Joint Stock Company

"m2 Real Estate"

(Identification Code: 204517399)

Final Prospectus

IMPORTANT INFORMATION FOR THE INVESTORS:

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

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

Limitation of the liability:

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

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

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

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

The investor's representation: The attached Prospectus is delivered to the prospective investor at his request and on the basis that the investor has confirmed to JSC Galt & Taggart (the "**Placement Agent**") and JSC m2 Real Estate (the "**Company**" or the "**Issuer**") that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she/it is located.

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

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

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

Approved by the National Bank of Georgia

on ________________

Issue State Registration Number: _____________

International Securities Identification Number (ISIN): ________________

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

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Joint Stock Company

"m2 Real Estate"

(Identification Code: 204517399)

Final Prospectus

The US$ 25,000,000 (twenty five million) Bonds with interest (coupon) rate 7.5% per annum. The Bonds mature in 3 years from the date of their issue and placement. The nominal value of each Bond is US$ 1,000 (one thousand). Issue price: 100% of the nominal value.

This Prospectus (the "**Prospectus**") is prepared by **JSC m2 Real Estate**, incorporated in Georgia under the laws of Georgia on 27 September 2006, Identification Code 204517399, legal address 29 Chavchavadze Ave., Tbilisi, Georgia ("**Company**" or the "**Issuer**").

This Prospectus is prepared in relation to issuance of US$ 25,000,000 (twenty five million) coupon Bonds (debt securities with fixed interest rate) of the Company. The nominal value of each Bond is US $1,000 (one thousand United States dollars); annual interest (coupon) rate 7.5%of the nominal value. Final interest (coupon) rate will be fixed in the book-building process while offering the Bonds to the prospective investors (see "*Terms and Conditions of the Bonds*" Condition 2(a) "*Bond Offering Process"* on pg. 50). The interest will accrue on the Bonds from the Bond Issuance and Placement Date until the Maturity Date. The interest on the Bonds will be paid semi-annually on the dates specified in the "*Overview of the Offering*" (*see, pg. 1*). First payment of the interest will be made on 7 April, 2017. The Bonds will be redeemed at the principal amount together with the accrued and unpaid interest (if any) on 7 October 2019. The Company may redeem the Bonds in whole, but not in part, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia (see “*Terms and Conditions of the Bonds*”, Condition 7 (b) – “*Redemption for Taxation*”).

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

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

As soon as possible after placement of Bonds but no later than one month after the Bond placement, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE.

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

This Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances. The Issuer will notify the investors about such alterations and additions in accordance with the legislation. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia. Offering of the Bonds described in this

Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful. The Bonds have not been and will not be registered in any other country (other than Georgia). The Bonds have not been, and will not be registered under the United States Securities Act of 1933, as amended ("**US Securities Act**") or any US state securities laws, and except pursuant to the concrete exemptions envisaged by the US Securities Act, it is prohibited to sell, offer to sell or supply the Bonds in the United States.

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

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

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

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

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

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

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

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

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

The audited financial statements of the Company as of and for the year ended 2015 (that contains 2014 comparable financial information) included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations. The 2015 consolidated financial statements were audited by the Company's independent auditors, EY Georgia LLC, in accordance with International Standards on Auditing ("**ISA**") and are represented in the appendix of this Prospectus.

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

Market, Industry and Economic Information

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

General Information

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

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

Currency and Exchange Rates

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

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

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

	High	Low	Average	Period End
		(Lari per US dollar)		
2016 (31st of August)	2.3492	2.2788	2.3187	2.3056
2015	2.4499	1.8780	2.2702	2.3949
2014	1.9527	1.7241	1.7659	1.8636
2013	1.7376	1.6348	1.6634	1.7363
2012	1.6751	1.6193	1.6513	1.6567
2011	1.8111	1.6388	1.6860	1.6703
2010	1.8875	1.6929	1.7826	1.7728

Source: NBG.

