfer of the Bonds will be subject to certain restrictions

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

Investors in the Bonds must rely on procedures of the Registrar 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 such terms are defined in the Terms and Conditions of the Bonds). A Bondholder must rely on the procedures of the Registrar and of the Nominal Holders (where applicable) to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Bonds.

The terms and conditions of the Bonds 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, clause 11. "Bondholders Meetings, Changes and Refusal of Rights")

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.

The total volume of exchange and non-exchange transactions on publicly traded corporate bonds during 2018 is approximately US $ 5.5 million. The average volume of bonds on the market during the same period amounted to approximately $ 75 million, which means that approximately 7% of the dollar-denominated corporate bonds traded during the year.

The total amount of transactions executed over the past three years on the Company’s $ 25 million bonds amounted to $ 9.7 million.

USE OF PROCEEDS

Net proceeds received from the issuance of these bonds will be used for full roll-over the bond issued in 2016 and maturing in October 2019 (ISIN Code: GE2700603436), the remaining funds will be used for financing of on-going residential development project “m3 Saburtalo”.

Issuer	ISIN Code	Issue Date	Maturity	Currency	Principal (‘000 USD)	Coupon rate	Amortized balance as at 30/06/2019 (‘000 GEL)
JSC “m2 Real Estate”	GE2700603436	7-Oct-16	7-Oct-19	USD	25,000	7.50%	72,797

REGISTRATION DOCUMENT

People Responsible for the Preparation of the Document

Irakli Burdiladze - JSC “m2 Real Estate” General Director

Giorgi Natroshvili - JSC “m2 Real Estate” Deputy General Director

Declaration from the People responsible for Preparation of the Document

Responsible people declare that “all the material information that is known to them is included in the prospectus and there has not been any omission that would affect the plot of this document.”

Financial auditor of issuer

Issuer’s financial auditor is EY LLC, Identification code: 204441158. Address: Georgia, City Tbilisi, Old Tbilisi district, K. Abkhazi street N44. Gmail: info@ge.ey.com

The change of financial auditor did not occur during given periods

Third persons and experts

The company's real assets are evaluated by the “Colliers International Georgia”. Identification code: 405029810; Company address: M. Aleksidze Street. 12, 0193, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Web site: www.colliers.com. The valuation is conducted in accordance with International Valuation Standards (IVS 2013).

Nikoloz Kevkhishvili – MRICS – Head of Valuation & Advisory Department
IVS Registered Valuer A-0296
RICS Registered Valuer

Levan Shalikiani – Manager of Valuation & Advisory Department
IVS Registered Valuer A-0305

Mariam Benashvili – Senior Valuer of Valuation & Advisory Department
IVS Registered Valuer A-0298

Nino Jashi – Senior Valuer of Valuation & Advisory Department
IVS Registered Valuer A-0226

Capitalization and Indebtedness

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

(000' GEL)	Unaudited Reviewed 30-06-2019*	Unaudited Not Reviewed 30-06-19	Audited Restated 31-12-18	Audited Restated 31-12-17
Liabilities:				
Borrowings	152,851	152,851	150,626	58,992
Debt Securities Issued	187,171	159,054	87,306	65,122
Total Interest-bearing Liabilities	**340,022**	**311,905**	**237,932**	**124,114**
Equity:				
Charter Capital	5,258	5,258	5,091	4,180
Paid-in Capital	128,111	128,111	119,710	82,793
Retained Earnings/(Accumulated Losses)	65,217	65,217	66,949	49,329
Other Reserves	22,350	22,350	21,030	14,090
Total Shareholder's Equity	**220,936**	**220,936**	**212,780**	**150,392**
Non-controlling interests	-	-	10,761	10,418
Total Equity	**220,936**	**220,936**	**223,541**	**160,810**
Total Capitalization	**560,958**	**532,841**	**461,473**	**284,924**

(*) Ratios are calculated additionally for 30 Jun 2019 after emission showing the changes after the issuance of the bond subject to this prospectus and roll-over of previous bond issued in 2016.

In June 2019, the Group issued 16,580 thousand Class "A" preferred shares with total placement price of GEL 6,834 thousand (USD 2,400 thousand). Share issue price was GEL 0.4119 (USD 0.1447). Preferred shares are disclosed in Equity under charter capital and Paid-in Capital.

In the period from 1st of January to 30 of June the Group raised loans from the following Banks: EUR 13,300 thousand from JSC Bank of Georgia and EUR 8,900 thousand from JSC TBC Bank. Detailed information is provided in the chapter "*Information on capital and loan liabilities*" of this prospectus.

In July 2019, the Group issued 18,014 thousand Class A Preferred Shares with an aggregate price of 7,300 thousand GEL (USD 2,578 thousand). The issue price of the shares was 0.4052 GEL ($ 0.1431). For detailed information please refer to chapter "Capital" of this prospectus.

As of June 30, 2019, the debt obligations of the Company in GEL are as follows:

Lender	Currency	Remaining Maturity	Principal*	Accrued Interest*
Debt Securities	USD	0-3 Year	157,779	1,252
JSC GCAP Loan	USD	3+ Year	77,454	3,332
JSC BOG Loan	EURO	3+ Year	42,912	409
JSC TBC Loan	EURO	0-1 Year	7,511	70
JSC TBC Loan	EURO	3+ years	21,554	323
Total Interest Bearing Liabilities			**307,210**	**5,385**

(*) The table shows nominal and not amortized balances.

Interest Bearing Liabilities according to Currencies and Repayment Schedules are presented below:

Currency/Type of Repayment	Partly Amortized *('000 GEL)*	Amortized *('000 GEL)*	Total *('000 GEL)*
USD	239,817	-	**239,817**
EURO	46,812	25,966	**72,778**
Total	**286,629**	**25,966**	**312,595**

Partially amortized: Principal amount (main portion) is paid at maturity;

Amortized: means Principal and interest amounts are paid regularly, no lump-sum at the end of term;

Interest Bearing Liabilities (*in '000 GEL*) according to Currencies and Remaining Maturity times (years) are presented below:

Currency/Maturity	0-1	1-3	3+
USD	72,970	86,061	80,786
EURO	7,581	-	65,197
Total	**80,551**	**86,061**	**145,983**

Interest Bearing Liabilities according to Currencies, Interest Rates and Contractual Maturities are presented below:

Currency	Weighted average interest rate
Short-term USD	7.5%
Long-term USD	8.45%
Short-term EURO	5.75%
Long-term EURO	5.75%

Weighted average Interest rates on Interest Bearing Liabilities is presented below:

	30-06-19	31-12-18	31-12-17
USD	8.16%	8.76%	7.85%
EURO	5.75%	n/a	n/a

The company consistently tries to diversify financing sources.

Primary activity

Company was founded in 2006 by JSC Bank of Georgia. Initially, the company acquired a number of major commercial real estate units, some of which were rebuilt and maintained for the purpose of benefit. In the early stages of development, the company actively raised loans and equity from both private and institutional investors. In addition, the company has been involved in major third-party projects by providing project management services such as:

- Transformation of one of the historic buildings purchased by Bank of Georgia in 2008 to its new headquarters in August 2010. The management team of the company successfully managed this project and completed it on time (in 14 months) within a EUR 13 million budget. The project involved renovating and remodeling the main structure and structure of the building (approximately 12,000 m2), arranging an underground car park area of approximately 3,000 m2, and arranging a buffet and fitness center;

- Construction of 5 hospitals owned by Aldagi (a member of BGEO Group, the largest insurance company in Georgia) in Kutaisi (7,700 m2), Poti (6,300 m2), Terjola (1,300 m2), Khoni (1,200 m2) and Tkibuli (1,300 m2) in western Georgia) ;

- Construction of two hospitals of Archimedes Global Georgia (Insurance Company) in Lagodekhi (1,300 m2) and Tsnori (1,800 m2) in Eastern Georgia;

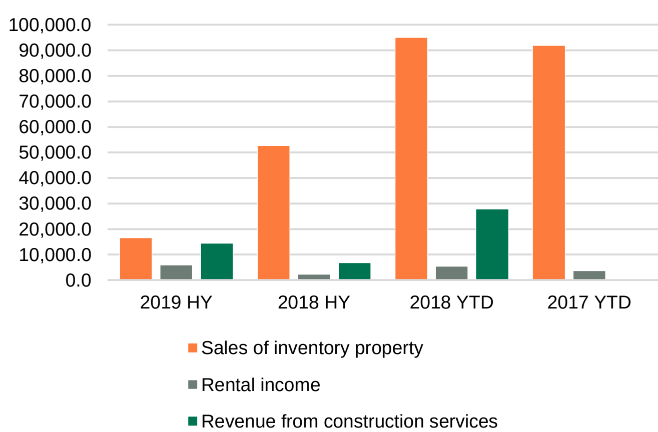
- Rustavi auto market construction with total area of 23 hectares. The first phase involved the construction of car parks and auto markets on 11 hectares (for about 3,000 cars) and the construction of approximately 1,500 m2 of buildings. The project was ffinanced by Caucasus Auto House LLC.

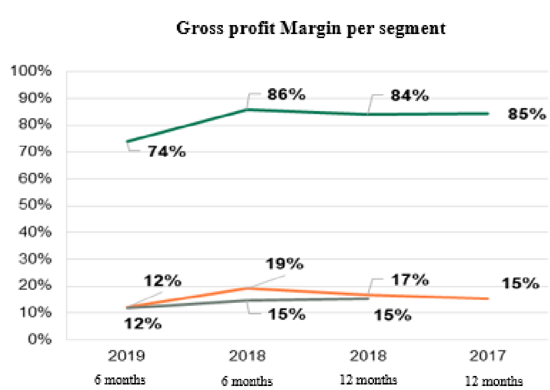
In 2010, the company took the first steps towards the construction of a residential complex. At the time it seemed that demand was quite high mainly due to lack of supply. Key market players were not active as a result of financial and operational problems. The company launched a pilot, relatively small project and at the same time tested the idea of a "Completed Apartment", which was a new concept in the residential construction market. Based on the accumulated experience of the company it was ready to sell the apartments through his own sales service. Finally, almost all the apartments in the trial project were sold before the project was completed, resulting in construction being completed within the planned budget and timeframe; Development started on time, planned profitability and internal rate of return were maintained.

The company has experience in brokerage and project management services, enabling the company to be skilled in the field of construction and to build a strong management team, supported by qualified sales and project management staff.

The company has three sales offices in Tbilisi and one in Batumi.

The company operates in three main areas: residential development segment, construction business and commercial real estate leasing. Their proportion in the total revenue of the company looks as follows:





Earnings before interest, tax, amortization and depreciation (EBITDA) for the residential and construction businesses for the first half of 2019 was (2,054) thousand GEL (2018 respective period: 7,451 thousand GEL). EBITDA for the hospitality and commercial real estate segment was 1,726 thousand GEL (2018 respective period: 768 thousand GEL).

(For EBITDA calculation purposes, the general and administrative expenses, marketing expenses and other are apportioned between development and commercial real estate in the following proportion: 70/30.)

Residential real estate and construction management EBITDA for the first half of 2019 is negative, which is due to the decline in number and volume of residential projects (detailed operational information is disclosed in chapter "Financial Position")

Each segment is discussed in further details below:

Residential development segment:

To date, the company has successfully completed ten residential development projects, with a total of 2,855 completed apartments of which 99% are sold. The company has 2 ongoing construction projects.

The following table details the current and completed projects as of June 30, 2019:

Project	Location	Total Sellable area	Number of apartments	Sq.m of apartments sold	Number of apartment sold	Total sales (US million)	Sold sq.m (%)	Construction start date	Construction completion date
Completed residential projects:									
m2 Chubinashvili	Chubinashvili st. #68	9,366	123	9,366	123	9.9	100.0%	Sep-10	Aug-12
m2 Tamarashvili	Tamarashvili st. #13	40,717	525	40,717	525	48.9	100.0%	May-12	Jun-14
m2 Kazbegi	Kazbegi ave. #25	21,937	295	21,937	295	27.2	100.0%	Dec-13	Feb-16
m2 Nutsubidze	V. Pshavela ave. III Block, #71	15,757	221	15,757	221	17.4	100.0%	Dec-13	Sep-15
m2 Tamarashvili II	Tamarashvili st. #6	21,023	266	21,023	266	24.3	100.0%	Jul-14	Jun-16
Optima Isani	Moscow ave. #14 ა	15,053	238	15,053	238	12.3	100.0%	Sep-14	Jun-16
Skyline	Makashvili st. impass #3	2,614	12	2,614	12	5.4	100.0%	Dec-15	Dec-17
m2 Hippodrome II	Kartozia st. 10	58,443	801	58,267	800	60.2	99.9%	Nov-15	Nov-18
m2 Chavchavadze	Chavchavadze ave. 50	6,550	77	6,550	77	10.9	100.0%	Oct-16	Nov-18
m2 Kazbegi II	Kazbegi ave. #15	26,889	297	23,053	270	27.8	90.9%	Jun-16	Jun-19
On-going residential projects:									
m2 Melikishvili	Melikishvili st. 10	2,527	16	2,527	16	4.2	100.0%	Sep-17	Sep-19
m3 Saburtalo (First Phase)	Marshal Gelovani ave.	21,889	391	5,671	105	5.8	26.9%	Jul-19	Sep-21

House under construction at Melikishvili Street #10, is the 12-storey complex which comprises of 125 rooms of the international brand hotel Ramada Wyndham and 16 residential apartments 100% of which are fully sold.. The total investment cost of the project is US $ 17 million. As of June 30, 2019, progress of the hotel construction is 67% and of the residential complex is 60%. The residential building is expected to be completed in September 2019 and the hotel in the first quarter of 2020.

The ongoing development on Marshall Gelovani Avenue is planned in three phases and includes the construction and development of 168,000 square meters of residential and 84,000 square meters of commercial space.

Phase I consists of 391 apartments, the completion of which is planned for the second half of 2021. Phase II includes the construction of an additional 660 flats, which are planned to be completed by the end of 2022, and the number of flats in Phase III is yet to be determined, although up to 3,000 flats in total are planned to be delivered as of the fourth quarter of 2025.

The company obtained the permits for the first phase of the construction at the end of June 2019. Construction began in July 2019 and is expected to be completed in September 2021.

Pre-sales of first phase started in February 2019. As of August 14, the 6,430 square meter living area is pre-sold, representing 29% of the total sale area. Pre-sale income is not recognized in profit and loss statement, but is recognized as deferred income as part of the liabilities in the balance sheet. Income will be transferred in proportion to the progress of construction.

Completion of residential projects of construction company "Sveti"

On September 11, the Company and the Municipality of Tbilisi signed a Memorandum of Understanding. Within the framework of the said document, the parties expressed their readiness to support the completion of unfinished construction by the construction company "Sveti". The company has undertaken to complete three suspended projects in Tbilisi, namely Mirtskhulava Street # 9-11, Nutsubidze Street # 125 and Chkondideli Street # 22. The investment cost of the project is GEL 250 thousand, which will be fully funded by the company.

Construction will begin as soon as construction permits are received in February-March 2020.

The total projected area of all three projects is up to 232,000 square meters, with the company adding additional 49,000 square meters of net lease area. The flats will be sold in a white frame, with an average price of $ 700-750 per square meter

Construction business:

Since 2017, the company has acquired BK Construction, which has been operating in the construction market since 1993, as a result of which the construction direction has been added to the company's activities. The company receives a fixed construction service fee.

As of June 30, 2019, the company has successfully completed 10 internal and one private order projects.

Completed private project is Radisson Collection Tsinandali Hotel. The company has ongoing private projects, including City Mall in Saburtalo.

m2 brand project offering franchise platform

Part of the company's strategy in the housing market is to offer its own franchise development platform for landowners in Georgia. As a result, the company will receive fixed commissions and a share of project profit. This strategy enables the company to use its rich experience and sales channels to develop and sell residential properties without investing its own capital. The company's goal is to develop a commission-generating business which will become a major source of revenue for the company in the medium to long term.

In December of 2017, one of the largest franchise deals was signed with Lithuanian investors, resulting in the development of a 2,500-dwelling residential complex on the Kakheti highway in Tbilisi, which should be delivered within 4-5 years. Construction will include 250,000 square meters of construction and 17,000 square meters of recreational space.

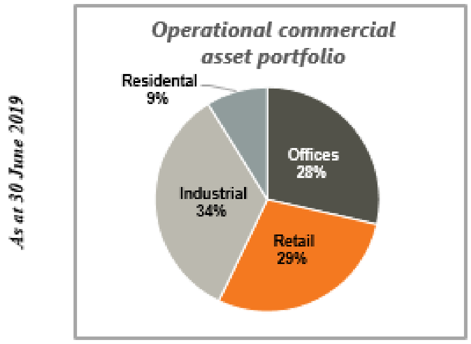
As a result of the transaction, the Company will generate the following income:
- Construction Fee: 10% of construction costs.
- Sales and Marketing Fee: 2.5%of sales, and
- Incentive Fee: 30% of the net profit from the project.

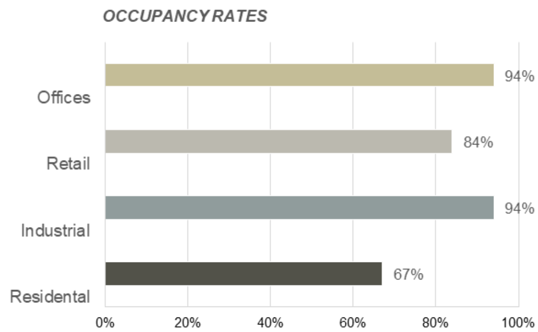
The company has an ongoing franchise project in Tsavkisi, with sales starting in 2019. The project will be completed in the third quarter of 2021.

Commercial real estate and hotel business

One of the main activities of the company is to purchase and build profitable investment assets. The company opportunistically purchases / builds street retail outlets with an increase in capital gains and creates a portfolio of street retail outlets with high annual profits. The company also owns first-floor retail outlets in its residential complexes. Maintaining and further enhancing the investment portfolio is a way to diversify the business risks associated with the construction of residential complexes Revenue from a company-owned investment portfolio is an additional source of financing for operating expenses.

The company's portfolio combines office, commercial, warehousing and residential spaces:





Below is the detailed list of the commercial property (yielding assets) as of June 2019:

Location	The way of taking ownership	City	Rent income ('000 GEL, excluding VAT). 2019 (half year)	Fair Value ('000 GEL)	Occupancy rate as of June 30, 2019
Office:					
Melikishvili Business Center	Acquired	Tbilisi	715	15,298	86%
I Tower	Acquired	Tbilisi	257	6,885	100%
Aghmashenebeli office #80	Acquired	Tbilisi	196	3,686	100%
Kartosia #10 office	Built	Tbilisi	83	1,354	100%
Khizanishvili st #2 office	Acquired	Tbilisi	68	4,109	100%
Kazbegi avenue #34	Acquired	Tbilisi	342	6,024	100%
Retail:					
Kazbegi avenue 25	Built	Tbilisi	422	10,066	100%
Chavchavadze avenue 50	Built	Tbilisi	361	8,743	80%
Khizanishvili st #2	Acquired	Tbilisi	362	4,497	100%
Kartosia #10	Built	Tbilisi	102	6,525	43%
Rustaveli st. # 80	Acquired	Marneuli	38	861	100%
Commercial property in Optima Isani	Built	Tbilisi	37	789	81%
Stalin st. #29	Acquired	Gori	11	574	100%
Nutsubidze st. #183	Acquired	Tbilisi	18	367	100%
Erekle II avenue #7	Acquired	Telavi	17	316	100%
Caucasus auto shop	Acquired	Rustavi	132	13,232	8%
Shartava avenue #19	Acquired	Rustavi	-	252	n/a
Warehouse:					
Saq Lada Warehouse	Built	Tbilisi	143	3,442	100%
Iumashevi st. #06	Acquired	Tbilisi	181	3,270	89%
Iumashevi st. #03	Acquired	Tbilisi	55	1,463	100%
Residential:					
Chavchavadze Apartments	Built	Tbilisi	175	3,209	100%
Skyline	Built	Tbilisi	77	9,089	40%
6 apartments on Tamarashvili	Built	Tbilisi	87	1,604	100%
Total commercial assets			***3,879***	***105,655***	

The above listed properties are in the ownership of group company "m2 Commercial Assets ", which has issued US$ 30 mln bond (ISIN: GE2700603733) maturing in December 2021.

The three-star hotel Ramadan Encore Kazbegi, which has been operating since March 2018, has been added to the rental income since December 2018.

From March to December 2018, the Group operated the hotel itself and therefore had revenues and expenses from hotel management, but since December 2018, the parent company JSC "Georgia Capital", together with the Group, has decided to establish "Georgia Hospitality Management Group" LLC (Company ID: 404563012), through which the hotel sector will be managed more efficiently.

On December 17, 2018, an agreement was signed between M2 LLC (lessor) and Georgia Hospitality Management Group LLC (lessee), under which the Group leased the hotel for temporary use in exchange for a fixed monthly rent. As a result, only the lessee is entitled to any profits and / or any income received from the management of the Hotel. The validity of the management contract is December 17 2023.

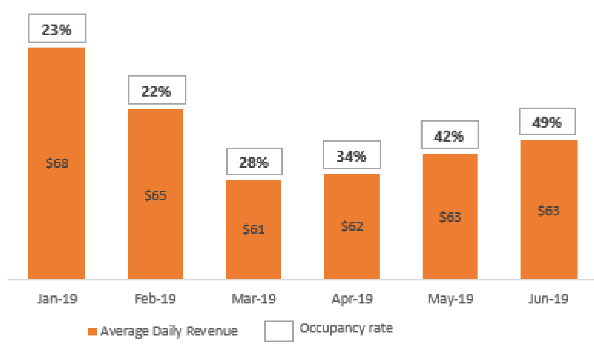
The lessee is entitled to independently manage and direct the leased property, to receive the proceeds from the proper management of the hotel.

Under the agreement, the monthly lease rent, including VAT, is fixed and represents the equivalent of $ 125,000 in GEL from December 17, 2018 to December 31, 2019, the equivalent of $ 150,000 in GEL from January 1 to December 31, 2020 and from January 1, 2021 to December 17, 2023 the equivalent of $ 166,500 in GEL.

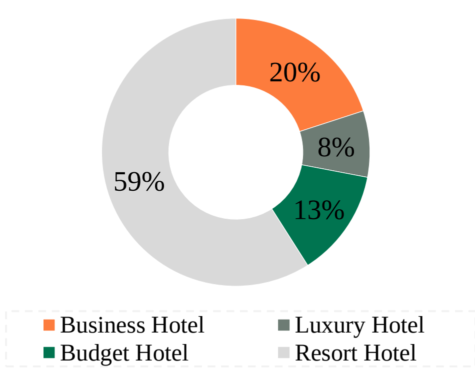
Georgia Hospitality Management Group ("GHMG") is a subsidiary of the parent company of Georgia Capital. Like the issuer, the executive director of the lessee is Irakli Burdiladze.

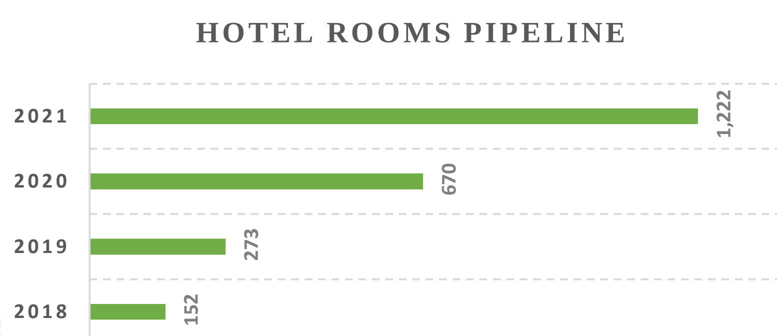
In order to meet the growing needs of tourists wishing to travel to Georgia, the company decided to enter the hotel service sector more actively. Accordingly, the company is currently developing a chain of mid, upscale and luxury hotels (with a total of 1,222 rooms, of which 152 are operating as of June 30, 2019).

The hotel occupancy and average daily price for the 6 months of 2019 was as follows:



The company develops business, upscale budget and resort hotels.





The company has one completed, five under construction and five initial design hotels.

As of June 30, 2019, the Group is developing the following hotels throughout Georgia:

Hotel	Class	Location	Available numbers / area	Status	Expected completion	Total expense (Million USD)
Ramada encore Kazbegi	Budget	Tbilisi	152	Operating	Q1-2018	12.1
Gudauri Hotel	Resort	Gudauri	121	Under construction	Q4-2019	13.3
Ramada Melikishvili	Business	Tbilisi	125	Under construction	Q1-2020	13
Kempinski Hotel	Luxury	Tbilisi	99	Under construction	Q3-2020	28.1
Seti Square Mestia, Svaneti	Resort	Mestia	52	Under construction	Q4-2020	5.9
Ramada encore Kutaisi	Business	Kutaisi	121	Under construction	Q4-2020	9.5
Hotel - Mestia, Svaneti	Resort	Mestia	140	Design	Q4-2021	10.1
Hotel – Shovi, Racha	Resort	Shovi	92	Design	Q3-2021	5.7
Akhasheni wine and spa	Resort	Akhasheni	60	Design	Q3-2021	7.5
Telavi Hotel	Resort	Telavi	130	Design	Q4-2021	12.7
Zugdidi Hotel	Resort	Zugdidi	130	Design	Q4-2021	14.1
Total number of hotel rooms::			***1,222***			***132***

After construction completion the above-mentioned hotels will be leased out to “Georgia Hospitality Management Group” in exchange of fixed rental income.

Marketing program of a Company

The company, through its web site www.m2.ge, provides information on current residential development projects. In addition, the company maintains a client base in the same sector with which it is personally connected and provides project information. The company is actively engaged in television advertising about residential segment projects, and uses other various marketing tools.

The company is also actively seeking and participating in existing tenders in the field of construction. The company has a platform for renting real estate www.m2rent.ge, where there is an up-to-date information about m² residential and commercial facilities availability for rent.

Primary markets

Used information

For the purposes of this Prospectus, the Company obtained market data from unofficial internal surveys, industry sources and public information available during the preparation of the Prospectus. The National Bank of Georgia is primarily a source of data for this prospectus reflecting the market position and exchange rates. The company obtained data on the macroeconomic status of Georgia mainly from the National Statistics Office of Georgia (hereinafter Geostat) and the Government of Georgia. Where different sources are used, appropriate references are made to the text. The Company assumes responsibility for the correct presentation of information obtained from third parties, and as far as the Company understands and can assert the information published by such third parties, no fact has been omitted that could have made such information inaccurate or inaccurate.

Construction sector

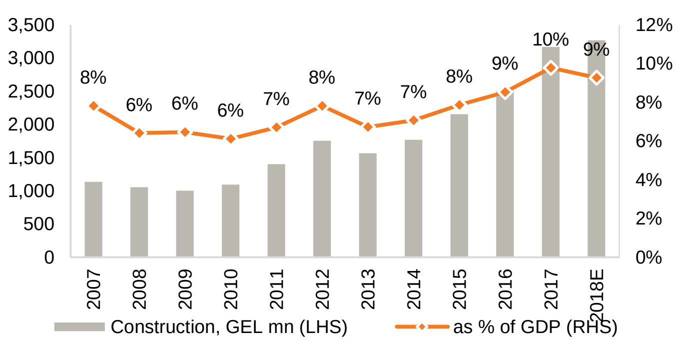
Construction sector remains backbone of the economy, as realization of investment opportunities in hospitality, energy, residential and commercial real estate as well as public infrastructure requires the sector's direct contribution.

Construction sector has been the major source of growth since 2014 contributing nearly 20% to overall GDP growth over 2014-17. However, construction was the only sector of economy which contracted in 2018 by 3.1% y/y in real terms - delays in public infrastructure spending and completion of BP gas pipeline construction are reasons. Meanwhile residential construction continued impressive growth (turnover increased 19.5% y/y in 2018), while other construction activities remained flat.

Despite contraction in 2018, construction sector remains one of the largest sectors of the economy, accounting for 9.3% of GDP in 2018. Notably, sector's share in the economy is the second highest in Georgia among 15 countries provided in Figure 2, with Azerbaijan topping the list with 10.3% of GDP.

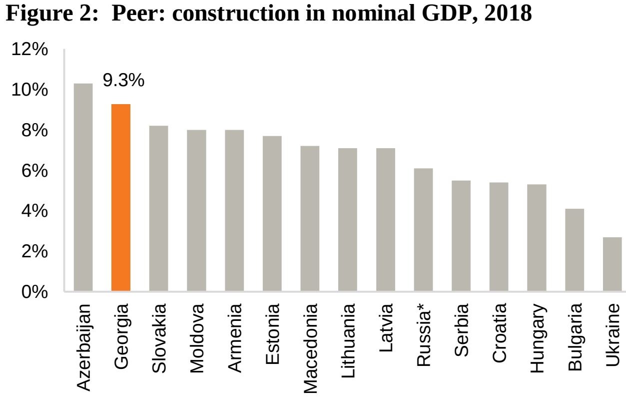
Number of construction companies operating in the market stood at 7,375 as of September 2019, generating roughly 68,895 jobs, or 10.0% of Georgia's total business sector employment. Average monthly salary in the construction sector is on average 1.4x higher than the average remuneration in the business sector overall.

Figure 1: Construction sector in nominal GDP



Source: Geostat

Figure 2: Peer: construction in nominal GDP, 2018



Source: World Bank

FDI in the construction sector more than halved to US$ 103.6mn (8.4% of total FDI) in 2018 from US$ 283mn in 2017. Total FDI also fell to US$ 1.2bn (-34.9% y/y, 7.6% of GDP) in 2018, reflecting completion of BP gas pipeline construction, ownership change from non-residents to residents (purchase of Geocell, KazTransGas and others by Georgian companies totalling US$ 180mn) as well as debt repayments to foreign investors in the amount of US$ 320mn. Therefore fall in construction-related FDI is connected to the mentioned factors.

Growth of the construction sector is driven by and depended of the residential development, hospitality industry growth, construction of HPPs, public infrastructure and BP gas pipeline construction.

Residential Real Estate

Residential real estate sector has been driving force of Georgian economy since mid-2000s. GDP per capita have gone up 8.3% CAGR over 2008-2018 positively affecting purchasing power of Georgian population. Subsequently, rising average incomes and easily affordable mortgages drove demand for residential real estate, especially in Tbilisi and Batumi.

Residential developers proactively answered the call of consumer demand. Total of 39,576 residential permits was issued over 2013-2018 in Georgia with the total residential area of 29mn square meters. Tbilisi accounted for 65% of residential permits over 2013-2018, with Batumi Adjara accounting for 25% and other regions 10%.

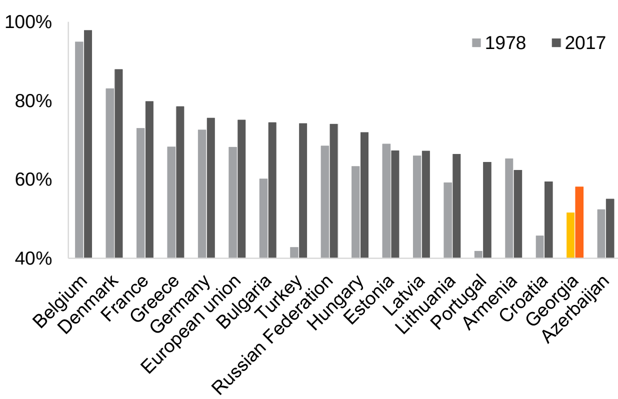
There are several long-term and short-term drivers that positively affect demand. Key long-term factors influencing demand for residential real estate include: growing urbanization, tenure structure and household size. On the other hand, key short-term drivers include mortgage availability and affordability, residential demand of immigrants, remittances of Georgian emigrants and rising importance of sharing economy in the form of Airbnb.

Migration of population from rural to urban areas forms additional demand for housing market. Urbanization rate growth is positively correlated with GDP growth – urbanization rate was up 8.0ppts in European Union over 1978-2007 and 12.4ppts in Eastern European countries. Growing urbanization is also noticeable in Georgia – share of urban population was up 1.8ppts from 56.8% in 2008 to 58.3% in 2018.

Growing incomes positively affect aspiration to move separately. Lots of Georgians used to live in large families, however youngsters started to move separately in recent years. Same tendency drove demand for housing in European countries also. For example, average household size shrank from 2.8 to 2.3 in EU over 1980-2017. Average household size also shrank in Georgia from 3.8 in 2002 to 3.3 in 2018.

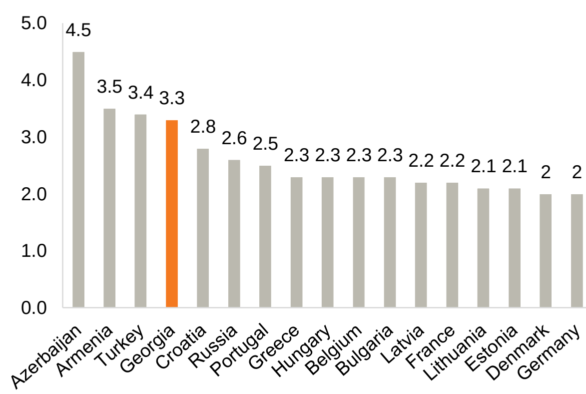
Tenure structure is very different in Georgia compare to European Union.

Figure 3: Urbanization in peer countries



Source: World Bank, Geostat

Figure 4: Average household size in peer countries, 2018



Source: Eurostat, Geostat, statistic offices of respective countries

Home ownership stands at 92% (Source - Census, 2014) in Georgia vs **69**% (Source - Eurostat). In European Union. Such a drastic difference can be explained by discrepancies in average incomes. Wealthier nations tend to have lower ownership rates, with many living in a rented apartments. Tendency of living with a rent rises with the average national income growth.

Foreigners contribute solidly in residential real estate transactions. In particular, foreigners accounted for 13.2% of total apartment sales over 2012-2016. Foreigners buy apartments mainly for two reasons. Firstly, for travelling purposes and secondly for long-term residence. Tourists from Russia, Ukraine and etc. tended to buy apartments as an investment asset – using during holidays and renting for the rest of the year.

The rapid growth of Airbnb in Tbilisi in 2016-2019 has seen significant growth in the residential real estate market. More than 20k different flats were published on Airbnb in Tbilisi in 2018. Average monthly supply of Airbnb flats was 10,289, up 62.8% y/y in 2018. High yields on certain Airbnb properties incentivized real estate owners so much, that Tbilisi outpaced Budapest, Prague, Berlin, Warsaw and other tourist cities by Airbnb flats supplied. Emergence of multiple listing hosts indicates that buying or renting flats for sub-renting has become successful business model in Tbilisi.

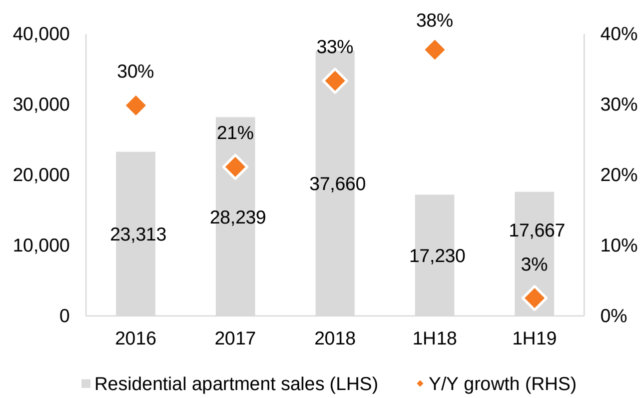
Number of apartment sales reached 37,754 in 2018 vs 18,156 in 2015 – CAGR of 27.6%. Market expanded even faster in 2018: number of apartments sold up 33.3% y/y in 2018 - anticipation of upcoming stricter mortgage regulations drove the demand. Apartment sales value up to GEL 4.4bn, 39.9% y/y growth.

Contrary to expectations residential market continued growth in 2019. Number of residential apartment sales was a bit up to 17,705 units, growth of 2.5% y/y, while issued mortgages were down 4.7%. Notably, sharp Reduction in 1Q19 is a result of outsized growth in 4Q18 – those who planned to buy an apartment in 2019, decided to buy it in by end-18, before regulations took force.

Demand is scewed towards suburban areas – sign that low-to-middle-income households drive demand for affordable residential real estate. Out of top 5 districts by sales, suburban areas – Gldani, Samgori, Isani, Didi Digomi accounted for 49.7% of total residential demand in 2018

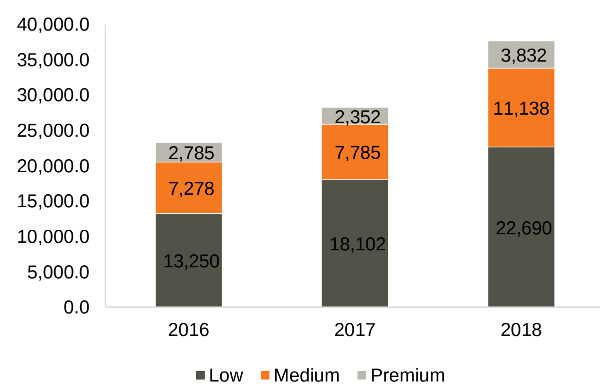
Tourism is sole driver of demand in Batumi. After tourism boom started in 2010s, tens of large-scale projects were initiated and number of apartments sold is growing. 70% of apartments are sold in newly-built projects. Totally, number of apartments sold was up 14.9% y/ in 2018, after growing 37.9% in 2017. Foreigners contribute solidly in apartment sales, with Ukraine and Russia dominating.

Figure 5: Residential apartment sales



Source: NAPR, Galt & Taggart Research

Figure 6: Residential apartment sales by segmetn



Source: NAPR, Galt & Taggart Research

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Retail real estate

Georgian retail real estate market was dominated by traditional bazaars and open markets, with limited consumer facilities and low-quality spaces. However, modern shopping center development was in active phase over 2012-2018 and consumers are shifting their interest to modern retail formats. Modern shopping centers are now present in three Georgian cities: Tbilisi, Kutaisi, and Batumi. However, vast majority of retail properties are located in Tbilisi.

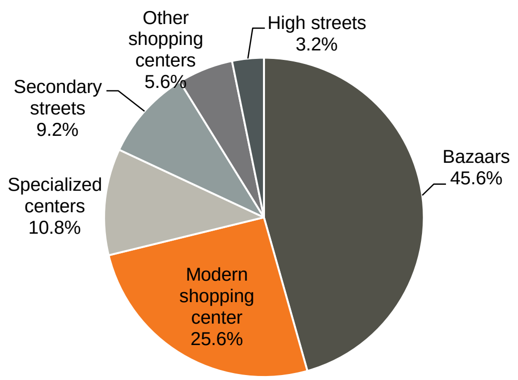
Tbilisi retail space is still dominated by old-fashioned open air markets and bazaars. As of end-2018, Tbilisi had 1.6mn m2 of total retail stock, comprised of bazaars (45.6% of total stock), modern shopping centers (25.6%), specialized centers (10.8%), secondary street retail (9.2%), other shopping centers (5.6%), and high street retail (3.2%).

Growth in retail real estate is solely driven by expansion of modern retail formats. Majority of modern shopping centers have been opened over 2008-2018, including Tbilisi Mall, East Point, Hualing Mall, and City Mall Gldani.