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

	High	Low	Average	Period End
		(Lari per US dollar)		
August 2016	2.3492	2.2788	2.3187	2.3056
July 2016	2.3527	2.3076	2.3367	2.3479
June 2016	2.3709	2.1272	2.1877	2.3423
May 2016	2.2309	2.1459	2.1860	2.1472
April 2016	2.3177	2.2309	2.2652	2.2309
March 2016	2.4716	2.2953	2.3894	2.3679
February 2016	2.4948	2.4702	2.4829	2.4778
January 2016	2.4985	2.3966	2.4360	2.4719

Source: NBG.

OVERVIEW OF THE OFFERING

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

The Offer	Offering of US$ 25,000,000 (twenty five million) debt securities (Bonds) due on 7 October 2019
Issuer	JSC m2 Real Estate (Identification Code: 204517399; registered on 27 September 2006)
Security	Coupon bond (fixed rate interest bearing security)
Nominal Value	US$ 1,000 (one thousand US Dollars)
Number of Bonds	25,000 (twenty five thousand)
Total Issue Price	US$ 25,000,000 (twenty five million US Dollars)
Minimum placement lot	10 bonds (10,000 US$)
Interest (coupon)	The Bonds will bear interest at the rate of 7.5% per annum including applicable taxes. Final interest (coupon) rate is fixed following the book-building and is reflected in the final prospectus (see, *Condition 2(a) "Bond Offering Process" – pg. 50*)
Issue Price	100% of the principal amount (nominal value) of the Bonds
Bond Issuance and Placement Date	The Bonds will be issued and placed on 7 October 2016
Maturity Date	The Bonds will be redeemed on 7 Ocotber 2019 at their principal/nominal value together with accrued and unpaid interest (if any)
Placement Agent	JSC Galt & Taggart (Identification Code: 211359206)
Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)**
Calculation and Paying Agent	JSC Galt & Taggart (Identification Code: 211359206)
Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374)
Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the date of issuance and placement of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable semi-annually on 7 April and 7 October each year. The first payment of interest will be made on 7 April 2017
Status and Ranking of the Bonds	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst themselves. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated

	creditors of the Company
Form of the Bonds..	The Bonds will be issued in dematerialized registered form. The Ownership interest in Bonds will be shown in the Register maintained by the Registrar and in registries maintained by Nominal Holders of the Bonds (as defined in the "*Terms and Conditions of the Bonds*"), and transfers of the Bonds shall be effected only through corresponding entries in the respective registries
Redemption..	The Company may buy back the Bonds on secondary market prior to their maturity and hold such Bonds in treasury for further trading. The Company may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. In addition, in certain cases, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time upon giving notice to the Bondholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia *(see "Terms and Conditions of the Bonds", Condition 7 (b) – "Redemption for Taxation")*
Negative Pledge and Other Covenants	Pursuant to the Terms and Conditions of the Bonds, the Issuer is subject to restrictions on the pledge of its assets except for certain Permitted Security Interests, and to other restrictions on the conduct of its business, disposal of assets and finances (See, "*Terms and Conditions of the Bonds*", Condition 5 (*Covenants*))
Event of Default	If an Event of Default has occurred, the Bondholders' Representative (and in certain circumstances, Bondholders and/or Nominal Holders) may give notice that the Bonds are, and the Bonds shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Bonds* - Condition 10 (*Events of Default*)".
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any applicable Georgian withholding tax.
Use of Proceeds...	The net proceeds received by the Company from the issuance of the Bonds will be used to (i) refinance existing debts partially and (ii) to ensure successful implementation of the Company's development strategy. See "*Use of Proceeds*".
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, but not later than one month after the Bond placement.
Selling Restrictions	The offer and sale of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia

Governing Law	Georgian law
Jurisdiction	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Risk Factors	Prospective investors shall consider carefully all the information set forth in this Prospectus and, in particular, the information set forth under "*Risk Factors*" before making a decision on investment in the Bonds
Contact Information of the Issuer	JSC m2 Real Estate (Identification Code: 204517399) Address: 29 Chavchavadze Ave, 0179 Tbilisi, Georgia; Tel: (995 32) 244-4388; E-mail: iburdiladze@m2.ge
Contact Information of the Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave.; Tel: (+995 32) 2401111 E-mail: gt@gt.ge
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)** Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Security Codes (ISIN)	Security code will be assigned by the National Bank of Georgia after submission of the final Prospectus