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

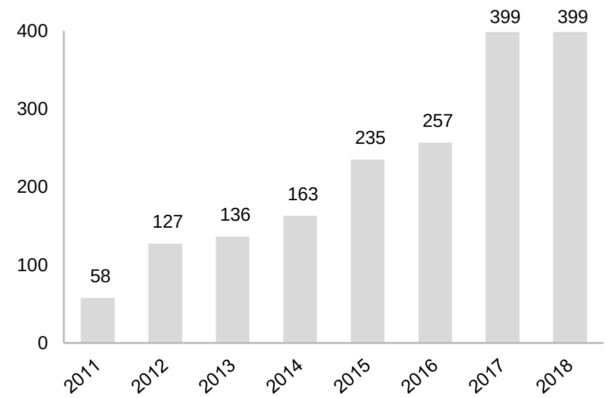
Tbilisi modern shopping center stock grew 55.3% y/y in 2017 to 398,552m2. Notable additions include Galleria Tbilisi and Hualing Mall. No new opening took place in 2018. City Mall Saburtalo expansion (to be completed by end-2019) is a single major development project undergoing currently.

Figure 7: Tbilisi retail space breakdown by category



Source: Galt & Taggart Research

Figure 8: Tbilisi modern shopping center GLA, '000 m2



Source: Galt & Taggart Research

Weighted average retail rents in Tbilisi modern shopping centers are on the decline. Weighted average retail rents in shopping centers were down to US$ 14.6 in 2017 from US$ 16.3 in 2016 according to Colliers International. This drop is attributable to increased competition and several large-scale absorptions (Gorgia rented 8,000 square meters in two shopping malls and Carrefour entering in several shopping malls).

Increasing competition from shopping malls challenges street retail in Tbilisi. Street retail stores usually occupy the first and sometimes second floors of residential buildings, part of which are owner-occupied. Tbilisi high street outlets are facing fierce competition from modern shopping and high street retail is losing attractiveness to retailers, especially on Pekini, Aghmashenebeli and Chavchavadze streets. Only high street still attracting retailers is Rustaveli Avenue thanks to closeness to most tourist attractions in Tbilisi. Average High street rents range from US$ 24 to US$ 34 depending on a size and location of the property, according to Colliers International. However, prime location rents are sometimes 3-4x higher than average rent on a street.

Office real estate

Most business activity is concentrated in Tbilisi. Modern offices are almost entirely concentrated in Tbilisi, the country's administrative center. The 42.6% of Georgia's total businesses are located in Tbilisi in 2018. Large firms and branches of international companies are all headquartered in Tbilisi also.

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

Large local companies and branches of international organizations are usually headquartered in Tbilisi. In particular, local branches of international companies are main absorbers of modern office stock supply, while wealthy local organizations prefer to be located in private buildings and either buy or build their own offices.

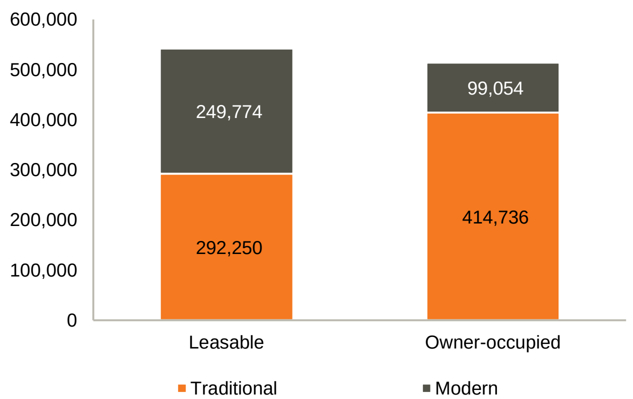
Despite growing number of modern office buildings, share of modern office stock stood at 33.7% of total office stock.

Class A accounts for 9.1% of leasable office space, with Class A- comprising another 6.7% . The lion's share of Class A/A- office space is absorbed by international corporations, diplomatic organizations, and wealthy local firms. The latest addition to Class A stock was King David Business Center, the largest in the category. Axis Towers and IG Mall business center, expected to be completed in 2019, will be the next major additions (circa. 25,000m2).

Class B+ office space accounts for the largest share 27.4% of leasable stock. Business centers in this category are mostly located in less prestigious neighborhoods than Class A/A- offices. Class B office stock qualifies for the same benchmarks as Class B+, but is usually located in the suburbs of the city.

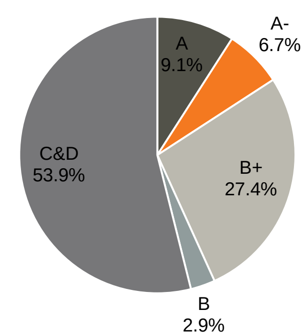
Supply of low-class offices (C/D) is falling behind as fewer residential areas are converted into office space. Many small companies tend to lease or buy C and D class offices, located in old, Soviet, non-refurbished residential buildings. Total C and D class supply is estimated at 92,250m2 and 200,000m2,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

Figure 9: Office stock supply in Tbilisi, m2, 2017



Source: Galt & Taggart Research

Figure 10: Leasable office stock by class, 2017



Source: Galt & Taggart Research

Weighted average office rents dropped considerably in class A category (from $29.7 to $21.9) over 2012-2017. This was a result of significant growth in the supply (+77.0% over 2012-2017). Weighted average office rents in other class (A-, B+, B) offices were stable over 2012-2017, because of steady growth in supply. Vacancy rates were on the decline in lower class offices, but have gone slightly up in 2017 because of new business centers added in these categories.

Tbilisi office market is characterized by some of the highest rental rates among peer cities in Central and Eastern Europe. Prime CBD class A headline rent stood at US$ 21.9 in 2017 in Tbilisi. High headline rents can be explained by the market structure, which is more favorable to landlords. Such markets reduce negotiation opportunities for alternatives for office tenants and results in high rents.

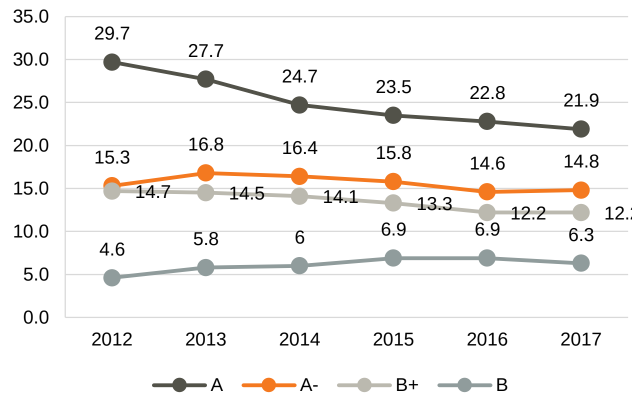
Hospitality industry

Georgia's tourism sector is growing rapidly thanks to the visa-free travel arrangements in place with over 100 countries, its rich culture, its improved accessibility and services and government support (tourism is a key area of the four pillar of reforms introduced in 2016). Georgia's beach resorts, medical and wellness destinations, winter-ski resorts, four-season resorts, wine tourism, cultural attractions, and gaming facilities transformed tourism into the key services sector, generating a 17.7% CAGR in visitor numbers over 2011-18 and significant hard currency inflow for the economy.

Visitor growth is matched by consistent investments in the accommodation sector. Foreign direct investments totaled US$ 1.0bn over 2007-2018, accounting for 6.2% of total inflows. After slowing down in 2009-2013, FDI skyrocketed since 2014. Growth in tourist arrivals and positive expectations about future, incentivized investors to invest in hotel development.

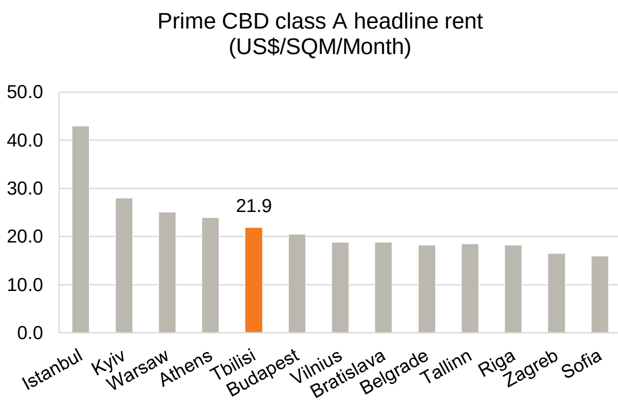
New openings intensified in 2018. Number of accommodation rooms was up 24.0% y/y in 2018 to 34,608 rooms, compared to 2017. Tbilisi and Adjara account for 55.5% of accommodation rooms, while several regions clearly lack accommodation.

Figure 11: Weighted average rent by class, US$



Source: *Colliers International*

Figure 12: Prime CBD class A headline rent, 1H17 (US$/m2)



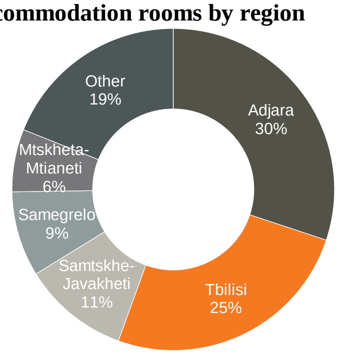
Source: *Colliers International*

Hotels account majority (23,551 rooms or 68.1% of total) of accommodation rooms. Other forms of accommodation include: family hotels (18.9% of room stock), Guesthouses (8.4%) and other (4.7%).

Accommodation shortage evident despite consistent growth. Based on a ratio of the average number of beds per 1,000 tourists in Georgia and peer countries, the bed penetration level in Georgia is 2.1x lower than the average of its peer countries as of 2017 figures. This leaves significant upside potential for further investments in the accommodation sector.

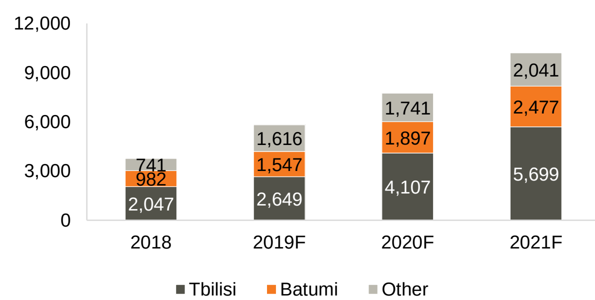
International chain brands dominate hospitality market. Currently, 31 chain hotels are operating in Georgia with a total number of 3,855 rooms, most of them located in Tbilisi and Batumi. Chain hotel presence expected to grow further, as there are 46 hotels in the pipeline and chain penetration by keys expected to reach 29.7% by 2021.

Figure 13: Accommodation rooms by region



Source: Colliers International

Figure 14: Chain hotel room stock by region



Source: Colliers International

Chain hotels in Tbilisi enjoy very solid revenues, similar to Western European average. International upscale chain brands getting biggest share of the pie – absorbing majority of high-yielding visitors. Still, competition pushes average revenues slightly down - revenue per room stood at US$ 104 in 2018 net of VAT, down from US$ 115 from 2015.

Investors shifted to midscale segment after possible oversaturation in upscale segment, however competition has become fierce in the midscale segment also. Revenue per room stood at US$ 68, down from US$ 83 in 2015. Regarding low-spending nature of visitor mix, midscale segment is more affordable for tourists in Georgia.

Investors partly shifted their attention to regional hotel development after competition in Tbilisi became fierce. However, majority of branded hotel will still be in Tbilisi by 2022. Currently, only 22.8% of total hotel rooms in pipeline (including chain or non-chain hotels) are in the regions, while rest is in Tbilisi.

Budget accommodation scarcity is filled by the rapid expansion of the Airbnb market. Airbnb accounts for 11% of total room/nights sold in Tbilisi, similar to share in regulated European cities share, which illustrates growth potential of Tbilisi in the future, as Tbilisi Airbnb market is totally unregulated. Taking into account tourism boom to continue in Georgia there is room for Airbnb growth in Tbilisi.

Warehouse real estate

Tbilisi is the central distribution point for the entire Georgian market, and is supplying 43% of total leasable area. Almost all imported goods are gathered in Tbilisi for redistribution to other regions of the country. It's estimated that 60% of the Georgian logistics market is concentrated in Tbilisi (East Georgia), followed by Kutaisi (West Georgia) 30% and Batumi (Adjara) 10%.

There is increased demand for logistics outsourcing by international companies acting in Georgia as well as by local retailers and distributors. Because of the increased competition and pressure for cost optimization these companies are reconsidering their supply chain strategies in favor of outsourcing logistics processes to third party providers.

Major projects, such as: Construction of a deep sea port in Anaklia (started in December 2017), Construction of Baku-Tbilisi-Kars (BTK) railway line (completed in October 2017) and Georgian Railway (GR) undergoing a Modernization Project, are expected to increase country's importance as a logistic hub in the region and further boost the potential of lilo1, due to its convenient location and large scale.

Figure 15: Supply distribution by type, '000 sq.m.

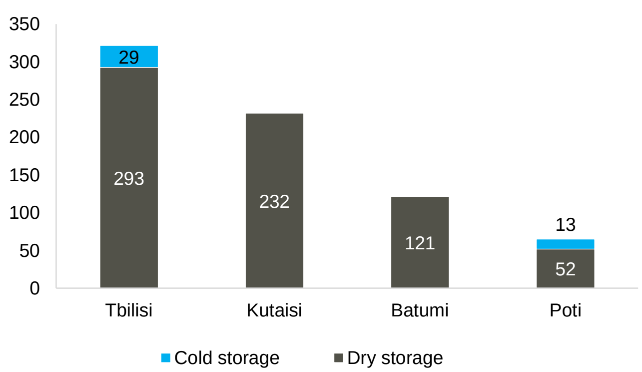
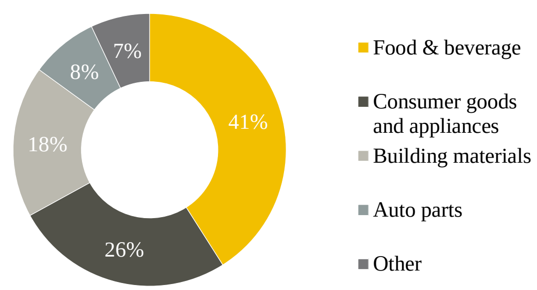


Figure 16: Breakdown of occupied space in Tbilisi, 2017



Important Milestones of the Company

Important milestones of the Company by years are presented below:

2006	• The Company was founded by JSC "Bank of Georgia".
2010	• Commenment of trail Project "Affordable Housing" on Chubinashvli St.
2012	• Project on Chubinashvili St. has been completed and the second "Affordable Housing" Project has ben launched with the Funding of FMO.
2013-2014	• Project on Tamarashvili St. hass been completed and three new projects of Affordable Housing has been lanched with partial financing by IFC.
2014	• A new "cheap home" iniciative has been introduced; • The first corporate (non-financial institutions) public bonds were issued in Georgia, IFC loan was repaid.
2015	•An agreement was signed with Wyndham about the opening of Ramada Encore Hotels.
2016	• A franchaising platform was introduced to develop commission-generating business line.
2017	• The Company acquired and became owner of "BK Construction" , which has been operating in the construction market since 1993, as a result of which the company has been added to its construction management business.
2018	• Hotel "Ramada Encore" with 152 rooms was opened on Kazbegi ave. in Tbilisi.
2018	• In December, the hotel "Ramada Encore" was transferred to a sister company "Georgia Hospitality Manaegment Group" LLC through an operating lease agreeement.
2019	• In February, the Subsidiary of the group "m2 Commercial Assets" LLC successfully completed the USD 30 mln bond full placemebt which was issued in December 2018. • These bonds were successfully listed on the Georgian Stock Exchange for trading

Future strategy and goals

Asset Light Strategy

Part of the company's strategy in the housing segment is to offer its own franchise development platform for landowners in Georgia. As a result, the company receives fixed commissions and a share of project profit. This strategy enables the company to use its rich experience and sales channels to develop and sell residential properties without investing its own capital. The company's goal is to develop a commission-generating business to become a major source of revenue for the company in the medium to long term.

Increase in share of commercial assets and effective management

The company's strategy is to increase its portfolio of income-generating assets, for which it reserves the first floors of residential buildings and then leases them. The company's strategy is to further expand this portfolio both in the development of its own construction as well as in opportunistic purchases of commercial real estate in most of the major cities of Georgia.

Expansion of hotels as revenue generating assets

To meet the growing needs of tourists wanting to travel to Georgia, the company decided to enter the hotel services sector. Since March 2018, the company has opened its first hotel at 152 in the center of Tbilisi. In the future, the company plans to expand its hotel network to a total of 1,222 rooms in Georgia by the end of 2021. At the end of 2018, the company decided to manage hotels as a revenue generating asset (as a source of fixed income), while direct management of the hotels was completely transferred to the Georgian Hospitality Management Group. The company is providing a portfolio of revenue generating assets as a result of hotel construction.

Development of construction arm

The company is actively working on attracting and implementing third party (external) construction projects. Current projects include large scale projects such as LTD. AIG Development Georgia ordered a City Mall renovation project worth $ 11,600,000 and LLC. Construction of Park Hotel Tsinandali, ordered by Tsinandali Fathers, will cost USD 983,447. The company is also implementing some small projects.

The competitive environment of the issuer and description of its position on the market

The issuer is one of the largest developers in Georgia. Most of the company's construction is residential projects in various categories: low, medium, premium. The residential real estate market is characterized by hundreds of players, but none of them have a dominant position in the market. Accordingly, the issuer has competitors in all segments in which it operates. Major developers implementing large-scale projects include Macro Construction, Dirs, Hualing, Orbi Group, Alliance Group, Archi Group, Axis and others.

The company also has commercial assets such as retail, office, residential and warehouse spaces. The Georgian commercial real estate market is very fragmented and contains a very small number of large players. A major player in the retail real estate market is IG Mall, which owns assets in the central district and suburbs, while every other major retailer has a different owner. On the other hand, there are some big players in office real estate, such as Redix and Tiflis Development, but none of them have significant market power.

On the balance of JSC "m2 real estate" there is approximately 27,558 square meters of commercial and office space, and 12,346 square meters of warehouses and 3,427 square meters of residential space. The company currently occupies a relatively low share of commercial real estate on the market. The issuer's commercial assets are almost completely leased, as asset use rates are higher than the average market rate for retail and office space.

Geographically, the issuer's assets are mainly concentrated in Tbilisi, though some of its commercial assets are located in Gori, Telavi, Rustavi and Marneuli. Its commercial assets in Tbilisi are larger and of higher quality. For example, Melikishvili Business Center is one of the high-quality office buildings in Tbilisi.

It should be noted that the Kazbegi Avenue 15 project has started operating in 2019, as a result of which the balance of real estate property, namely offices and retail has increased by 24.6%. (The data is calculated by taking into account the total lease area).

Investments

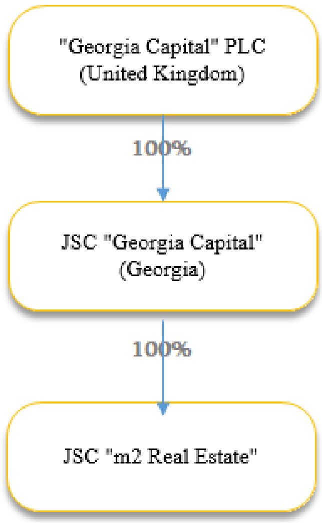
Below table lists the date, purpose and volume of investments made by the Company throughout the last year:

Investment date	Description	Amount (VAT excl. '000 GEL)
March-2018	Telavi Hotel	3,647
April-2018	Melikishvili Business Center	12,491
May-2018	Land plot and Hotel in Gudauri	15,078
August-2018	Land plot on Javakhishvili St.	13,138
December-2018	Svaneti Seti Square Hotel	3,500
February-2019	Hotel on Gergeti Street	13,887
May-2019	Land Plot in Shovi	2,223

The land plot in Shovi was acquired for hotel construction purposes.

Issuer's group structure

The vertical Organizational Structure of the issuer as of 30 June 2019 is represented below:



The issuer is JSC "m2 Real Estate".

Issuer's parent company JSC "Georgia Capital" has a credit rating granted by S&P, which is the authorized credit rating agency by National Bank of Georgia. The credit risk of the parent is estimated as B+, stable outlook. The rating was granted in September 2019.

S&P Ratings – September, 2019

Key Strengths

- Financial policy of maximum of 30% loan-to-portfolio value (LTV);
- Role as an important investment vehicle in Georgia;
- Share of listed assets of about 45% of the portfolio;
- Good competitive position of key investee companies;
- Adequate liquidity and sustainable debt maturity profile.

Key Risks

- Limited portfolio size of amount $800 million;
- Sole exposure to volatile Georgian market;
- High concentration with three key assets constituting about 65% of the portfolio;
- Exposure to foreign currency risk on the debt side with earnings largely in local currency;
- On-lending of bond proceeds to investee companies.

Parent Company JSC "Georgia Capital" has credit rating granted by Moody's, which is the authorized credit rating agency by National Bank of Georgia. The credit risk of the parent is estimated as B2, stable outlook. The rating was granted in June 2019.

Credit strengths:

- Clearly defined investment strategy;
- Superior knowledge of the Georgia economy and privileged access to capital;
- Portfolio focused on defensive assets (utilities, healthcare, education);
- Relatively moderate market value leverage at the holding company level.

Credit challenges:

- Small portfolio concentrated on the Georgian economy;
- Relatively short track record of operating as a standalone company;
- High portfolio concentration despite the recent investments in auto service, education and digital business that account for a small portion of the overall portfolio value;
- Elevated consolidated leverage and negative free cash flow generation at portfolio companies;
- Limited exit options and limited liquidity of portfolio given lack of capital in Georgia.

As of 30 June 2019, JSC "m2 Real Estate" included following subsidiaries (referred as "Group") all of them are incorporated in Georgia:

Subsidiary	*30 June 2019*	*31-Dec-18*	*Country*	*Date of establishment*	*Date of acquisition*	*Industry*
LLC Tamarashvili 13	100.00%	100.00%	Georgia	3 November 2011	n/a	Real estate
LLC m2 at Kazbegi	100.00%	100.00%	Georgia	21 May 2013	n/a	Real estate
LLC m2 at Nutsubidze	100.00%	100.00%	Georgia	21 May 2013	n/a	Real estate
LLC m2 at Tamarashvili	100.00%	100.00%	Georgia	21 May 2013	n/a	Real estate
LLC m2 at Hippodrome	100.00%	100.00%	Georgia	6 July 2015	n/a	Real estate
LLC m2 Skyline	100.00%	100.00%	Georgia	24 July 2013	n/a	Real estate
LLC M Square Park	100.00%	100.00%	Georgia	15 September 2015	n/a	Real estate
LLC Optima Saburtalo	100.00%	100.00%	Georgia	15 September 2015	n/a	Real estate
LLC Optima Isani	100.00%	100.00%	Georgia	25 July 2014	n/a	Real estate
LLC M2	100.00%	100.00%	Georgia	12 February 2014	n/a	Hospitality/Real estate
LLC m2 Residential	100.00%	100.00%	Georgia	17-Aug-15	n/a	Real estate
LLC m2 Hospitality	100.00%	100.00%	Georgia	17-Aug-15	n/a	Hospitality/Real estate
LLC Caucasus Autohouse	100.00%	100.00%	Georgia	29-Mar-11	n/a	Real estate
LLC Land	100.00%	100.00%	Georgia	3-Oct-14	n/a	Real estate
LLC m2 at Vake	100.00%	100.00%	Georgia	3-Aug-16	n/a	Real estate
LLC m2 at Chavchavadze	100.00%	100.00%	Georgia	5-Sep-16	n/a	Real estate
LLC m2 Commercial Properties	100.00%	100.00%	Georgia	1-Mar-16	n/a	Property management
LLC m2 at Melikishvili	100.00%	100.00%	Georgia	15-May-17	n/a	Hospitality
LLC m2 Kutaisi	100.00%	100.00%	Georgia	15-May-17	n/a	Hospitality
LLC BK Construction	100.00%	100.00%	Georgia	18-May-17	2-Jun-17	Construction
LLC m2 Mtatsminda	100.00%	60.00%	Georgia	16-Oct-14	26-Dec-17	Hospitality
LLC Vere Real Estate	100.00%	100.00%	Georgia	4-Mar-10	6-Aug-18	Real estate
LLC m2 Zugdidi	100.00%	100.00%	Georgia	7-Nov-18	n/a	Hospitality
LLC m2 Svaneti	100.00%	100.00%	Georgia	14-Nov-18	n/a	Hospitality
LLC Kakheti Wine and Spa	100.00%	100.00%	Georgia	23-Apr-18	n/a	Hospitality
LLC m2 at Gudauri	100.00%	100.00%	Georgia	24-Apr-18	n/a	Hospitality
m2 Hatsvali, LLC	100.00%	100.00%	Georgia	17-Apr-19	n/a	Hospitality
m2 Resort, LLC	100.00%	100.00%	Georgia	11-Feb-19	n/a	Hospitality
LLC BK Production	100.00%	100.00%	Georgia	27-Jun-19	n/a	Construction

Financial position

The Company's financial statements are shown in the relevant chapters (Balance Sheet, p. 94; Statement of Profit or Loss, p. 95; Cash Flow statement, p. 96)

Changes in accounting policies:

Up until reporting period ended 31 December 2018, the Group's accounting policy was to capitalize borrowing costs to cost of inventory. In March 2019, IFRS Interpretations Committee adopted the final agenda decision (with no changes in Standard) in relation to recognition of borrowing costs in arrangements to sell properties (units in a building) where the property is transferred to customer over time under IFRS 15. According to the agenda decision, capitalization of borrowing costs under to cost of sold or unsold units would not be appropriate under IAS 23. As the result of new interpretation arising from the IFRS Interpretations Committee decision, starting from interim reporting period ended 30 June 2019, the Group changed its existing accounting policy and ceased capitalization of borrowing costs to cost of inventory property represented by residential apartments from the moment when such properties become ready for sale.

Change in accounting policy has been applied retrospectively by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

Consolidated statement of financial position as at 31 December 2018	***As previously Reported (audited)***	***Change in Accounting policy***	***As restated***
Inventory	100,616	(2,384)	98,232
Deferred revenue	23,010	286	23,296
Equity	226,211	(2,670)	223,541
consolidated statement of comprehensive income 2018			
Sales of inventory property	94,916	130	95,046
Cost of sales – inventory property	(85,471)	6,307	(79,164)
Finance expense	(4,035)	(5,348)	(9,383)

Consolidated statement of financial position as at 31 December 2017	***As previously reported (audited)***	***IFRS 9 adoption effect***	***Change in Accounting policy***	***As restated***
Inventory	59,683	-	(3,397)	56,286
Deferred revenue	46,660	-	426	47,086
Equity	164,630	(97)	(3,820)	160,713
consolidated statement of comprehensive income 2017				
Sales of inventory property	92,643	-	(786)	91,857
Cost of sales – inventory property	(84,607)	-	6,909	(77,698)
Finance expense	(186)	-	(6,578)	(6,764)

Company's working capital (short-term assets minus short-term liabilities) as of 30 June 2019 was GEL 2,851 thousand, significantly lower in comparison to prior periods (31/12/2018: GEL 24,153 thousand), the working capital of the Company is enough to finance its current operations. Working capital is expected to increase as a result of the new bond issuance as the short term liabilities will be converted to long term obligations. Company's current and quick ratios will be respectively, 1.02 and 0.85 as of 30 June 2019 (31/12/2018: 1.20 and 0.92).

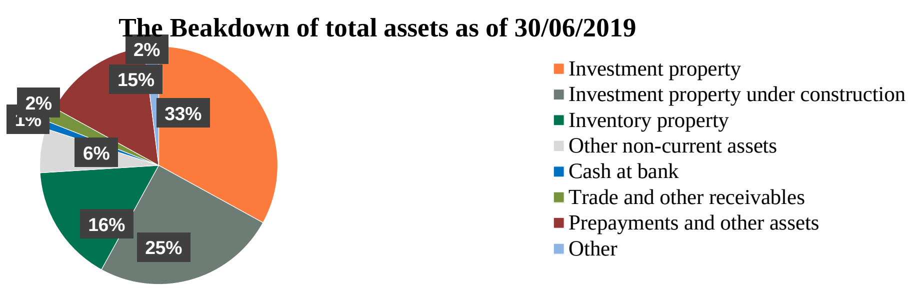
The reduction of working capital and related ratios as of June 30, 2019 is due to the reclassification of long-term debt securities issued in 2016 to short-term that expire in October 2019. This debt securities will be financed using the proceeds from the new bond that will be issued subject to this prospectus. Current loans for 2019 also include loans for hotels in Gudauri and Kutaisi at around EUR 2,300 thousand, with the remainder being the current portion of long-term loans. The amount is planned to be repaid from future net operating cash flows.

The working capital of the company is sufficient to finance its current operations. After the issuance of new bonds, working capital will be increased to GEL 103,256 thousand as short-term liabilities become long-term liabilities. The current and quick ratios of the company as a result of the bond issue will be 2.77 and 2.39 as of June 30, 2019 (31/12/2018: 1.20 and 0.92).

Total assets:

Consolidated Balance Sheet (000' GEL)	Reviewed 2019 HY	Audited (Restated) 2018 FY	Audited (Restated) 2017 FY
Assets			
Non-current assets			
Investment property	190,031	160,158	115,143
Investment property under construction	143,071	117,376	35,000
Inventory property	71,673	64,487	8,865
Other non-current assets	35,892	26,098	57,041
Total non-current assets	**440,667**	**368,119**	**216,049**
Current assets			
Cash at bank	5,248	34,573	34,751
Time deposits with credit institutions	6,323	3,974	114
Trade and other receivables	10,727	6,528	330
Inventory property	22,049	33,745	47,421
Prepayments and other assets	83,272	62,052	44,430
Other current assets	5,980	2,594	4,337
Total current assets	**133,599**	**143,466**	**131,383**
TOTAL ASSETS	**574,266**	**511,585**	**347,432**

Total assets of the company amounted to GEL 574,266 thousand (31/12/2018: GEL 513,969 thousand). Current and long-term assets represent 23% and 77% respectively of total assets as of 30/06/2019 (31/12/2018: 28% and 72%).



Investment property:

Investment property consists of buildings (office, retail, warehouses and residential including hotels) held for earning rental income and land plots held for a currently undetermined future use or with a view of future redevelopment for future use 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, increase capital value or develop in the future, 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, except for the land plots acquired in 2018 in Zugdidi, Javakhishvili and Telavi, was fully assessed by “Colliers International Georgia” as of October 31, 2018.

Investment property for 30 June 2019 is increased by 19% compared to December 31, 2018 and amounted to GEL 190,031 thousand. (31/12/2018: GEL 160,158 thousand).

Company's functional and presentation currency is USD and GEL respectively, therefore when preparing financial statements company revalues all assets into presentation currency and recognizes effect in equity as a translation reserve. From 31 December 2018 to 30 June 2019, USD has straightened against GEL by 7%, therefore the proportionate growth in the balance (amounting GEL 11,000 thousand) is attributable to translation effect. Investment property is further broken down into further analysis below:

Company has following types of investment property:

('000 GEL)	*30 June 2019*	*31 December 2018*
Yielding assets	105,655	79,618
Hotels	49,697	46,276
Vacant lands	33,153	32,985
Other investment property	1,526	1,279
Total investment property:	**190,031**	**160,158**

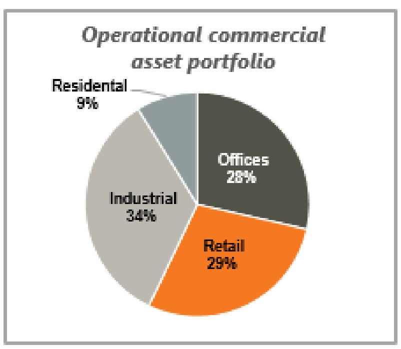
Yielding assets:

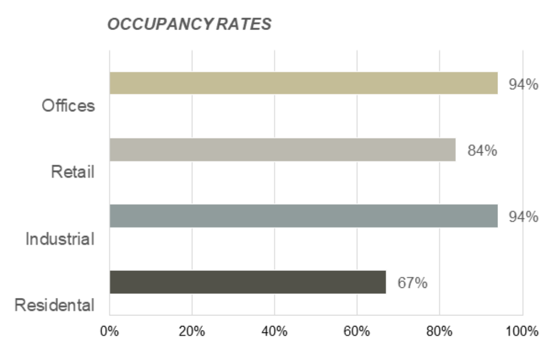
More than half (56%) of total investment property stands for yielding assets. Yielding assets represent office, retail, industrial and residential buildings, including underlying land held for rent-generating purposes. Other investment properties include buildings that are not leased but are owned by the company for capital gain purposes. As of June 30, 2019 and December 31, 2018, most of the Group's investment property is located in Tbilisi.

As of 30 June 2019 the Company has total up to 44,331 thousand sq.m general leasable area within the yielding assets.

Yielding asset portfolio by general leasable area and occupancy rates are represented below:

As at 30 June 2019





For detailed list of yielding assets, is disclosed in the chapter: "Primary Activities"

Yielding assets increased by 33% from December 31, 2018 to June 30, 2019 and reached to GEL 105,655 thousand. The increase is mainly due to the completion construction of the following investment property and reclassification into long-term investment property: Office space at New Hippodrome market value of GEL 1,354 thousand, Retail space at Chavchavadze Avenue and New Hippodrome market value GEL 15,268 thousand and Residential apartments at Chavchavadze market value GEL 3,209 thousand. The rest part of growth GEL 5,751 thousand is the currency translation effect and minor capitalizations.

Hotels:

From March 2018 Group opened mid class hotel "Ramada Encore" on Kazbegi Avenue. As at 30 June 2019, the hotel is the only operational hotel that the Group currently has with market value GEL 49,697 thousand. From December 2018, the company has been rented out the hotel through operating lease to “Georgia Hospitality Management Group” subsidiary of JSC “Georgia Capital”, from which it receives a fixed monthly income.

Company also develops upscale and luxury hotels “Telavi Hotel” opening from Q4-2021 and “Kempinski Hotel” on Gergeti street opening from Q3-2020. These under construction hotels are further discussed in this chapter in more detail in the following paragraph: “Investment property under construction”.

Vacant Lands:

Land plots are classified as investment property because they are either held for a currently undetermined future use or with a view of future redevelopment for future use as investment property.

Group possesses following land plots as at 30 June, 2019:

Description	**Fair value 30-Jun-19 ('000 GEL)**	**Area (in sq.m)**
M. Javakhishvili #14 land (*)	22,316	4,946
Marshal Gelovani ave.	7,917	15,536
Shovi, Racha	2,295	7,500
Kavtaradze st.	398	662
Gonio	227	934
Total:	***33,153***	***29,578***

(*) the land plot on Javakhishvili Street consists of two land with total market value of GEL 22 mln.

The value of land plots has slightly been increased as at 30-Jun-2019 by 1% compared to 31-Dec-2018 and amounted to 33,153 thousand GEL (31.12.2018: 32,985 thousand GEL).Total land purchases during 2019 amounted to GEL 7,8 million, land plot on M. Javakhishvili Street with market value 5,5 million and land in Shovi with market value GEL 2,3 million. During the same period, land in Telavi and Zugdidi totaling GEL 9.6 million was transferred to investment property under construction for hotel construction purposes. The increase in the balance of up to 2 million is due to the effect of currency translation.

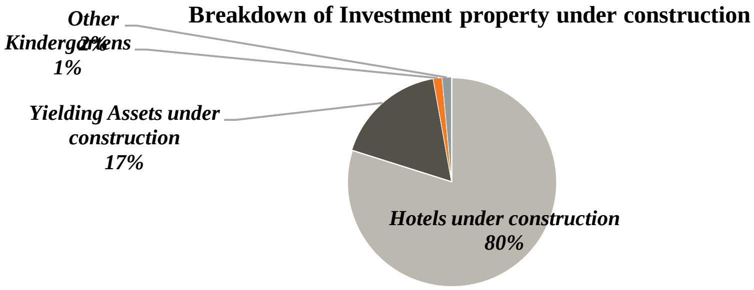
Investment property under construction:

Investment property under construction is the property that is in the construction process 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 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 October 2018.

As of May 31, 2019, the Company has revalued Hotel Keminski on Gergeti Street, according to which the fair value of the property evaluated (using market approach) was presented at USD 9,400 thousand (nine million four hundred thousand) excluding VAT.

Investment property under construction as at 30 June 2019 has increased by 22% compared to December 31, 2018 and amounted GEL 143,071 thousand, which stands for 25% of total assets (31/12/2018: 117,376 thousand GEL). Investment properties under construction includes yielding assets under construction, hotels under construction, kindergartens under construction and other.

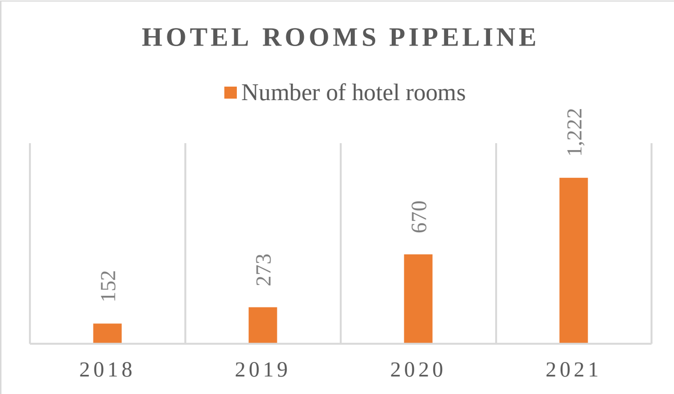


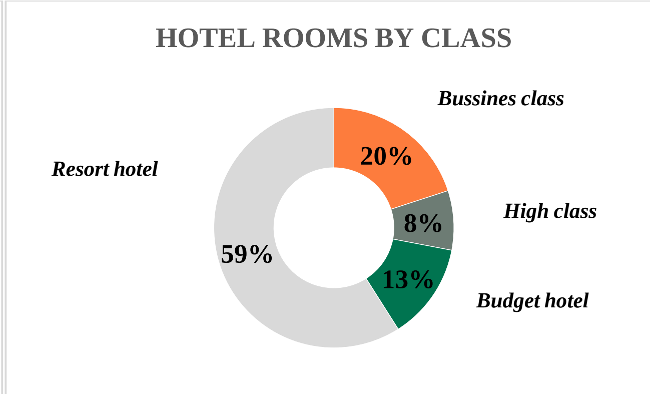
Company has following types of investment property under construction as of 30 June, 2019:

Property description	Location	Available rooms / area	End date	Market value ('000 GEL)
Yielding assets under construction:				
Kazbegi ave. 15 Retail	Tbilisi	1,489 sq.m	2019 Q3	10,293
Kazbegi ave. 15 Office	Tbilisi	4,778 sq.m	2019 Q3	12,761
Kazbegi ave. 15 Apartments	Tbilisi	648 sq.m	2019 Q3	1,703
Kindergarten under construction:				
Kazbegi ave. 15 Kindergarten	Tbilisi	714 sq.m	2019 Q3	1,978
Other:				
Kazbegi ave. 15 Parking	Tbilisi	-	2019 Q3	2,055
Hotels under construction:				
Ramada Melikishvili	Tbilisi	125 rooms	2020 Q1	25,691
Gudauri Hotel	Gudauri	121 rooms	2019 Q4	27,775
Kempinski Hotel, Tbilisi	Tbilisi	99 rooms	2020 Q3	38,437
Seti Square in Mestia, Svaneti	Mestia	52 rooms	2020 Q4	4,668
Ramada Kutaisi	Kutaisi	121 rooms	2020 Q4	4,692
Telavi hotel	Telavi	130 rooms	2021 Q4	10,001
Zugdidi hotel	Zugdidi	130 rooms	2021 Q4	3,017
Total investment property under construction:				**143,071**

Completed and under construction hotels:

As of June 30, 2019, only 12% of the Group's total hotel rooms is completed and operational, which represents a three-star 152-room hotel "Ramada Encore Kazbegi". Gudauri Hotel, with 121 rooms is in the final phase of construction, which is expected to be completed in the last quarter of 2019. Up to 42% of total hotel rooms are in the active phase of construction, including the following hotels: Ramada Melikishvili, Kempinski Tbilisi, Ramada Kutaisi, Seti Square Mestia with total room count of 518, which are expected to be operational by the end of 2020. 45% of the total rooms are in the initial design phase (Telavi, Shovi, Kakheti Wine & Spa, Mestia and Zugdidi hotels).