RISK FACTORS

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

Macroeconomic and Political Risks Related to Georgia

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

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

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

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

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

If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.***Disruptions in Georgia's neighboring markets may have an adverse effect on Georgia's economy***

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

Azerbaijan and Armenia used to be the two largest markets for Georgian exports, accounting for approximately 10.9% and 8.2% of Georgia's total exports, respectively, in 2015, their share of Georgia's total exports significantly decreased to 4.3% and 6.8%, respectively, as of 30 April 2016, according to figures published by Geostat. In February 2015, the Central Bank of Azerbaijan devalued the Manat by 33.6% against the US Dollar and by 33.8% against the Euro. In December 2015, the Central Bank of Azerbaijan moved to a managed floating exchange rate for the Manat, resulting in a devaluation of 47.6% against the US Dollar and 47.9% against the Euro. Between October 2014 and February 2015, the Armenian Dram depreciated against the US Dollar by approximately 16.9% and, following a period of relative stability, the Central Bank of Armenia engaged in foreign currency exchange interventions to support the Armenian Dram, spending a significant part of its national reserves, which were subsequently replenished by a sovereign bond issuance. Between 31 December 2015 and 31 May 2016, the Armenian Dram appreciated against the US Dollar by 1.3%.

Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 7.4% and 8.9% of Georgia's total exports and approximately 8.1% and 7.5% of Georgia's total imports as of 31 December 2015 and 30 April 2016, respectively, according to Geostat. In the spring of 2013, Russia lifted its trade embargo and the Russian market was reopened to Georgian producers. The export of Georgian products to Russia increased threefold in 2013. Recently, the Russian economy has witnessed an economic slowdown due, in part, to the decline in global oil prices and US and EU sanctions imposed as a result of the on-going political tensions between Russia and Western countries arising from the conflict in Ukraine and Syria. In January 2016, the Russian Rouble declined to an all-time low against the US Dollar.

Turkey represents the biggest importer to Georgia, accounting for 17.2% of Georgia's total imports in 2015, according to figures published by Geostat. While the Turkish economy is estimated to grow by 3.8% in 2016, according to the International Monetary Fund (**IMF**), political uncertainty, unfavourable geopolitical developments, a sharp weakening of the Turkish Lira and rising inflation in Turkey are potential obstacles to further economic growth and there can be no assurance that the positive growth trend will continue.

The economic slowdowns and currency depreciations in Georgia's main trading partners have resulted in lower exports from and remittances to, Georgia in recent periods. Any continuing or further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

In October 2010, the parliament of Georgia approved certain amendments to the constitution of Georgia (**the Constitution**) that were intended to enhance the primary governing authority of the parliament, to increase the powers of the prime minister of Georgia and to limit the scope of functions of the president of Georgia. Although the parliament unanimously adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013, any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia. Furthermore, no assurance can be given that the next parliamentary elections scheduled in October 2016 will proceed without creating political disruption, which could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company.

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

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

Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Georgia slowed to 2.8% in 2015 from 4.6% in 2014, according to Geostat. This slowdown was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Georgia and lower foreign direct investment (**FDI**). According to the IMF's World Economic Outlook published in April 2016, GDP growth in the region is expected to be negative at 1.1% in 2016, as economic conditions are expected to decline in most economies in the Commonwealth of Independent States (CIS), primarily due to a spill over effect from the decline in the Russian economy, as well as the adverse impact of lower oil prices on oil-exporting countries. The recovery is projected to strengthen in 2017 and beyond as conditions in stressed economies begin to gradually normalize. The IMF projects a 1.3% growth rate in CIS economies in 2017, and an average growth rate of 2.1% from 2018 to 2021. Despite the regional downward revisions of growth in CIS economies, the IMF expects 2.5% growth in Georgia in 2016 and 4.5% in 2017. Although Company Management believes that real GDP growth in 2016 will be higher than forecasted by IMF or other organizations and will be further strengthened following reduced dependence on CIS economies, strong market fundamentals, new investment opportunities related to the DCFTA, strong tourism performance and government reform agenda aimed at tax and customs liberalization, there can be no assurance that these growth levels will be achieved. Georgia continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of its customers in Georgia. Uncertain and volatile global economic conditions, such as heightened political tensions in Europe and the UK referendum in June 2016 in which the British people voted to leave the EU, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy. If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

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

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

As a result of expected regulatory amendments to achieve harmonization with EU legislation, the Company may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations.