From March 2018 to December 2018, the Group operated the finished plant itself, and since December 2018, the hotel has been transferred to Georgia Hospital Management Ltd (GHMG) for operating lease. The term of the contract is December 2023.

Once completed, the hotels will also be leased to GHMG.

Inventory property:

Inventory property represents property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or future redevelopment. It mainly consists of residential houses developed or under development by the Group, which is intended for sale before or after construction is completed. Inventory is stated at the lower of cost and net realizable value.

Cost includes:

- Cost of land; when land is reclassified from investment property 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 and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

As of 30 June 2019, Group has successfully completed 10 housing development projects (with total 2,855 apartments developed). Group has two on-going projects, one being “m3 Saburtalo” on Marshal Gelovani Ave. and second being residential apartment construction on Melikishvili Street (16 apartments). On-going projects also includes “Optima Kavtaradze”, which is the land plot and a building, company has not yet received the construction permit for the premises.

Inventory 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 portfolio consists of following completed residential properties:

Amounts in '000 GEL

Project:	**30-Jun-19**	**31-Dec-18 *(Restated)***
Hippodrome	11,052	13,517
Kazbegi ave. 15	10,716	19,827
Melikishvili ave. 10	218	318
Chubinashvili	63	60
Optima Isani	-	24
Current	**22,049**	**33,745**

Current inventory for 30 June 2019 has decreased by 35% compared to 31 December 2018. Decrease was due to the fact that no new project has been transferred from non-current to current investment property, i.e. no new project has been completed during the period.

As of June 2019, Hippodrome residential property is 99% sold, the remaining inventory balance is attributable to 1 flat (176 sq.m) and 413 parking spaces. 90.9% of net area is already sold for property located on Kazbegi Ave. (remaining sq.m available for sale is 3,836 and 58 parking lots). For Melikishvili and Chubinashvili, there are only parking lots remainig.

List of non-current inventory portfolio:

Amounts in '000 GEL

Project:	**30-Jun-19**	**31-Dec-18 *(Restated)***
Digomi	63,081	56,473
Optima saburtalo	8,592	8,014
Non-current	**71,673**	**64,487**

Non-current inventory for 30 June 2019 has increased by 11% compared to 31 December 2018. Which is attributable to the capitalized development expenditures on the new project “m3 Saburtalo” in Digomi.

Company obtained construction permit for “m3 Saburtalo – Phase 1”, on Marshal Gelovani Ave. Tbilisi, Georgia on the land plot located in Digomi. Project accounts for total 3,000 apartments with total 237 thousand buildable and over 30 thousand sq.m recreational areas. The project consists of three phases. For detailed information on the project, see the section "Primary Activities".

Optima Saburtalo represents land plot on Kavtaradze Street, Tbilisi, for which construction permit is not yet obtained. However land is designed for construction of residential property and is presented under inventory.

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 30 June 2019 shows 36% increase compared to the year end 2018, and amounts to 11,428 thousand GEL. (31/12/2018: 8,404 thousand GEL)

The Company uses its property and equipment for construction purposes, the majority of the balance is attributable to housing development segment and the 47% of the balance is attributable to construction equipment amounting 5,333 thousand GEL (31/12/2018: 62%; 5,250 thousand GEL). The increase is mainly attributable to adoption of new IFRS standard IFRS 16 regulating financial leases, based on which company has recognized right of use asset on property and equipment taken under the operating lease, amounting approximately GEL 3 million.

Prepayments and other assets

Prepayment and other assets mainly represents advances paid for construction materials for development of investment properties and Value-added-tax assets. Total balance of prepayments and other assets as at 30 June 2019 amounts to 99,939 thousand GEL. The balance has increased by 39% compared to 31 December 2018 (31/12/2018: GEL 71,876 thousand). The increase is attributable to VAT asset increase by 68%, amounting 37,813 thousand GEL. In April 2018 Group implemented the decision to establish LLC “Commercial Asset” a subsidiary which will manage the yielding assets segment, the newly established subsidiary started gradually acquiring the respective assets from other fellow subsidiaries within the group, on which significant VAT asset was created. The remaining increase in the balance of prepayment and other assets comes to increased prepayments for investment property and on-going project “m3 Saburtalo” in Digomi. The balance of prepayment for investment property is increased by 61% amounting to 38,654 thousand GEL.

Loans issued

Issued loan balance (short term and long term) as of 30 June 2019 amounts to 9,516 thousand GEL, which is increased by 30% from 31/12/2018 (31/12/2018: 7,321 thousand GEL).

Company plans to launch new product - brand franchising and use its platform to develop third party ("customer") land plots by providing following services to them: construction and sale & marketing.

From 2018 company issued loans to the counterparties JSC Isani Park and JSC New Krtsanisi, which will have an intermediary role between customers and the Company. Loans are distributed to the borrowers to cover legal and professional expenses incurred in the developing stage of aforementioned project.

Through the franchise product, mentioned above, Company is able to generate three type of franchise income: construction fee, sale and marketing fee and incentive fee. The latter means predetermined percentage fee from customers' net profit.

Loans were issued to NJ Property for obtaining permits and acquisition of lands plots in the name of m2. The company plans to enter into long-term operating lease agreements with the borrower for leasing the property on which construction works will commence.

Loan issuer	Loan receiver	Currency	Interest rate	Interest expense in ('000 GEL)	Outstanding Balance ('000 GEL)
m2 Hospitality LLC	NJ Property LLC	USD	10%	302	7,497
m2 at Gudauri LLC	NJ Property LLC	USD	10%	30	695
m2 at Hippodrome LLC	JSC New Krtsanisi	USD	10%	1	33
JSC m2 Real Estate	JSC Isani Park	USD	15%	76	1,291
				409	**9,516**

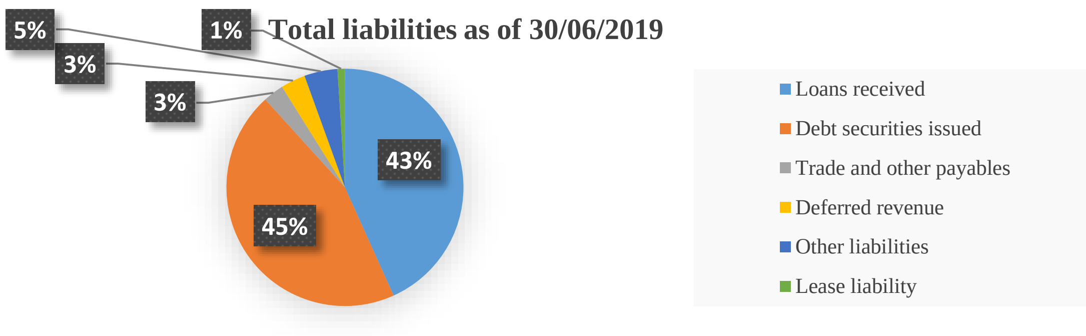
Cash and cash equivalents

Cash and cash equivalents have decreased significantly by 79% compared to 31 December 2018 and amounted to 5,248 thousand GEL (31/12/2018: 34,573 thousand GEL). The decrease is due to the fact that by the end of 2018, the Group's member, LLC "Commercial Assets", issued a $ 30 million bond, about 24% of which was placed at the end of the year and increased the Group's cash balance. Also the cash balance reduction is partially attributable to the increased capitalizations on Investment Property under Construction, in the hotel segment, as there are 10 hotels: 5 hotels on a construction and five on a design stage during the first half of 2019.

Total liabilities:

Amounts in '000 GEL	*Reviewed*	*Audited (restated)*	*Audited (restated)*
Non-current liabilities	**2019 HY**	**2018 FY**	**2017 FY**
Loans received	132,726	146,325	42,885
Debt securities issued	86,766	19,609	64,121
Other non-current liabilities	3,090	2,797	2,400
Total non-current liabilities	**222,582**	**168,731**	**109,406**
Current liabilities			
Short-term portion of long-term loans received	20,125	4,301	16,107
Debt securities issued	72,288	67,697	1,001
Trade and other payables	9,952	12,380	6,970
Deferred revenue	11,899	23,296	47,083
Other current liabilities	16,484	11,639	6,055
Total current liabilities	**130,748**	**119,313**	**77,216**
Total liabilities	**353,330**	**288,044**	**186,622**

The breakdown of total liabilities as of 30 June 2019 is presented below:



Total liabilities of company have increased 23% compared to previous period and amounted to GEL 353,330 thousand (31.12.2018: GEL 288,044 thousand). Loans received and debt securities issued stands for 88% of total liabilities. The growth is discussed in detail below for each component.

Loans received and debt securities issued

The change in total liabilities largely depends on the increase in issued debt securities, which amounted to GEL 159,054 thousand as of June 30 2019 and increased by approximately 82% compared to the previous period (31/12/2018: GEL 87,306 thousand).

Lender	Currency	Remaining Maturity	Amortized balance as at 30-June-2019, GEL '000
Debt Securities	USD	0-3 years	159,054
JSC GCAP Loan	USD	3+ years	80,782
JSC Bank of Georgia Loan	EUR	3+ years	43,103
JSC TBC Bank Loan	EUR	0-1	7,490
JSC TBC Bank Loan	EUR	3+ years	21,476
Total Interest Bearing Liabilities			**311,905**

Debt securities represent bonds issued by the Company on 7 October 2016 and by the group subsidiary LLC "Commercial Assets" on 31 December 2018, issue amount 25 and 30 million respectively, however for the bond issued in December 2018 only 24% out of nominal 30 million was placed, the remaining 76% was placed in the first quarter of 2019, the liability balance shows increase for 2019.

Further breakdown is disclosed below:

Liability Receiver	ISIN Code	Issue Date	Maturity Date	Currency	loan amount ('000)	Coupon rate	Amortized balance ('000 GEL)
M2 Real estate	GE2700603436	7-Oct-16	7-Oct-19	USD	25,000	7.50%	72,797
LLC" Commercial Assets"	GE2700603733	31-Dec-18	31-Dec-21	USD	30,000	7.50%	86,257

Liability Receiver	ISIN Code	Issue Date	Maturity Date	Currency	loan amount ('000)	Coupon rate
M2 Real estate	GE2700603295	20-Mar-15	20-Mar-17	USD	20,000	9.50%
M2 Real estate	GE2700503222	11-Jun-14	11-Jun-15	USD	10,000	8.42%
M2 Real estate	GE2700503214	23-Apr-14	23-Apr-15	USD	5,000	9.50%

Loans received as of June 30, 2019 amounted to GEL 159,054 thousand which is slightly increased compared to the previous period, with a change of about 1%.

The Parent Company JSC "Georgia Capital" loan accounts to 29% out of total interest bearing liabilities as at 30 June 2019, that is significantly decreased in comparison to 2018 year end (31/12/2018: 50%).

In 2018 short term loans with the principal amount 22,620 thousand USD were taken from the Parent "Georgia Capital" maturing in Q1 2019, which were repaid in 2019.

In March 2019, Group took two loans from JSC "TBC Bank" for construction of Gudauri Hotel, amounting to EUR 1,300 thousand maturing in Q1-2020 and loan amounting EUR 6,600 thousand maturing in Q2-2030. The completion of hotel construction is planned from the fourth quarter of 2019.

In June 2019 Group also took loan amounting EUR 5,300 thousand from JSC "Bank of Georgia", maturing in 2031 for construction of Hotel on Melikishvili Street which is planned to be completed from Q1-2020.

In January 2019 Group took loan amounting EUR 8,000 thousand from JSC "Bank of Georgia", maturing in December 2028 for construction of Ramada Kazbegi. There is an active covenant on the loan which is further discussed in the chapter: "*Information on capital and loan liabilities"* of this prospectus.

Breakdown of loans received in 2019 is disclosed below:

Borrower	**Bank**	**Issue Date**	**Maturity Date**	**Currency**	**Loan amount ('000)**
LLC m2	Bank of Georgia	8-Jan-19	29-Dec-28	Euro	8,000
LLC m2 Gudauri	TBC Bank	27-Mar-19	26-Mar-20	Euro	1,300
LLC m2 Gudauri	TBC Bank	27-Mar-19	26-Apr-30	Euro	6,600
LLC m2 Melikishvili	Bank of Georgia	17-Jun-19	13-Jun-31	Euro	5,300
LLC m2 Kutaisi	TBC Bank	18-Jun-19	30-Sep-19	Euro	1,000

Detailed information on loan collaterals is discussed in the section "*Information on Equity and Loan Liabilities*"

Deferred revenue

Deferred revenue of the Group consists of advances received from customers, net of VAT, for purchase of residential property. Significant changes in deferred revenue during the period are mostly attributable to recognition to revenue from sales of inventory properties in the consolidated statement of comprehensive income following satisfaction of performance obligation over time, and advance payments received under construction services contracts and contracts to sell inventory properties.

Deferred revenue amounted to GEL 12,665 thousand as of June 30, 2019, which is almost halved compared to the previous period (31/12/2018: GEL 23,296 thousand). The reason for the change is a decrease in the construction of new residential buildings compared to previous periods and consequently an increase in completion rates for older projects.

Operational results

The company has three main sources of income: income from the sale of property classified as inventory, rental income and income from construction services. During 2018, the Group had an additional source of revenue from operating the hotel, which was the Hotel Ramada on Kazbegi Avenue, although in December 2018 the parent company, JSC Georgia Capital, together with the group, decided to establish "Georgia Hospitality Management Group LLC" company ID: 404063012, through which the hotel sector was managed more effectively.

On December 14, 2018, an agreement was signed between M2 LLC (lessor) and Georgia Hospitality Management Group LLC (lessee) on the basis of which the Group leased the hotel for temporary use in exchange for a fixed monthly rent. As a result, only the lessee is eligible to receive any profit from hotel management. The term of the contract is until December 2023.

After construction, the remaining hotels currently presented under investment property under development will be transferred to Georgia Hospitality Management Group LLC, from which the Group will generate a monthly fixed lease.

The Company has income sources from 3 main segments: Housing Development Hospitality & Commercial Real Estate.

000' GEL	*Unaudited Reviewed* **2019 HY**	*Unaudited, not reviewed* **2018 HY**	*Unaudited (restated)* ***2018 FY***	*Unaudited (restated)* ***2017 FY***
Sales of inventory property	16,584	52,654	95,046	91,857
Cost of sales – inventory property	(14,586)	(42,660)	(79,164)	(77,698)
Profit on sale of inventory property	**1,998**	**9,994**	**15,882**	**14,159**
Rental income	5,910	2,215	5,467	3,599
Property operating expense	(1,533)	(315)	(879)	(557)
Net rental income	**4,377**	**1,900**	**4,588**	**3,042**
Revenue from construction services	14,457	6,811	27,864	-
Cost of construction services	(12,741)	(5,805)	(23,637)	-
Profit from construction services	**1,716**	**1,006**	**4,227**	**-**
Revenue from hospitality services	-	1,576	5,151	-
Cost of hospitality services	-	(1,119)	(3,206)	-
Profit from hospitality services	**-**	**457**	**1,945**	**-**
Net gain from revaluation	7,956	2,311	34,039	22,563
Other revenue	417	160	209	277
Employee benefits expense	(2,602)	(1,960)	(6,018)	(2,818)
Other general and administrative expenses	(4,340)	(1,964)	(4,860)	(2,906)
Marketing and advertising expense	(1,894)	(1,374)	(3,544)	(2,855)
Depreciation and amortization	(1,371)	(437)	(972)	(508)
Non-recurring items	-	(5,630)	(7,557)	(128)
Operating profit	**6,257**	**4,463**	**37,939**	**30,826**
Finance income	586	303	517	816
Finance expense	(7,844)	(4,317)	(9,383)	(6,764)
Net foreign exchange gain/(loss)	(383)	(545)	(1,570)	(117)
Net other non-operating income	-	-	219	-
Profit before income tax expense	**(1,384)**	**(96)**	**27,722**	**24,761**
Income tax expense	(376)	-	-	(1,554)
Profit / (loss) for the year	**(1,760)**	**(96)**	**27,722**	**23,207**

Sale of inventory property

Revenue from sale of developed real estate property is recognized over the time based on the progress towards complete satisfaction of a performance obligation using input method (proportion of costs incurred up to date to total expected project cost). Percentage of completion calculated based on total costs of the building is applied to apartment selling price to recognize revenue from apartment sale. Payment arrangements of the sale of developed real estate property usually include advance payment of part of transaction price and progress payments during the construction by the customer, such contract liabilities are recognized as deferred revenue in the consolidated statement of financial position.

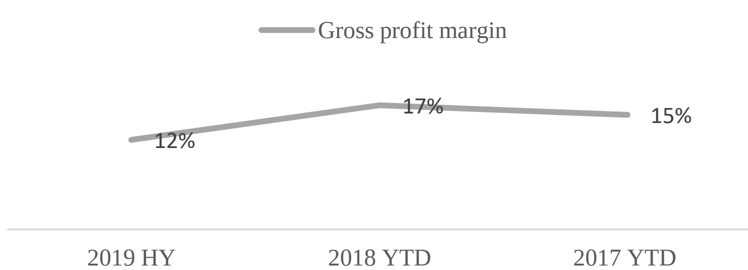
Revenue from sale of inventory property is based on a company's ongoing projects. Revenue is mainly generated through the sale of residential property, however small share 8% of total revenue from inventory sales comes to sale of parking lots (2018 HY: 4%)

The breakdown of revenue from two different sources is as follows:

	2019 HY	*2018 HY*
Residential area	15,312	50,314
Parking lot area	1,272	2,340
Total revenue from the sale of inventory property	**16,584**	**52,654**

In the first half of 2019, the income from the sale of property classified as inventory, which includes income from housing and parking spaces, decreased by 69% compared to the same period in 2018 and amounted to GEL 16,584 thousand (six months 2018: GEL 52,654 thousand). There were four active projects in 2018, namely: m2 on the Hippodrome, m2 on Chavchavadze and m2 on Melikishvili. All projects generated revenue and were mainly sold in 2018. Within first half of 2019 only the following projects generated revenue for the period: m2 Kazbegi 2, m2 on the Hippodrome, m2 on Chavchavadze and m2 on Melikishvili.

Gross profit margin of the segment is as follows:



In 2019 Group generated revenue mainly from sale of m2 at Kazbegi 2 located on the 15th of A. Kazbegi Avenue (accounts for approximately 76% of sales for 2019 HY), m2 at Hippodrome 2 located on Kartozia Street #10, m2 on Chavchavadze and m2 on Melikishvili street.

As at 30 June 2019 the Company has remaining current inventory balance of 22,049 thousand GEL which is available for immediate sale. The new project m3 Saburtalo on Marshal Gelovani ave. will be completed and start revenue generation from September 2021. Even though the project is under development, the total sq.m of sold apartments represents 5,671 as of 30 June 2019, approximately 26% of total space available for sale. The income is presented under deferred revenue in the liability section and will amortize in income based on the completion percentage of the project.

Construction service

Revenue from construction service is produced by the group member company "BK Construction". The group acquired the construction company in May 2017 and added an additional source of income.

As of 30 June 2019 the company has 10 in-house and one external project. Completed external project is Radisson Collection Tsinandali Hotel. The company has several ongoing external projects, including the "City Mall Saburtalo".

Revenue from construction services has more than doubled in the six months by the comparison to the previous period, due to the company having two large-scale active projects in 2019: 1) City Mall Saburtalo, total project costs amounting USD 11,600 thousand and 2) Park Hotel Tsinandali, total project costs amounting to USD 983 thousand and several other small scale projects.