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

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for businesses. A new tax code (the **Tax Code**) came into effect on 1 January 2011. In 2011, the Georgian Parliament passed the Organic Law on Economic Liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (other than excise) without a public referendum initiated by the Government (except in certain limited circumstances). This law has been in effect since 31 December 2013. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While Management believes that the Company and members of the Company operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Company could face fines or penalties as a result of regular tax audits.

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

In May 2016, the Georgian Parliament adopted changes to the Tax Code related to corporate profit tax, whereby an enterprise will not be liable for the payment of profit tax until the enterprise distributes its profit to the shareholders or incurs such costs or makes supplies or payments that are subject to corporate profit tax. It is expected that this change will intensify the economic activity and increase the capitalization of the private sector. Most of the relevant amendments to the Tax Code are expected to apply with effect from 1 January 2017. There can be no assurance, however, as to whether these amendments will achieve the desired result.

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

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, in 2015, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (including the sum of sales and purchase but excluding activities of the NBG) amounted to US$26.1 billion and €11.7 billion, respectively, and according to the same source, in the first seven months ended 31 July 2016, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (excluding activities of the NBG) amounted to US$15.6 and €6.7 billion, respectively. According to the NBG, the NBG had US$2.85 billion in gross official reserves as of 31 July 2016. While the Government has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari to US Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 22.2%, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. While the Lari generally appreciated against the US Dollar and other major international currencies in the three months ended 31 March 2016, primarily driven by an increase in the number of tourists travelling to Georgia, since then, the exchange rate has remained relatively stable. The Lari/US Dollar exchange rate was 1.8636 as of 31 December 2014, 2.3949 as of 31 December 2015, 2.3679 as of 31 March 2016, and 2.1472 as of 31 May 2016. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other currency inflows. Any failure to do so, or a major depreciation or further depreciation of the Lari, could adversely affect Georgia's economy. According to information published by Geostat, annual inflation in Georgia, as measured by the end-of-period Consumer Price Index (**CPI**), was 2.0% in 2014, 4.9% in 2015, 4.1% as of 31 March 2016 and 2.1% in as of 31 May 2016. Although inflationary pressures have been contained due to lower world oil and food prices, there is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food and oil prices. Deflation, while increasing the purchasing power of the Lari, could adversely affect foreign investment. On the other hand, high and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Company's customers, which could, in turn, have a material adverse effect on its business.

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

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

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

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

Industry Risk

Building and development business is highly correlated with economy; therefore economic cycles have direct impact on the industry. Economic crisis in 2008-2009 years (see Macroeconomic Risks) is a good example of this statement, when as a result of economic slowdown, residential market experienced severe stagnation, leading some developers to bankruptcy and delaying projects of leading market players. Furthermore banks as wells as customers lost trust in this sector. Another example was the regional economic downturn and GEL devaluation against USD in 2014-2015. This event slowed down residential industry growth.

In the future, local, regional or global economic turbulences may have a negative effect on the industry, which in turn, may have a material adverse effect on company's financial condition.

Risks Related to the Company's Activities

Sales risk. There are three types of sales risks that the Company may face:

- ✓ Systematic sales risk might be caused by external factors such as increase in supply of residential projects and diminishing demand for apartments;
- ✓ Worsened economic conditions and/or change in regulations or other factors may result in restricted access to the financial resources for the customers with commercially acceptable terms;
- ✓ Unsystematic risk may occur if the sales process is not managed efficiently and internal control measures are not adopted;
- ✓ Additionally, financing structure of each project implies approximately 50% dependence on the pre-sales that the Company might not be able to generate.

Construction risk may arise in relation to the following components*:*

- ✓ Cost overruns – the prices on major construction materials might increase and/or estimates used when developing bill of quantities might be judgmental and subject to change which may subsequently result in cost overruns; (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

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

Funding Risks 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 before it starts construction, it also relies on third party funding, including loans from international finance institutions (**IFI**s) and 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.

Operational/legal risks The Company is constantly growing and new product lines are added to the operations that might cause administrative difficulties. Also, the increasing number of projects might cause operational risks if the processes are not standardized.

Regulatory risk may arise due to the changes in regulations and government policies regarding the Company's activities in Georgia that might have a negative impact on its performance.

Permits and approvals risk 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.

Liquidity risk might occur if the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances.

Foreign currency risk and risk related to change in monetary policy. 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.

Risks related to financing regulations. Majority of the company customers (approximately 78% in total) use commercial bank mortgage loans and in-house instalments in order to finance property purchases. For the past 4 months properties financed by Bank of Georgia mortgage loans amounted to 70% of the properties financed by either loans or instalments. In 2016, Company signed agreements with several commercial banks in Georgia, enabling its customers to have access to wider range of financial resources with competitive terms. This step serves company's aim to lower Bank of Georgia's share in customer financing through mortgage loans. In the future, mortgage loans, disbursed from the related bank may become a subject of additional regulation from National Bank of Georgia. Any regulation, which restricts Bank of Georgia from giving loans to the Company customers, may have a negative impact on the company's financial condition.

Key personnel risk. The Company depends on its key employees and qualified staff, and therefore key personnel leaving the organization might have an adverse effect on the Company's performance, at least in the short term. The Company's key decision – making employees are the General Director (CEO), Deputy CEO in finance and operations and Deputy CEO in sales and marketing.

Risks related to competition. 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 metre, rent, amenities and property maintenance services.

Developing three-star hotels is also part of the Company's commercial property strategy. Although Georgia does not currently have an internationally branded chain of three-star hotels, the luxury and business hotel segment has expanded significantly in recent years and competition may increase in the budget hotel segment if the number of tourists visiting Georgia continues to increase. If any of these risks materialize, they could have a material adverse effect on the Group's business, financial condition and results of operations.

Price risk – worsening economic conditions and/or oversupply of newly built residential properties in Tbilisi, may have a material adverse effect of company sales. 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.

Geographic concentration risk – company's business is concentrated in Tbilisi, where oversupply of newly built residential properties may have a material adverse effect on Company's sales. As Company sales are not geographically diversified, falling sales in Tbilisi cannot be compensated from the sales in other regions, which in turn, may have a material adverse effect on Company's sales.

Consumer segmentation risk – 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

Revenue diversification risk – considerable portion of company revenue is currently concentrated on development business. In case of negative trends in the industry, Company may not be properly equipped to maintain current profitability levels.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

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

The Bonds constitute unsecured obligations of the Company

The Company's obligations under the Bonds will constitute unsecured obligations of the Company. Accordingly, any claims against the Company under the Bonds would be unsecured claims that would be satisfied after 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

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

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

Investors whose financial activities are denominated in a currency or currency unit other than US dollars may receive less interest or principal than expected, or no interest or principal on the Bonds, as a result of fluctuations in exchange rates or changes to exchange controls

The Company will pay principal and interest on the Bonds in US dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the investor's currency) other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the Company's or the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the US dollar 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 involves certain legal investment considerations

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

Transfer of the Bonds will be subject to certain restrictions

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

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

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

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

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

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

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.

Other Regulatory Risks

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

The Company is a Reporting Company within the meaning of the Law of Georgia on Securities Market ("**Securities Law**"). The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as "**Interested Parties**" (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the general meeting of shareholders. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements (see "*Regulation of DeveloperActivities in Georgia - Additional Requirements Applicable to Reporting Companies*").

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

Requirement of approval of transactions with Interested Parties and reporting requirements 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.

Newly introduced 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.

USE OF PROCEEDS

The net proceeds received by the Company from the issuance of the Bonds will be used to (i) refinance existing bonds (maturing at 20 March 2016, with 9.5% coupon rate) partially (USD 5,730,000) and (ii) to ensure successful implementation of the Company's development strategy. Specifically, the Company plans to use the proceeds to carry out following projects:

- ✓ **Kavtaradze Project.** The project commencement is planned in the last quarter of 2016 and is expected to be completed in March 2019. The project's total estimated cost (incl. VAT) is USD 22,6mn.