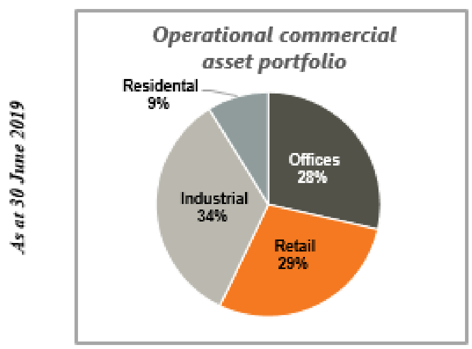
Revenue from construction services is recognized over the time based on the progress towards complete satisfaction of a performance obligation using output method based on the completion level reflected in monthly completion reports. Payment arrangements for construction services usually include advance payment of part of transaction price (usually up to 10%) and monthly progress payments during the construction by the customer, 5% from each monthly progress payment is usually retained by the customer as guarantee for a year after the completions of construction. Significant financing component is usually immaterial. Contract liabilities related to prepayments received are presented as deferred revenue in the consolidated statement of financial position.

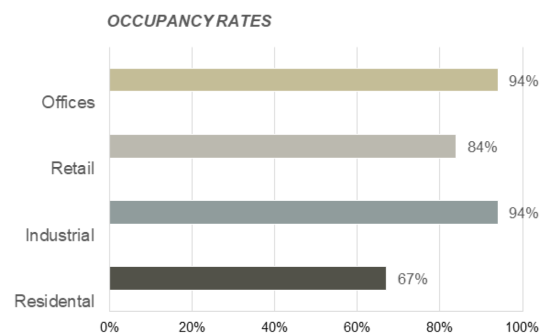
Total income from construction services for the six months of 2019 is GEL 14,457 thousand, representing a 112% increase over the six months of the previous year (6 months 2018: GEL 6,811 thousand). In June 2019, 69% of the total revenue from construction services is approximately GEL 10 million from City Mall construction, with the rest being distributed by Hotel Tsinandali GEL 1.6 million and others.

Lease income and expenses

Retail properties rented out by the Group, and entails managing the portfolio of yielding assets consisting of retained commercial spaces (ground floor) at its own residential developments and the ones acquired opportunistically, as well as developing and leasing out hotels.

Average occupancy rate and income by yielding asset portfolio in 2019 HY per asset types are presented below:





As of June 30 2019, the lease proceeds amounted to GEL 5,910 thousand, which is approximately 1.7 times more than the previous six months (GEL 2,215 thousand). The reason for the increase is largely due to the fact that the rental income from December 2018 also reflects the monthly fixed rental income of the hotel, as the group leased the existing hotel Ramada Encore Kazbegi to “GHMG” LLC in return for monthly fixed income, which amounted to GEL 1,076 thousand for the six months of 2019.

As of June 30 2019, approximately 68% of lease income comes from income from yielding assets, which amounted to GEL 3,879 thousand as of 6 months 2019 (6 months 2018: GEL 2,215 thousand). The increase was driven by the total rented real estate of 4,229 sq.m: Retail space on New Hippodrome (1,838 sq.m) and Chavchavadze Avenue (744 sq.m), Residential Apartments on Chavchavadze Avenue (824 sq.m), and Kindergarten near New Hippodrome (823 sq.m).

The list of yielding assets portfolio presented under investment property is disclosed in chapter “Primary Activities”.

General and administrative expenses

For 30 June 2019, the general and administrative expenses has increased by 1.2 in comparison to previous period amounting to 4,340 thousand GEL (30 June 2018: 1,964 thousand GEL). The growth was due to following reasons: From 2019 company has expanded office space as well as opened sales showroom in Expo Georgia Pavilion on Tsereteli Ave. Property tax has increased due to increase of property's fair value, accounting for 19% in the total change of General and Administrative expenses. Legal and other professional service expenses were high in comparison to previous year mainly attributable to the new hotel projects, patents and brand license one-off fees were incurred throughout the period.

Non-recurring expenses

Total non-recurring expenses amounted to 7,557 thousand GEL in 2018, which represents list of events or transactions segregated by the Group from results of regular transactions and included under non-recurring expenses. For 30 June 2019 there were no non-recurring activities.

The breakdown of non-recurring expenses:

	2018 YTD	*2017 YTD*
Share based payment acceleration effect	3,778	–
Loan de-recognition loss	1,325	–
College construction	2,422	–
Gain from bargain purchase	–	(260)
Other	32	388
Total non-recurring expenses	**7,557**	**128**

After demerger of BGEO Group plc in May 2018, all outstanding unvested share awards under old service agreements made in BGEO shares were converted into 1 Georgia Capital PLC share vesting according to original schedule and 1 BOGG PLC share vesting immediately per each BGEO share. The related share-based payment expense in amount of GEL 3,778 thousand that has not been recognized in profit or loss as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

Loan de-recognition loss relates to early repayment of a borrowing from unrelated party due to its refinancing by the loan from the Parent.

In 2018 the Group was engaged in construction of a college in the Zestaponi Municipality, The Company does not have a legal title or any ownership interest in college, but expects to employ some of the college graduates within its construction arm.

Depreciation and amortization

For 30 June 2019, depreciation and amortization expense has tripled in comparison to 2018 HY, and amounted to 1,371 thousand GEL (2018 HY: 437 thousand GEL)
The increase is mainly attributable to the adoption of new mandatory standard IFRS 16, based on which company recognized assets taken under operating lease. The total depreciation effect on these assets are GEL 756 thousand in the first half of 2019.

Income tax expense in first half of 2019 represents penalty accrued on a subsidiary (m2 Tamarashvili), penalty was related to income tax and was classified as such. There were no dividend disbursed during the period.

Gain from revaluation of investment property and investment property under construction

Per requirements of International Financial Reporting Standards Group revalues its investment property and investment property under construction at the end of each reporting period. All investment property and investment property under constructed has been valued by "Colliers International Georgia". Effective date of valuation is 31st of October 2018.

The net income received from revaluation during 2018 amounted to GEL 34,039 thousand.

As at 31 December 2018 GEL 27,063 thousand (2017: nil) of hotels at under early stages of construction were measured at cost due to inability to determine their fair value reliably.

As at 31st of May 2019 Company performed valuation of Hotel on Gergeti Street, according to which the fair value (using market approach) of the subject property was reasonably represented by the amount of USD 9,400 thousand (nine million and four hundred thousand) net of VAT. As of June 2019, 7,956 thousand GEL has been recorded as a gain from revaluation of investment property under construction in respect of the abovementioned hotel.

At the end of 2019 all investment property and investment property under constructed will be revalued by relevant accounting standards.

Information on capital and loan liabilities

As of June 30, 2019, the debt obligations of the Company (nominal balances in '000 GEL) are as follows:

Lender	Currency	Remaining Maturity	Principal*	Accrued Interest*
Debt Securities	USD	0-3 Year	157,779	1,252
JSC GCAP Loan	USD	3+ Year	77,454	3,332
JSC BOG Loan	EURO	3+ Year	42,912	409
JSC TBC Loan	EURO	0-1 Year	7,511	70
JSC TBC Loan	EURO	3+ Year	21,554	323
Total Interest Bearing Liabilities			**307,210**	**5,386**

Debt securities represent bonds issued by the Company on 7 October 2016 and by the group subsidiary LLC "Commercial Assets" on 31 December 2018, issue amount is USD 25 and 30 million respectively, for the bond issued in December 2018 24% out of nominal 30 million was placed, the remaining 76% was placed in the first quarter of 2019.

Further breakdown is disclosed below:

Liability Receiver	ISIN Code	Issue Date	Maturity Date	Currency	loan amount ('000)	Coupon rate	Amortized balance ('000 GEL)
M2 Real estate	GE2700603436	7-Oct-16	7-Oct-19	USD	25,000	7.50%	72,797
LLC" Commercial Assets"	GE2700603733	31-Dec-18	31-Dec-21	USD	30,000	7.50%	86,257

Loans received as of June 30, 2019 amounted to GEL 159,054 thousand which is slightly increased compared to the previous period, with a change of about 1%.

The Parent Company "Georgia Capital" loan accounts to 29% of total interest bearing liabilities as at 30 June 2019 (31/12/2018: 50%).

In 2018 short term loans with the principal amount 22,620 thousand USD were taken from the Parent JSC "Georgia Capital" maturing in Q1 2019, which were repaid in 2019.

In March 2019, Group took two loans from JSC "TBC Bank" for construction of Gudauri Hotel, amounting to EUR 1,300 thousand maturing in Q1-2020 and loan amounting EUR 6,600 thousand maturing in Q2-2030. The completion of hotel construction is planned from the fourth quarter of 2019.

In June 2019 Group also took loan amounting EUR 5,300 thousand from JSC "Bank of Georgia", maturing in 2031 for construction of Hotel on Melikishvili Street which is planned to be completed from Q1-2020.

In January 2019 Group took loan amounting EUR 8,000 thousand from JSC "Bank of Georgia", maturing in December 2028 for construction of Ramada Kazbegi. There is an active covenant on the loan which is further discussed below in the paragraph: "*Overview of financial covenants"* of this chapter.

Description of the Issuer's pledged real estate

Investment property - Hotel Ramada Encore Kazbegi with a carrying amount of GEL 49,697 thousand (2018: GEL 46,276 thousand) as of June 30 2019 and investment property under construction: Hotel Gudauri, Hotel Melikishvili and Hotel Kutaisi with a total carrying amount of GEL 58,158 thousand (31/31/2018: GEL 1,132 thousand) is pledged under the loans listed below.

The detailed list of the collaterals are presented in the table below:

Borrower	Bank	Issue Date	Maturity Date	Currency	Loan amount ('000)	Provision	Carrying amount (30-Jun-19) (000 GEL)
JSC m2	Bank of Georgia	8-Jan-19	29-Dec-28	Euro	8,000	Ramada Encore on Kazbegi Av. (Investment property)	49,697
JSC m2 Gudauri	TBC Bank	27-Mar-19	26-Mar-20	Euro	1,300	Hotel Gudauri (Investment property under construction)	27,775
JSC m2 Gudauri	TBC Bank	27-Mar-19	26-Apr-30	Euro	6,600		
JSC m2 Melikishvili	Bank of Georgia	17-Jun-19	13-Jun-31	Euro	5,300	Ramada Melikishvili (Investment property under construction)	25,691
JSC m2 Kutaisi	TBC Bank	18- Jun-19	30-Sep-19	Euro	1,000	Ramada Kutaisi (Investment property under construction)	4,692
Total value of collateralized property:							***107,855***

Overview of financial covenants

Active covenants:

As of June 30, 2019, there is only one active covenant, the Borrower: LLC M2 on a loan from the JSC Bank of Georgia, with a principal amount of EUR 8,000 thousand, maturing in December 2028. The purpose of the loan was to build and operate the Ramada Hotel Encore Kazbegi.

The relevant figures as of June 30, 2019 are shown below:

Type of covenant	Actual	Limit	Meets Yes/No
Debt Service Coverage Ratio	**1.12**	**> 1.1**	**Yes**

DSCR is calculated based on division of following two figures:
Numerator: EBITDA plus opening balance of cash less capital expenditures and taxes
Denominator: Principal and interest payments plus commission paid on unused credit line and other payments made in the framework of the credit agreement between the bank and the issuer.

Covenants are calculated only for the last twelve month performance (for the period from 30 June, 2018 to 30 June, 2019) of the mentioned hotel (Ramada Encore), so the issuance of the bond will have no effect on the actual data. According the the loan agreement covenant is calculated for the 12 months period.

The hotel's revenue and expenses are used for the calculation. From December 2018, the hotel has been transferred to Georgia Hospitality Management Group (GHMG Group), a subsidiary of parent company JSC Georgia Capital, in exchange for a fixed monthly lease. Consequently, from 2019 the Group will no longer directly account for hotel revenue and expenses. The GHMG Group reports monthly to the company, providing detailed information on hotel revenue and expenses.

Inactive covenants:

Borrower: JSC M2 Gudauri will receive two borrowings from TBC Bank with an amount of 1,300 thousand euros repayable until March 2020 and a principal amount of 6,600 thousand euros, maturing in April 2030. Loan covenants will become effective once Hotel Gudauri starts operating (receives first guest). The hotel is scheduled to open in Q4 of 2019.

Type of covenant	**Limit**
Debt Service Coverage Ratio	**>1.25**
Total debt liabilities shall not amount to:	
12 months after the start of operating, (EBITDA)	**More than 750%**
24 months after the start of operating (EBITDA)	**More than 650%**
36 months after the start of operating (EBITDA)	**More than 550%**
48 months after the start of operating (EBITDA)	**More than 500%**
ICR coefficient **	**>2.5**

** DSCR is calculated as follows: (EBITDA less changes in working capital less FF&E Reserve or capital investments (the higher) less dividend less profit tax) divided by (Principal and interest paid on long-term debt)
ICR coefficient is calculated as (EBITDA less Maintenance Capital Expenditures) divided by interest expense for the period.

The Borrower: JSC M2 Melikishvili, with a principal amount of EUR 5,300 thousand borrowed from the Bank of Georgia, with maturity of June 2031, will be affected by the covenant below. The loan covenant will become activated after the hotel receives its first visitor. The hotel is expected to open in Q1 of 2020.

Type of covenant	**Limit**
Debt Service Coverage Ratio	**> 1.1**

DSCR is calculated based on division of following two figures:
Numerator: EBITDA plus opening balance of cash less capital expenditures and taxes
Denominator: Principal and interest payments plus commission paid on unused credit line and other payments made in the framework of the credit agreement between the bank and the issuer.

Share Capital

The total share capital of the Company amounts to GEL 5,258 thousand as at 30-June-2019 (2018: GEL 5,091 thousand, 2017: 4,180 thousand).

As at 30 June 2019 issued share capital comprised 417,994,663 common shares (2018: 417,994,663; 2017: 417,994,663), 107,644,608 preferred shares (2018: 91,054,852; 2017: nil) and 20,000,000 Class "B" shares (2018: 20,000,000; 2017: nil). As at 30 June 2019 all of common shares and preferred shares were fully paid. Class "B" shares were issued for no consideration. Each share has a nominal value of 0.01 Georgian Lari.

Preferred shareholders have a higher claim on distributions in case of liquidation that ordinary shares and have no voting rights.

Class "B" shares entitle shareholders to dividends and liquidations proceeds of the company similar to those of common shares shareholders, and provide limited voting rights on the annual shareholders meeting. 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.

On February 6, 2019, the Group acquired the remaining 40% of the equity interest in LLC "Kass 1". The total redemption fee was USD 5.2 million (GEL 13.8 million), of which USD 0.3 million (GEL 0.8 million) was paid in cash and USD 4.9 million (GEL 13.0 million).) was paid by the issuance of bonds by the group.

In June 2019, the Group issued 16,589 thousand Preferred Shares with a total placement price of GEL 6,832 thousand (USD 2,400 thousand). The issue price of the shares was GEL 0.4119 (USD 0.1447). Preference shares are shown in equity in the form of capital and share premium.

With the capital raised from the preferred shares issued in June, the land was purchased on Javakhishvili Street in Tbilisi and in Racha Shovi, which is intended for the construction of residential apartments and hotel respectively.

Share premium as at 30 June 2019 are GEL 128,111 thousand (31/12/2018: GEL 119,710 thousand). Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium.

Overview of Cash Flow Statement

Operating activities:

The 2018 and 2017 cash flow statements are prepared using the indirect method, for comparison unaudited statements for 2019 and 2018 have been prepared using the same method. The consolidated statements reviewed by the auditor for half year of 2019 are prepared using the direct method. For reconciliation of direct and indirect methods, see the section: Cash Flow Statement pg. 96.

It's worth mentioning that from 2019, Company reclassified interest paid from cash flow used in operating activities to cash flow used in financing activities. The reclassification aim the reporting framework of the issuer's and its parent Company JSC "Georgia Capital" to be consistent. For comparative information the cash flows for full year of 2018 and 2017 are prepared using the same approach.

(The international Financial Reporting Standards does not explicitly object, in which activity the interest paid should be included.)

Consolidated cash flow statement (000' GEL)	*Unaudited* *Not reviewed* **2019 HY**	*Unaudited,* *Not reviewed* **2018 HY**	*Unaudited* *Restated* **2018 FY**	*Unaudited* *Restated* **2017 FY**
Operating activities				
Profit before income tax expense	(1,384)	(96)	27,722	24,761
Non-cash adjustments to reconcile profit before income tax expense to operating profit before changes in working capital				
Net gain from revaluation of investment property and investment property under construction	(7,956)	(2,311)	(34,039)	(22,563)
Loss from foreign exchange differences	(383)	544	1,570	117
Depreciation and amortization	1,371	(437)	972	508
Finance income	586	(299)	(517)	(816)
Finance expense	7,844	1,079	9,383	6,764
Share-based payments	583	716	4,877	286
Other	1,348	6,480	-	(269)
Operating cash (outflow) inflow before changes in working capital	**2,009**	**5,676**	**9,968**	**8,788**
Change in inventory property	7,510	17,706	10,439	55,673
Change in deferred revenue	(3,119)	(24,201)	(23,650)	(30,374)
Change in retention payable to the constructor	465	(512)	533	2,767
Change in prepayments and other current assets	(26,300)	(25,784)	(13,749)	(10,779)
Change in contract assets with customers	(1,696)	1,599	(1,578)	(1,008)
Change in trade and other payables	(2,428)	3,040	7,848	3,123
Change in other current liabilities	497	7,779	5,448	(1,951)
Change in trade and other receivables	(4,050)	(2,590)	(6,198)	366
Change in time deposits with credit institutions	(3,971)	(210)	(3,860)	-
Cash flows used in operations	**(31,083)**	**(17,497)**	**(14,799)**	**26,605**
Interest received	176	91	517	816
Income tax paid	-	-	-	(4,854)
Net cash flows (used in)/from operating activities	**(30,907)**	**(17,406)**	**(14,282)**	**22,567**

The net cash flows used in operating activities decreased by 78% in the first six months of 2019 compared to the previous period. The decrease was largely driven by a decline in real estate sales classified as inventory, which was driven from shortage of new projects. Net cash inflow from investment property sales decreased by 71% to GEL 10,574 thousand as of the six months of 2019 (30/06/2018: GEL 36,760 thousand). The reduction is due to the fact that there were five active projects in 2018, namely: m2 on the Hippodrome, m2 on Chavchavadze, m2 on Melikishvili, m2 on Chubinishvili and Optima Isani. All projects generated revenue and were mainly sold in 2018. Mainly, only the following projects generated revenue during the six months of 2019: m2 on Kazbegi Avenue and m2 on Hippodrome.

Investing activities:

Consolidated cash flow statement (000' GEL)	***Unaudited*** ***2019 HY***	***Unaudited*** ***2018 HY***	***Unaudited Restated 2018 FY***	***Unaudited Restated 2017 FY***
Investing activities				
Acquisition of investment property	(10,574)	(36,760)	(32,225)	(1,401)
Acquisition of investment property under construction	-	-	(21,017)	-
Proceeds from sale of investment property	-	-	670	-
Capital expenditure on investment property	(546)	(9,198)	(10,169)	(2,341)
Acquisition of property and equipment	-	(2,408)	(952)	(339)
Capital expenditure on investment property under construction	(17,606)	(7,587)	(20,005)	(9,483)
Capital expenditure on property and equipment	(1,724)	-	-	(15,792)
Acquisition of investment securities	-	-	-	(1,019)
Acquisition of subsidiaries	-	-	-	(12,748)
Issue of loans	(1,347)	(740)	(7,321)	-
Net cash flows (used in)/from investing activities	**(31,797)**	**(56,693)**	**(91,019)**	**(43,123)**

Cash flows used in investment activities for the six months to 2019 decreased by 43% due to a decrease in the purchase of investment property. Since 2019, the company has developed an "asset light strategy" that has reduced investment in property acquisition. In the future, the company aims to develop a franchise that will generate fixed and variable income with minimal initial investment as a result of building buildings for third parties.

On the other hand, the capitalization of investment property under construction has increased by 2.3 times and in the 6 months of 2019 it amounts to GEL 17,606 thousand, which is almost equal to the same figure for 2018 full year. Capital expenditures represent the costs incurred for the construction of hotels. As of June 30 2019 the following hotels are in active phase of construction: Ramada Melikishvili, Kempinski Tbilisi, Ramada Kutaisi, Seti square Mestia and Gudauri with a total of 518 rooms, which will be operational by the end of 2020. 45% of the total number of hotels is in the initial design stage, namely: Telavi, Shovi, Kakheti Wine & Spa, Mestia and Zugdidi hotels.

Financing activities:

Consolidated cash flow statement (000' GEL)	**Unaudited 2019 HY**	**Unaudited 2018 HY**	**Unaudited Restated 2018 FY**	**Unaudited Restated 2017 FY**
Cash flows from financing activities				
Issue of shares	6,833	-	32,368	-
Proceeds from debt securities issued	46,887	-	19,609	-
Repayment of debt securities issued	-	-	-	(34,099)
Proceeds from borrowings	67,941	132,645	137,412	32,117
Repayment of borrowings	(75,681)	(59,655)	(61,669)	(16,908)
Interest paid	(11,342)	(6,179)	(12,216)	(10,681)
Dividend paid	-	-	(10,000)	-

Contributions under share-based payment plan	(1,159)	(1,362)	-	(7,956)
Acquisition of non-controlling interests in existing subsidiaries	(796)	-	-	-
Net cash flows (used in)/from financing activities	**32,683**	**65,449**	**105,504**	**(37,527)**

In the first six months of 2019, Net cash flows from financing activities decreased by 50% compared to the previous period. The decrease is due to the repayment of loans to the parent company.

In 2019 repaid loans amounted to GEL 75,681 thousand, which is 27% more than the previous period (30/06/2018: GEL 59,655 thousand).

Regulatory Framework

Credit regulations

New credit regulations have come into force since 2019, affecting mortgage availability. New regulations aims sound lending by applying standards for checking creditworthiness of customers. National Bank of Georgia set standards for Payment-to-income (PTI) ratio to limit debt burden and Loan-to-Value (LTV) ratio, capping the share of mortgage to asset value. Hedged and unhedged borrowers have different standards.

Under the dedolarization policy, National Bank of Georgia took several measures to reduce dollarization of Georgian economy. Actions of National Bank of Georgia included:

- Any bank loan under GEL 200,000 is required to be issued in GEL since 2019.
- All goods and services, including real estate, are required to be priced in GEL

<table>
<tr><th colspan="5">Table 1: PTI standards under new regulations</th></tr>
<tr><th rowspan="3">Monthly NET Salary, GEL</th><th colspan="4">Monthly PTI</th></tr>
<tr><th colspan="2">Hedged Borrower</th><th colspan="2">Unhedged Borrower</th></tr>
<tr><td>Max term</td><td>Contract term</td><td>Max term</td><td>Contract term</td></tr>
<tr><td><1,000</td><td>25%</td><td>35%</td><td rowspan="2">20%</td><td rowspan="2">25%</td></tr>
<tr><td>1000-2000</td><td>35%</td><td>45%</td></tr>
<tr><td>2000-4000</td><td>45%</td><td>55%</td><td>25%</td><td>30%</td></tr>
<tr><td>More than 4,000</td><td>50%</td><td>60%</td><td>30%</td><td>35%</td></tr>
</table>

Table 2: LTV standards under new regulations	
Currency	**LTV**
GEL	85%
FC	70%

REGULATION OF CONSTRUCTION IN GEORGIA

Recent construction regulations

- Fire safety regulations (Resolution 41) that was adopted in 2017, and became effective since 2019, requires stricter safety regulations for developers and stricter quality standards for producer/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.

The permit 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) for 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

The special terms for permission process:

Construction permits concerning:
III class buildings with an intensity coefficient up to 1,500 p/m2and for buildings with a height of up to the 14 meters that will be located on the territories where urbanization regulatory plans do not exist and are organized according to land use or which are organized according to the perspective development regulatory plans on the territory of Tbilisi -the permission process may involve II and III stages only.

Information about already known tendencies, uncertainties, demands or events that may have a significant impact on the activity of the issuer during the current financial year.

Depending on the new regulations, related to borrow and mortgage availability, the new coefficients by introducing "payment-to-income" and "loan-to-value" ratio, capping the share of mortgage to asset value, may have an impact on real estate sales and affect the future trend.

In addition, due to the variable political and economic environment, it makes it almost impossible to make forecasts.

The abovementioned facts may influence the activity of the issuer in the future.

The abovementioned facts may influence the activity of the issuer in the future.

Managing Body and Management

Overview

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

General Meeting

The General Meeting is the supreme governing body of the Company and is empowered to make decisions, including, but not limited to, the following:

- ✓ Approve and amend the charter of the Company;
- ✓ Deciding on mergers, divisions or transformations;
- ✓ Resolving liquidation issues;
- ✓ Accept or reject the proposal of the Supervisory Board or the General Director for the use of profits, or, where these bodies fail to make a single proposal, a decision on the use of the net profit;
- ✓ The appointment and/or dismissal of the shareholder's representative in the Supervisory Board;
- ✓ The approval of the report prepared by the Supervisory Board or General Director;
- ✓ The determination of Supervisory Board members reimbursement;
- ✓ The appointment of auditor of special controller;
- ✓ Decisions about the purchase, alienation, exchange or pledging of an asset with the value exceeding 50% of total assets.
- ✓ The approval of annual reports;

Supervisory Board

The Supervisory Board consists of 5 members. The appointment and dismissal of the members is under the authority of General Meeting of Shareholders. Each member of the Supervisory Board is elected for 4 year period, the extension of their authority is done on the subsequent General Meeting.

The Chairman of the Supervisory Board should not be the General Director of the Company.

The Supervisory Board elects the Chairman and the Deputy Chairman of the Board.

The meetings of the Supervisory Board should be held no lesser than once in a quarter. The board is authorized to make decisions, if the Board is attended by more than the half of the members. Each member has one voting right. The act is concluded on the decision of the Supervisory board, which should be signed by the Chairman.

It is authorized under Georgian law and the charter of the Company (**"Charter"**) to pass resolutions on the following issues:

- ✓ Appointment and dismissal of the General Director;
- ✓ The monitoring of the General Director's activities;
- ✓ Establishing investment and/or other committees and defining their functions, rights and responsibilities;
- ✓ The appointment of investment committee members;
- ✓ The monitoring of the activities of investment committee, and approval of committee's recommendations;
- ✓ The inspection of accounting records and the property, including cash and the other securities, through members of invited external experts;

- ✓ The approval of annual budget, profit or loss plan, investment plan and long term liability valuation report approval prepared by the General Director;
- ✓ Acquisition and sale of shares/ownership of more than 50% of such company's total equity or if the transaction exceeds 1% of last month's ending total assets;
- ✓ Making of investments which exceed 1% of last month's ending total assets in case of a new business sector or 2% if the Company has already successfully invested in that business;

The Supervisory Board is quorate if the shareholders with more than 50% of the ownership interest are present at the meeting.

The members of Supervisory Board

The Company's Supervisory Board consists of the following members:

Name	Current Position
Irakli Gilauri..	Chairman of Supervisory Board
Avtandil Namicheishvili ……………………….	Deputy Chairman of Supervisory Board
Irakli Burdiladze ……………….	Member of Supervisory Board
Ekaterine Shavgulidze………………….....	Member of Supervisory Board

Irakli Gilauri - Chairman of Supervisory Board, the General Director of JSC "Georgia Capital"

Irakli Gilauri has served as the CEO of Bank of Georgia since May 2006, having previously served as Chief Financial Officer since September 2004. Before his employment with Bank of Georgia, Irakli was a banker at EBRD's Tbilisi and London offices for five years, where he worked on transactions involving debt and private equity investments in Georgian companies. Irakli received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the Cass Business School of City University, where he obtained his Master of Science Degree in Banking and International Finance.

Avtandil Namicheishvili - Deputy Chairman of Supervisory Board

Avtandil Namicheishvili was appointed as group general counsel in September 2015. He previously served as deputy CEO (legal) of JSC Bank of Georgia from July 2008, prior to which he served as the bank's general counsel from March 2007. Before joining the bank, Mr Namicheishvili was a partner at Begiashvili & Co. Limited, a leading Georgian law firm, where he acted as external legal adviser for Bank of Georgia from 2004. He has undergraduate degrees in law and international economic relations from Tbilisi State University and a graduate degree (LLM) in international business law from Central European University, Hungary.

Ekaterina (Eka) Shavgulidze - Member of Supervisory Board, the General Director in Investments of JSC "Georgia Capital"

With the BGEO Group since 2011. Joined as a CEO of healthcare services business. Most recently, as Head of IR, Eka Played a key role in GHG IPO at the premium segment of London Stock Exchange. Prior, she was an Associate Finance Director at AstraZeneca, UK. Holds an MBA from Wharton Business School.

Irakli Burdiladze - CEO, Managing partner, member of Supervisory Board

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

General Directors of the Issuer

Company has two Managing Partners: Irakli Burdiladze and Shota Berekashvili.

The General Director of the Company is Irakli Burdiladze.

The Director of the Company is responsible for the day-to day management of the Company. His/her responsibilities include:

- ✓ Conducting day-to-day activities of the Company;
- ✓ Preparation of annual budget;
- ✓ Representing the Company with the third parties;
- ✓ Hire and dismiss employees;
- ✓ Prepare all the required materials/documentation and report to the General Meeting and the Supervisory Board.

The Company's current management includes the General Director and other senior managers listed below:

Name	Current Position	Term of Employment / Reappointment
Irakli Burdiladze........................	General Director (CEO); Managing Partner	Expiring in August 2022
Shota Berekashvili.....................	Managing Partner in charge of construction services	Expiring in June 2022
Giorgi Natroshvili	Deputy CEO in finance and operations	One year, automatic renewal
Shorena Darchiashvili	Deputy CEO in sales and marketing	One year, automatic renewal
Nikoloz Jalagania	Deputy CEO Legal, Administrative Support and Human Resources Management Department	
Nato Bochorishvili	Deputy CEO in charge of Property Management	
Ruso Sanadze	Deputy CEO In charge of Information Technology	
David Mdzeluri	Deputy CEO in charge of Security	
Nato Kitiashvili	Deputy CEO in charge of permits, licenses and legal support	
Davit Oniani	Deputy CEO in charge of Technical Supervision and Quality Assurance	
Nikoloz Medzmariashvili	Deputy CEO in charge of investment management	
Nino Kvirikashvili.....................	Deputy CEO in charge of Business Development	
Nino Rukhadze..........................	Deputy CEO in in charge of Public Relations	

Mr. Irakli Burdiladze

CEO, Managing Partner

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

Mr. Shota Berekashvili

Managing Partner, in charge of Construction Management

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

Mr. Giorgi Natroshvili

Deputy CEO in finance and operations

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

Ms. Shorena Darchiashvili

Deputy CEO in sales and marketing

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

Mr. Nikoloz Jalagania

Deputy CEO Legal, Administrative Support and Human Resources Management Department

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

Ms. Nato Bochorishvili

Deputy CEO in charge of Property Management

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

Ms. Ruso Sanadze

Deputy CEO In charge of Information Technology

Ruso Sanadze is Deputy CEO In charge of Information Technology at JSC m² Real Estate since 2019. In 2017-2019 she was Deputy CEO in charge of Technical Supervision and Quality Assurance. In 2014-2016, she was the Director of Business Development, at "Tegeta Motors"; she was in charge of SAP and IT departments. In 2013-2014, she was the Head of the Risk Management Center for the company "Georgian Card". Before that, she had been working on managerial positions at various IT companies. In addition, she was engaged in scientific work at the German University (CAU, UdS, TUM); she has a PhD academic degree. At present, she is an Associate Professor of Iv.Javakhishvili Tbilisi State University.

Mr. David Mdzeluri

Deputy CEO in charge of Security

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

Ms. Nato Kitiashvili

Deputy CEO in charge of permits, licenses and legal support

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

Mr. Davit Oniani

Deputy CEO in charge of Technical Supervision and Quality Assurance

From May 2019 Davit Oniani is deputy general director of JSC **m²** Real Estate in the field of technical supervision and quality assurance. He joined company in 2014, till December 2018 he was holding a position of project manager on the constructions of various residential complexes. From December 2018 to May 2019 he was a head of the department of technical supervision and quality assurance. Before employment at **m²** he was employed at various construction organizations at the posts of technical engineer and senior engineer. He graduated Georgian Technical University with master's academic degree by the specialty of construction management.

Mr. Nikoloz Medzmariashvili

Deputy CEO in charge of investment management

From May 2019 Nikoloz Medzmariashviliis deputy CEO of "**m²** Real Estate" in charge of investment management. In 2017-2018 he was leading one of the departments of "TBC BANK". In 2011-2017 he was employed at Austrian Investment Company at the post of executive director. In 2009-2011 he was holding a position of business development manager also at Austrian Investment Company. Nikoloz was awarded master's degree in Vienna at Webster University, but bachelor's degree was awarded to him at Ivane Javakhishvili Tbilisi State University in the field of finances and insurance.

Ms. Nino Kvirikashvili

Deputy CEO in charge of Business Development

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

Ms. Nino Rukhadze

Deputy CEO in in charge of Public Relations

Nino Rukhadze is deputy CEO in charge of Public Relations at JSC **m²** Real since November 2018. She has 5 years of work experience in real estate international consulting company – Cushman & Wakefield, she was director of business development and marketing. From 2005 to 2012 she was holding leading positions in various departments of public sector, also she was employed at the Administration of the President of Georgia, Ministries of Defense and Foreign Affairs. She holds a degree in the field of business administration of Georgian University, was studying in Georgian-American University in the field of public relation and marketing. Also she has graduated the course – International Relations and National Security, financed by USA Embassy.

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 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.

	Reviewed 30 June 2019				***Audited 31 December 2018***				***Audited 31 December 2017***		
(000' GEL)	***Parent[1]***	***Entities under common control[2]***	***Key management personnel***	***Joint venture[3]***	***Parent[1]***	***Entities under common control[2]***	***Key management personnel***	***Joint venture[3]***	***Parent[1]***	***Entities under common control[2]***	***Key management personnel***
Balances as at 30 June/ 31 December											
Cash and cash equivalents at 31 December	-	-	-	-	-	–	–	–	–	26,570	–
Accounts receivable	6	3,252	-	-	–	1,857	–	–	–	–	–
Short-term loans issued	-	-	-	1,292	–	–	–	1,034	–	–	–
Deferred Income	-	-	58	-	–	–	32	–	–	–	108
Borrowings	80,783	-	-	-	150,626	–	–	–	–	–	–
Debt securities issued	470	1,741	1,756	-	–	1,491	–	–	–	9,235	524
Prepayments	-	-	-	-	–	230	–	–	–	866	–
Investment securities	1,599	-	-	-	-	-	-	-	-	-	-
									–		
Transactions for 30 June/ the year ended 31 December											
Interest expense on borrowings	4,662	-	-	-	10,235	–	–	–	–	–	–
Interest expense on debt securities issued	16	70	62	-	–	106	–	–	–	727	38
Revenue from sale of inventory property	-	-	23	-	–	–	500	–	–	–	143
Finance income	-	-	-	76	54	–	–	87	–	550	–
Employee benefits expense	-	-	2,995	-	–	–	6,543	–	–	–	6,871
Rental income	125	2,385	-	-	146	638	–	–	–	1,187	–
Insurance expense	-	358	-	-	–	710	–	–	–	194	–
Other general and administrative expense	-	107	-	-	–	604	–	–	–	102	–
Other revenue	-	-	-	-	–	–	–	–	–	183	–
Net other non-operating income	-	-	-	-	–	170	–	–	–	–	–
Rental Income	-	-	-	532	-	-	-	-	-	-	-

1 *As at 30 June 2019 and 31 December 2018 and in the year then ended the Parent includes balances and transactions with Georgia Capital PLC and Georgia Capital JSC and as at 31 December 2017 BGEO Group PLC, JSC BGEO Group and JSC BGEO Investments.*

2 *As of June 2019, the jointly controlled entities include public equity subsidiaries of Georgia Capital, with the exception of subsidiaries that fall into the parent company category. As at 31 December 2018 and 2017 entities under common control include Georgia Capital PLC and BGEO Group PLC subsidiaries, respectively, except those included in the Parent category.*

3 *The Group invested in a joint venture in relation to the project to develop a land plot in Tbilisi, which is at design stage as at 31 December 2018. Group's share in the joint venture is 6% and the amount of investment is immaterial as at 30 June 2019 and 31 December 2018 and 2017. The Group has joint control over the joint venture through a contractual arrangement with the other shareholder.*

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

In 2019, the Group made payment of GEL 3,177 thousand to a company controlled by a member of Group's key management personnel as a consideration for non-compete obligation over next 5 years. The Group recognized an intangible asset in respect of that arrangement.

Total number of key management personnel members receiving employee benefits in 2019 amounted to 11 persons (2018: 10), CEO and 10 deputies (31/12/2018: CEO and 9 deputies). Other transactions with key management personnel include above mentioned 11 employees and total 3 members of supervisory board (2018: 10 employees and 3 members of supervisory board).

Compensation of key management personnel comprised the following:

(000' GEL)	***2019 (6 months)*** *(reviewed)*	***2018 (12 months)*** *(audited)*	***2017 (12 months)*** *(audited)*
Share-based compensation	1,913	3,862	5,777
Salary	757	1,674	844
Cash bonus	325	1,007	250
Total key management compensation:	**2,995**	**6,543**	**6,871**

Statement of Financial Position

Statement of Financial Position is presented below:

Consolidated Statement of Financial Position (000' GEL)	*Unaudited Reviewed* 2019 30 June	*Unaudited, Not reviewed* 2018 30 June	*Audited (Restated)* 2018 31 December	*Audited (Restated)* 2017 31 December
ASSETS				
Non-current assets				
Investment property	190,031	207,602	160,158	115,143
Investment property under construction	143,071	35,943	117,376	35,000
Inventory property	71,673	7,174	64,487	8,865
Property and equipment	11,428	6,141	8,404	49,641
Long-term loans issued	7,797	758	6,250	-
Long-term contract assets	-	-	1,620	-
Prepayments and other assets	16,667	7,490	9,824	7,400
Total non-current assets	**440,667**	**265,108**	**368,119**	**216,049**
Current assets				
Cash at bank	5,248	22,730	34,573	34,751
Time deposits with credit institutions	6,323	324	3,974	114
Trade and other receivables	10,727	2,920	6,528	330
Inventory property	22,049	44,921	33,745	47,421
Prepayments and other assets	83,272	62,144	62,052	44,430
Investment securities available for sale	1,599	1,730	557	3,329
Short-term loans issued	1,719	-	1,071	-
Short-term contract assets with customers	2,662	-	966	1,008
Total current assets	**133,599**	**134,769**	**143,466**	**131,383**
Total assets	**574,266**	**399,877**	**511,585**	**347,432**
EQUITY				
Share capital	5,258	4,180	5,091	4,180
Share premium	128,111	87,328	119,710	82,793
Translation and other reserves	22,350	4,220	21,030	14,090
Retained earnings	65,217	52,380	66,949	49,329
Total shareholders' equity	**220,936**	**148,108**	**212,780**	**150,392**
Non-controlling interest	**-**	9,849	10,761	10,418
Total Equity	**220,936**	**157,957**	**223,541**	**160,810**
Non-current liabilities				
Loans received	132,726	126,943	146,325	42,885
Debt securities issued	86,766	60,848	19,609	64,121
Deferred revenue	766	-	-	-
Finance lease liability	2,324	-	-	-
Retention payable to general contractor	-	2,214	2,797	2,400
Total non-current liabilities	**222,582**	**190,005**	**168,731**	**109,406**
Current liabilities				
Short-term portion of long-term loans received	20,125	5,007	4,301	16,107
Debt securities issued	72,288	931	67,697	1,001
Trade and other payables	9,952	10,010	12,380	6,970
Deferred revenue	11,899	22,459	23,296	47,083
Finance lease liability	1,257	-	-	-
Retention payable to general contractor	1,179	2,035	2,497	2,361
Accruals for employee compensation	1,603	1,824	3,267	1,500
Other liabilities	12,445	9,649	5,875	2,194
Total current liabilities	**130,748**	**51,915**	**119,313**	**77,216**
Total liabilities	**353,330**	**241,920**	**288,044**	**186,622**
Total liabilities and equity	**574,266**	**399,877**	**511,585**	**347,432**