- ✓ **50 Chavchavadze Ave. Project.** The project commencement is planned in November 2016 and is expected to be completed in May 2018. The project's total estimated cost (incl. VAT) is USD 11,2mn.

- ✓ **10 Melikishvili ave. Project :**
  (Residential) - The project commencement is planned in December 2016 and is expected to be completed in June 2018. The project's total estimated cost (incl. VAT) is USD 4,2mn.
  (Hotel Ramada Encore) - The project commencement is planned in December 2016 and is expected to be completed in June 2018. The project's total estimated cost (incl. VAT) is USD 11,9mn.

Revenue to Fixed charges

	30 Jun 2016	31 Dec 2015
Revenue[1]/ Fixed charges	10.6	10.4

The ratio is on the acceptable level and remains stable.

[1] For the ratio calculation purposes Revenue is calculated as follows: EBIT + Operational lease charges.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization as of 31 December 2014, 31 December 2015 and 30 June 2016 as derived from its 2016 half year unaudited consolidated financial statements, and 2015, 2014 audited consolidated financial statements. This table should be read in conjunction with the sections entitled "*Selected Consolidated Financial and Operating Information*" and "*Management Discussion and Analysis of the Company's Financial Condition and Operating Results*", as well as 2015 consolidated financial statements, together with the related notes, all of which are reproduced elsewhere in this Prospectus.

GEL/USD exchange rate used for capitalization is official exchange rate of NBG – 2.3423 as of 30 June 2016, 2.3949 as of 31 December 2015, 1.8636 as of 31 December 2014,

	30 June 2016 Corrected[2]		30 June 2016		31 Dec. 2015		31 Dec. 2014	
	GEL	US$	GEL	US$	GEL	US$	GEL	US$
Short-term loans	128	55	128	55	2,179	910	3,541	1,900
Long-term loans	35,924	15,337	35,924	15,337	1,107	462	-	-
Debt securities issued	59,195	25,272[3]	47,484	20,272	48,308	20,171	25,179	13,511
Total borrowings	**95,247**	**40,664**	**83,536**	**35,664**	**51,594**	**21,543**	**28,720**	**15,411**
Share capital	4,180	1,785	4,180	1,785	4,180	1,745	3,524	1,891
Share premium	84,833	36,218	84,833	36,218	85,003	35,493	71,813	38,535
Retained earnings/Accumulated losses	22,378	9,554	22,378	9,554	17,594	7,346	3,862	2,072
Total equity	**111,391**	**47,556**	**111,391**	**47,556**	**106,777**	**44,585**	**79,199**	**42,498**

Outstanding borrowings as of 31 August 2016

Facility type	Currency	Initial Date	Interest Rate	Maturity Date	Amount, FC	Amount, GEL	Accrued %, US$	Accrued %, GEL
Bonds	USD	3/20/2015	9.50%	3/20/2017	20,000,000	46,112,000	900,808	2,076,903
IFC	USD	2/16/2016	7.43%[4]	12/15/2019	15,000,000	34,584,000	241,527	556,864
TBC Loan	USD	7/19/2016	8.00%	7/8/2026	992,500	2,288,308	5,003	11,536
KSB Loan	GEL	4/3/2015	11.00%	3/23/2017	717,038	1,653,203	7,131	16,441

The Company's off-balance sheet liabilities as of 31 August 2016 are as follows:

Facility type	Currency	Initial Date	Interest Rate	Maturity Date	Amount	Beneficiary	Collateral
Performance guarantee	GEL	3/6/2014	3.50%	3/28/2019	2,520,000	National Agency of State Property	Land and Building on Melikishvili ave. 10

[2] Corrected, assuming that as of 30 June 2016 Company has issued USD 25mn bonds and the rest of the financial data remain unchanged;

[3] Assuming that out of USD 25mn bonds issued USD 20mn will be used to refinance existing bonds;

[4] 6,5% + 6m Libor

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The financial information of the Company set forth below as of and for the years ended 31 December 2015 and 31 December 2014 has been extracted from, should be read in conjunction with, and is qualified in its entirety by the consolidated financial statements, including the related notes, contained elsewhere in this Prospectus.

Investors should be aware that the financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Years ended 31 December 2015 and 31 December 2014" is taken from the 2015 and 2014 audited consolidated financial statements. As for the financial data as of 30 June 2016 it is taken from unaudited consolidated financial statements of the Issuer.

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

Balance sheet data, GEL ('000)

	30-Jun-16	31-Dec-15	31-Dec-14	31-Dec-13
Assets				
Non-current assets	**179,930**	**165,889**	**111,476**	**39,269**
Investment property	105,916	109,855	63,313	18,796
Inventory property	52,627	32,921	37,971	16,849
Deferred tax assets	2,930	2,704	2,191	1,555
Other non-current assets	18,457	20,409	8,001	2,069
Current assets	**130,866**	**116,433**	**83,855**	**73,885**
Inventory property	67,194	65,114	39,340	48,891
Prepayments and other assets	18,295	18,872	8,136	9,593
Trade and other receivables	530	2,338	501	1,612
Amounts due from credit institutions		-	10,580	-
Investment securities available for sale	2,359	2,120	1,391	1,165
Cash and cash equivalents	42,488	27,989	23,897	12,624
Total assets	**310,796**	**282,322**	**195,331**	**113,154**
Equity and liabilities				
Share capital	4,180	4,180	2,782	2,782
Share premium	84,833	85,003	71,813	53,544
Treasury shares	-	-	-	-
Pooling reserve	-	-	742	0
Accumulated losses/Retained earnings	22,378	17,594	4,514	-2,244
Total equity	**111,391**	**106,777**	**79,851**	**54,082**
Non-current liabilities	**79,486**	**85,574**	**28,374**	**8,874**
Long-term loans	35,924	1,107	-	-
Debt securities issued	-	47,050	-	-

Deferred revenue	37,808	31,861	26,880	6,562
Deferred tax liabilities	3445	2358	19	163
Retention guarantee payable to contractor	2,309	3,198	1,475	2,149
Current liabilities	**119,919**	**89,971**	**87,106**	**50,198**
Short-term loans	128	2,179	3,541	-
Debt securities issued	47,484	1,258	29,179	-
Deferred revenue	61,572	72,577	48,157	46,846
Current income tax liabilities	1,484	1,484	1,917	-
Trade and other payables	2,181	6,533	1,389	3,352
Other current liabilities	7,070	5,940	2,923	-
Total liabilities	**199,405**	**175,545**	**115,480**	**59,072**
Total liabilities & equity	**310,796**	**282,322**	**195,331**	**113,154**

Income Statement data, GEL (‘000)

	30-Jun-16	31-Dec-15	30-Jun-15	31-Dec-14	31-Dec-13
Sales of inventory property	33,327	44,893	4,557	56,940	7,347
Cost of sales-inventory property	26,766	39,744	4,440	46,544	5,848
Profit on sale of inventory property	**6,561**	**5,149**	**117**	**10,396**	**1,499**
Rental income	1,186	1,785	882	1,579	1,315
Property operating expense	-97	-251	-	-55	-16
Net rental income	**1,089**	**1,534**	**882**	**1,524**	**1,299**
Net gain from revaluation of investment property		16,702	-	1,854	7,168
Net gain from investment property		**16,702**	**-**	**1,854**	**7,168**
Other revenue	12	285	146	188	151
Employee benefits expense	-633	-943	-621	-1,139	1,282
Other general and administrative expenses	-1,305	-2,076	1,463	-1,726	1,094
Marketing and selling expenses	-1,076	-2,785	-951	-2,408	-940
Depreciation	-113	-185	-85	-155	-216
Non-recurring income/(expense)	205	-323	-69	-263	-808
Operating Profit	**4,740**	**17,358**	**2,044**	**8,271**	**5,777**
Finance income (expense)	-134	-644	111	160	1,131
Net foreign exchange gain/loss	1,022	-836	566	-536	215
Non-operating income	-	-	-	-	-
Profit before income tax expense	**5,628**	**15,878**	**1,367**	**7,895**	**7,123**
Income tax expense	-844	-2,798	204	-1,137	-279
Profit after income tax expense	**4,784**	**13,080**	**1,164**	**6,758**	**6,844**

Cash Flow data, GEL (‘000)