Statement of Profit or Loss

Statement of Profit or Loss is presented below:

Consolidated Statement of Profit or Loss (000' GEL)	*Unaudited Reviewed* **2019 HY**	*Unaudited Not Reviewed* **2018 HY**	*Unaudited (Restated)* **2018 FY**	*Unaudited (Restated)* **2017 FY**
Sales of inventory property	16,584	52,654	95,046	91,857
Cost of sales – inventory property	(14,586)	(42,660)	(79,164)	(77,698)
Gross profit on sale of inventory property	**1,998**	**9,994**	**15,882**	**14,159**
Rental income	5,910	2,215	5,467	3,599
Property operating expense	(1,533)	(315)	(879)	(557)
Net rental income	**4,377**	**1,900**	**4,588**	**3,042**
Revenue from construction services	14,457	6,811	27,864	-
Cost of construction services	(12,741)	(5,805)	(23,637)	-
Gross profit from construction services	**1,716**	**1,006**	**4,227**	**-**
Revenue from hospitality services	-	1,576	5,151	-
Cost of hospitality services	-	(1,119)	(3,206)	-
Gross profit from hospitality services	**-**	**457**	**1,945**	**-**
Net gain from revaluation of investment property	-	1,619	19,648	1,183
Net gain from revaluation of investment property under construction	7,956	692	14,391	21,380
Net gain from revaluation	**7,956**	**2,311**	**34,039**	**22,563**
Other revenue	417	160	209	277
Administrative employee benefits expense	(2,602)	(1,960)	(6,018)	(2,818)
Other general and administrative expenses	(4,340)	(1,964)	(4,860)	(2,906)
Depreciation	(1,371)	(437)	(972)	(508)
Marketing and advertising expense	(1,894)	(1,374)	(3,544)	(2,855)
Non-recurring expenses	-	(5,630)	(7,557)	(128)
Operating profit	**6,257**	**4,463**	**37,939**	**30,826**
Finance income	586	303	517	816
Finance expense	(7,844)	(4,317)	(9,383)	(6,764)
Net foreign exchange loss	(383)	(545)	(1,570)	(117)
Net other non-operating income	-	-	219	-
Profit / (loss) before income tax expense	**(1,384)**	**(96)**	**27,722**	**24,761**
Income tax expense	(376)	-	-	(1,554)
Profit (loss) for the year	**(1,760)**	**(96)**	**27,722**	**23,207**
Attributable to the shareholder of the Company	*(1,732)*	*(94)*	*27,718*	*23,207*
Attributable to non-controlling interests	*(28)*	*(2)*	*4*	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Revaluation gain on shares of the parent held for settlement of the Group's cash-settled share based transactions	-	-	–	(51)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	*82*	-		
Revaluation of properties transferred to investment properties			490	–
Exchange difference on translation of operations to presentation currency	4,286	(10,669)	6,788	(1,042)
Total other comprehensive income / (expense)	**4,368**	**(10,669)**	**7,278**	**(1,093)**
Total comprehensive income / (expense) for the year	**2,608**	**(10,765)**	**35,000**	**22,114**
attributable to the shareholder of the Company	*2,636*	(10,198)	*34,657*	*22,114*
attributable to non-controlling interests	*(28)*	(567)	*343*	–

Cash flow statement

Cash Flow Statement is presented below:

The 2018 and 2017 cash flow statement is prepared using the indirect method, for consistency half year statements of 2019 and 2018 have been also prepared using the same method. The consolidated statements reviewed by the auditor for 2019 are prepared using the direct method. The reconciliation of direct and indirect methods is disclosed below.

Consolidated cash flow statement (000' GEL)	*Unaudited* *Not Reviewed* **2019 HY**	*Unaudited* *Not Reviewed* **2018 HY**	*Unaudited* *Restated* **2018 FY**	*Unaudited* *Restated* **2017 FY**
Operating activities				
Profit before income tax expense	(1,384)	(96)	27,722	24,761
Non-cash adjustments to reconcile profit before income tax expense to operating profit before changes in working capital				
Net gain from revaluation of investment property and investment property under construction	(7,956)	(2,311)	(34,039)	(22,563)
Loss from foreign exchange differences	(383)	544	1,570	117
Depreciation and amortization	1,371	(437)	972	508
Finance income	586	(299)	(517)	(816)
Finance expense	7,844	1,079	9,383	6,764
Share-based payments	583	716	4,877	286
Other	1,348	6,480	-	(269)
Operating cash (outflow) inflow before changes in working capital	**2,009**	**5,676**	**9,968**	**8,788**
Change in inventory property	7,510	17,706	10,439	55,673
Change in deferred revenue	(3,119)	(24,201)	(23,650)	(30,374)
Change in retention payable to the constructor	465	(512)	533	2,767
Change in prepayments and other current assets	(26,300)	(25,784)	(13,749)	(10,779)
Change in contract assets with customers	(1,696)	1,599	(1,578)	(1,008)
Change in trade and other payables	(2,428)	3,040	7,848	3,123
Change in other current liabilities	497	7,779	5,448	(1,951)
Change in trade and other receivables	(4,050)	(2,590)	(6,198)	366
Change in time deposits with credit institutions	(3,971)	(210)*	(3,860)	-
Cash flows used in operations	**(31,083)**	**(17,497)**	**(14,799)**	**26,605**
Interest received	176	91	517	816
Income tax paid	-	-	-	(4,854)
Net cash flows (used in)/from operating activities	**(30,907)**	**(17,406)**	**(14,282)**	**22,567**
Investing activities				
Acquisition of investment property	(10,574)	(36,760)	(32,225)	(1,401)
Acquisition of investment property under construction	-	-	(21,017)	-
Proceeds from sale of investment property	-	-	670	-
Capital expenditure on investment property	(546)	(9,198)	(10,169)	(2,341)
Acquisition of property and equipment	-	(2,408)	(952)	(339)
Capital expenditure on investment property under construction	(17,606)	(7,587)	(20,005)	(9,483)
Capital expenditure on property and equipment	(1,724)	-	-	(15,792)
Acquisition of investment securities	-	-	-	(1,019)
Acquisition of subsidiaries	-	-	-	(12,748)
Issue of loans	(1,347)	(740)	(7,321)	-
Net cash flows (used in)/from investing activities	**(31,797)**	**(56,693)**	**(91,019)**	**(43,123)**

Cash flows from financing activities				
Issue of shares	6,833	-	32,368	-
Proceeds from debt securities issued	46,887	-	19,609	-
Repayment of debt securities issued	-	-	-	(34,099)
Proceeds from borrowings	67,941	132,645	137,412	32,117
Repayment of borrowings	(75,681)	(59,655)	(61,669)	(16,908)
Interest paid	(11,342)	(6,179)	(12,216)	(10,681)
Dividend paid	-	-	(10,000)	-
Compensation to the ultimate parent for acquired treasury shares	(1,159)	(1,362)	-	(7,956)
Acquisition of non-controlling interests in existing subsidiaries	(796)	-	-	-
Net cash flows (used in)/from financing activities	**32,683**	**65,449**	**105,504**	**(37,527)**
Effect of exchange rate changes on cash and cash equivalents	696	(3,371)	(381)	(376)
Net decrease in cash and cash equivalents	**(29,325)**	**(12,021)**	**(178)**	**(58,459)**
Cash and cash equivalents at 1 January	34,573	34,751	34,751	93,210
Cash and cash equivalents at 31 December	**5,248**	**22,730**	**34,573**	**34,751**

The reconciliation between Cash Flow Statement prepared using direct and indirect method for half year of 2019 and 2018 is presented below:

(000' GEL)	*Unaudited Reviewed* **2019** HY	*Unaudited Not Reviewed* **2018** HY
Cash Flow from Operating activities		
Cash inflows from the sale of real estate classified as supplies	14,901	37,138
Cash outflows related to the development of real estate classified as supplies	(17,014)	(43,833)
Cash inflow for hotel services	-	1,860
Cash outflow for hotel services	-	(1,320)
Cash inflow for construction services	16,181	13,784
Cash outflow for construction services	(14,225)	(18,543)
Net cash from real estate management	1,653	2,123
Cash paid in operating expenses	(15,536)	(8,405)
Taxes other than income tax	(16,867)	-
Net cash flows used in operating activities (calculated using direct method)	**(30,907)**	**(17,196)***
Net cash flows used in operating activities (calculated using indirect method)	**(30,907)**	**(17,406)***

(*) There is a difference of GEL 114 thousand, when calculating net cash flows used in operating activities using direct and indirect methods for the first half of 2018.

The reason for this difference is the following: Reviewed financial statements for the first half of 2019, includes comparative information for the same period of 2018 where the time deposits and cash and cash equivalent are combined (which is not accurate), while in the indirect method presented in this prospectus the balances are separated. The Company's approach is that cash balances should be separated from term deposits.

Dividends policy

The Company does not have declared dividend policy.

The dividend disbursement process is as follows:

Within two months from the end of the financial year, the General Director shall prepare a proposal for the distribution of profits for approval by the Supervisory Board. Afterwards Supervisory Board and the General Director shall submit a joint proposal to the General Meeting of Shareholders.

The General Meeting of Shareholders sets the accounting date (hereinafter "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 start date, which must be at least 15 days after the "dividend accounting date" but within 2 months after the relevant general meeting.

Dividend accounting date and dividend commencement date must be published in print within 5 days from the relevant General Meeting and must be sent to those shareholders who own at least 1% of the shares (or less if required by applicable law) must be notified though mail or personally.

In December 2018, the Group announced and paid GEL 10,000 thousand dividends. Dividend per share amounted to GEL 0.02 (USD 0.01). There was no dividend disbursement during the period from 31 December till 30 June 2019.

There were no dividend disbursement during the period from 31 December, 2018 to 30 June, 2019.

Important Litigation Cases

There have been no governmental, regulatory, legal and/or arbitration litigation during the previous 12 months (Including litigations that have already arisen / are ongoing or is expected in the future and the company is aware about it), which might have significant impact on the Group's financial position and profitability.

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

From December 2018, hotel management was transferred to “Georgia Hospitality Management Group” a fellow subsidiary of the Company. The hotels are transferred to GHMG through operating lease, and group generates fixed monthly rental incomes, classified as income from commercial activities.

From 31 December 2018 until the date of the prospectus compiling there was no significant changes in the issuer’s financial or commercial activities.

Share Capital

The total share capital of the Company amounts to GEL 5,258 thousand as at 30 June, 2019 (2018: GEL 5,091 thousand, 2017: GEL 4,180 thousand).

As at 30 June 2019 issued share capital comprised 417,994,663 common shares (2018: 417,994,663), 107,644,608 preferred shares (2018: 91,054,852; 2017: nil) and 20,000,000 Class “B” shares (2018: 20,000,000; 2017: nil). As at 30 June 2019 all of common shares and preferred shares were fully paid. Class “B” shares were issued for no consideration. Each share has a nominal value of 0.01 Georgian Lari.

Preferred shareholders have a higher claim on distributions in case of liquidation that ordinary shares and have no voting rights.

Class “B” shares entitle shareholders to dividends and liquidations proceeds of the company similar to those of common shares shareholders, and provide limited voting rights on the annual shareholders meeting. Class “B” shares can only be sold to existing shareholders of the Group.

Number of shares issued and outstanding as at 30 June 2019 are described below:

	Common shares	*Class "A" preferred shares*	*Class "B" shares*
31 December 2017	417,994,663	–	–
Issue of shares	–	91,054,852	20,000,000
31 December 2018	**417,994,663**	**91,054,852**	**20,000,000**
Issue of shares	-	16,589,756	-
30 June 2019	**417,994,663**	**107,644,608**	**20,000,000**

Preference shares are issued under the following terms:

Share type: Without the right to lateral redemption, dividend is granted at a predetermined fixed rate;

Share form: Preferred shares are issued to the owners already registered in share register and/or sub register;

Share issue: In each case it is determined by the decision of Supervisory Board, limited to the allowable quantity determined by the charter.

Share price at placement: In each case is determined by the decision of Supervisory Board, not less than at the nominal determined by the charter.

Share maturity: Perpetual.

Dividend rate: The rate of the dividend paid on preference share is equal to 15% of placement price.

Dividend shall be paid twice in a month in arrears in June and December based on the recommendation of Supervisory Board and the decision of General Meeting of Shareholders. If based on Company’s financial results or the needs of Company’s development, is not recommended by the Supervisory Board and/or is not decided by the General Meeting of Shareholders to disburse dividends on preferred shares, the payment can be deferred to the next dividend payment date, until the full amount of the dividend is not repaid.

In June 2019, the Group issued 16,589,756 thousand Preferred Shares with a total placement price of GEL 6,833 thousand (USD 2,400 thousand). The issue price per shares was GEL 0.4119 (USD 0.1447).

Additional contributions to equity as at 30 June, 2019 are GEL 128,111 thousand (31/12/2018: GEL 119,710 thousand). Extra contributions to equity consist of any excess of the fair value of the consideration received at the par value of the shares issued.

In July 2019, the Group issued 18,014 thousand Preferred Shares with a total placement price of GEL 7,300 thousand (USD 2,578 thousand). The issue price of the shares was GEL 0.4052 (USD 0.1431).

Rights and Liabilities of Shareholders

The Company has one shareholder JSC "Georgia Capital".

The Company's shareholder shall have and bear the rights and liabilities established by this charter and the Law of Georgia.

In equal conditions the shareholders shall have equal rights and liabilities.

Shareholders have following rights:

- Shareholders are entitled to attend the General Meeting of Shareholders personally or by means of a representative and participate in voting process.
- They are entitled to receive information about the activities of the Company, check its accounts, records and other documentation (in accordance with the relevant provisions of the legislation);
- Shareholders have the right to participate in distribution of profits and receive dividends in proportion to their share holdings.
- Shareholders have the right to dispose their own shares in accordance with the legislation.
- In case of liquidation of the company, shareholders are entitled to receive a portion of property or its value that will remain after repayment to creditors (their liquidation quota) proportionate to their share.
- Shareholders holding 5% or more of the total number of shares have the right to request a special inspection of economic activities or a total annual balance if they have reasonable doubt about any breach. If the request is not satisfied by the General Meeting, the decision about the special inspection can be made by the respective court.
- Shareholders holding 5% or more of the total number of shares have the right to request an extraordinary meeting of shareholders. The request shall be submitted to the Company Director. If the claim is not satisfied within 20 days from the date of such request by the Director, the shareholders can apply to the relevant court.
- Shareholders are entitled to use their voting rights for their own interests, except when the expected decision is about making a deal with them.

Shareholders have following liabilities:

- The shareholders have an obligation to ensure making their respective contributions to the company's charter capital, relevant number of shares to be registered in their name;
- Do not disclose commercial secrets and other confidential information of the Company;
- The shareholders are obliged to comply with the terms defined by the Company Charter;
- Fulfil the decisions made at the General Meeting of Shareholders' or by any other Managing Body.

Audit committee

At the issue date of the prospectus the Company does not have an Audit Committee, thereby violating the requirements of a reporting entity. Company plans to establish the committee by 31 October 2019 in accordance with the requirements of the Audit Committee legislation. Information about audit committee will be published on the web-site of the Company.

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

In the registration document the following documents are mentioned:

- Audited consolidated financial statements (“JSC m2 Real Estate”) - 2017 and 2018 years;
- Reviewed consolidated financial statements (“JSC m2 Real Estate”) – 2019 first half year;
- The company’s charter;
- Agreement between the placement agent and the Issuer;
- Agreement between the Bondholders Representative and the Issuer;
- Agreement between the payment and the calculation agent and the issuer;
- Real estate assessment report made by “Colliers International”.

Overview of the Bonds

Statement about Working Capital needs

Company's working capital (short-term assets minus short-term liabilities) as of 30 June 2019 was GEL 2,851 thousand, (31/12/2018: GEL 24,153 thousand), the working capital of the Company is enough to finance its current operations.

The current and quick ratios of the company is 1.02 and 0.85 respectively as at 30 June, 2019 (31/12/2018: 1.20 and 0.92).

The reduction of working capital and related ratios as of June 30, 2019 is due to the reclassification of long-term debt securities issued in 2016 to short-term that expire in October 2019. This debt securities will be financed using the proceeds from the new bond that will be issued subject to this prospectus.

The working capital of the company is sufficient to finance its current operations. After the issuance of new bonds, working capital will be increased to GEL 103,256 thousand as short-term liabilities become long-term liabilities. The current and quick ratios of the company as a result of the bond issue will be 2.77 and 2.39 as of June 30, 2019 (31/12/2018: 1.20 and 0.92).

Description of Conflicts of Interest of the parties related to the Offering

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

TERMS AND CONDITIONS OF THE BONDS

The issue of up to US$35,000,000 (thirty five million) with fixed interest rate of not more than 8% Bonds due on 7 October, 2022 was authorized by a resolution of the 100% shareholder of the Company on 23 August, 2019. 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 artners LLC, as the Bondholders' Representative dated 26 September, 2019 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Overview of the Offering*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement. The Agreement is only available in English and the Company does not intend to prepare it in Georgian language. In case of any mismatch between the information presented in the Prospectus and the Agreement, the Prospectus shall prevail.

Copies of the Agreement are available for inspection during usual business hours at the principal office of the Bondholders' Representative: at Nodia, Urumashvili and Partners LLC, Office No. 28, 4th Floor, 71 Vaja-Pshavela Ave,, Tbilisi 0186, Georgia and at the offices of the Issuer: 29 Chavchavadze Ave, Tbilisi 0179, Georgia. In addition to the Prospectus, including these Terms and Conditions, the Bondholders (as defined below), and in certain cases (envisaged by the Prospectus, including these Terms and Conditions), the Nominal Holder of the Bonds, are entitled to the benefit of, are bound by, and are deemed to be subject to the relevant terms of the provisions of the Agreement and such terms apply to them. In Particular, by acquiring the Bond(s) a Bondholder consents and agrees that it is entitled to the benefit of the covenants set forth in Condition 5 of these Terms and Conditions and in Clause 5 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 such interest via electronic means of communication or any other means accepted by the Placement Agents. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agents. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

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

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

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

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

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

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

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

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

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

(c) Disposal of the Bonds

The Bonds may be disposed of in accordance with Georgian legislation (including Securities Law) within the jurisdiction of Georgia. Disposal of and transfer of title to Bonds shall be valid only if the title change is registered in the relevant Registry. As soon as possible after placement of Bonds, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

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

5. COVENANTS

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

(b) **Continuance of Business, Maintenance of 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:

(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 (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:

(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 (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) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a pro rata basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any shares or share capital of the Issuer or, prior to scheduled maturity or scheduled repayment, subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if:

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

(ii) such Restricted Payment, when aggregated with all other Restricted Payments previously made since 31 December 2018, exceeds the sum of:

(a) 100 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2018 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 2018 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2018 of any Indebtedness of the Issuer into or for share capital of the Issuer;

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

(i) Any Indebtedness, provided that:

(A) total Indebtedness of the Group excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time 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; and

(B) total Indebtedness of the Group, excluding unsecured contingent liabilities arising in the ordinary course of business, secured with assets of the Group does not at any time 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.

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

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

(i) **Financial Information:**

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

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

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

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

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

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

6. INTEREST

Each Bond bears interest from and including the Issue Date at the annual rate within the range indicated in – "*Overview of the Offering*" (*see, pg.22)*. 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 on 7 April and 7 October each year (each an "**Interest Payment Date**"), commencing on 7 April, 2020. 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 7 October, 2022. 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

(b) **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.

(c) **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.

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

12. ENFORCEMENT

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

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

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

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

14. NOTICES

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

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

15. DEFINITIONS

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

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

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

"**Bondholder**" means the registered owner ("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”;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Nominal Holder**" means the nominal holder of the securities as such term is defined in the Securities Law;

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

"**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.

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