	1H2016	*1H2015*
Cash flows from operating activities		
Proceeds from sales of apartments	36,241	27,077
Outflows for development of apartments	(46,550)	(27,595)
Proceeds from rent generating assets	1,241	820
Operating outflows on rent generating assets	(93)	(24)
Interest paid	(2,831)	(4,060)
Income tax paid	(445)	(1,566)
Net cash flows from operating activities	**(12,437)**	**(5,348)**
Cash flows from investing activities		
Acquisition of investment property	(2,281)	(8,909)
Capital expenditure on investment property	(1,362)	(991)
Capital expenditure on investment property under construction	(2,954)	(2,058)
Acquisitions of PPE	(611)	(422)
Net cash flows used in investing activities	**(7,208)**	**(12,380)**
Cash flows from financing activities		
Proceeds from debt securities issued	-	44,707
Repayment of debt securities issued	-	(33,972)
Proceeds from borrowings	37,381	-
Repayment of borrowings	(1,602)	-
Net cash flows from financing activities	**35,779**	**10,735**
Effect of exchange rate changes on cash and cash equivalents	(1,600)	6,463
Net increase in cash and cash equivalents	**14,534**	**(530)**
Cash and cash equivalents at 01 January	**28,015**	**29,844**
Cash and cash equivalents at 30 June	**42,549**	**29,314**

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

The following discussion and analysis of the Company's consolidated financial condition and operating results principally covers the historical performance of the Company for years 2013-2016. Unless otherwise specified, the financial information for the periods presented in this document has been extracted and/or derived from the financial statements. This section should be read in conjunction with the financial statements and the other financial information included elsewhere in the Prospectus.

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

Factors Affecting the Company's Financial Statements

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

Macroeconomic Conditions

The Georgian economy slowed in 2015, along with the surrounding regional economies, which were all affected by lower oil prices. Economic conditions in Georgia and regionally began to improve in the first three months of 2016, as inflation moderated and the Lari appreciated 1% against the US Dollar.

Reflecting the economic decline of 2014 and 2015, the NBG increased the refinancing rate from 4% in 2014 to 8% in 2015 and maintained it at 8% in the first three months of 2016. In April 2016, the NBG decreased the refinancing rate to 7.5%, and in September 2016, it further decreased the refinancing rate to 6.5%, in part reversing its previous increases. The declining refinancing rate is expected to support the de-dollarization efforts by the NBG.

As growth slowed in 2015, the Lari depreciated by more than 20% against the US Dollar in 2015. This depreciation helped to absorb the external shock by reducing imports by 15.2% in 2015, as compared to 2014, excluding one-offs, thus preserving foreign currency reserves. However, the depreciation of the Lari contributed to an increase in Georgia's public debt as a percentage of GDP.

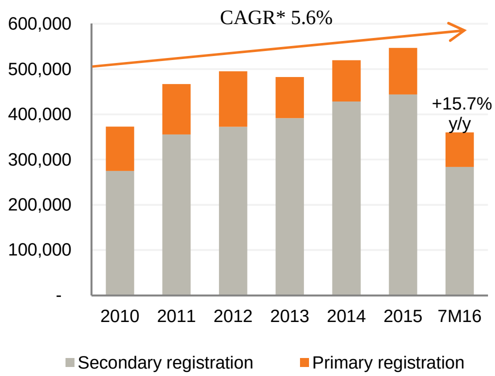
Despite the regional economic slowdown, tourism increased during the periods under review, at the same time net remittances (public and private) increased by 12.2% in 2015, while service exports increased by 3.8% to US$ 3.1 billion.

Georgian Residential Market and its Potential

Real estate market in Georgia has been very active in 2016. Number of property registrations increased 15.7% y/y reaching 360,083 in 7M16. Out of this, primary real estate transactions made up 18.6% (+31.8% y/y) and the rest was secondary transactions, up 12.0% y/y in 7M16. These real estate transactions include residential, as well commercial properties and land. Residential real estate make up around 5% of total real estate transactions based on 2014 and 2015 figures; however it is noteworthy that the share of newly built flats increased 9% y/y in 2015. Largest share of residential real estate transactions are of small size flats, less than 50 m^2.

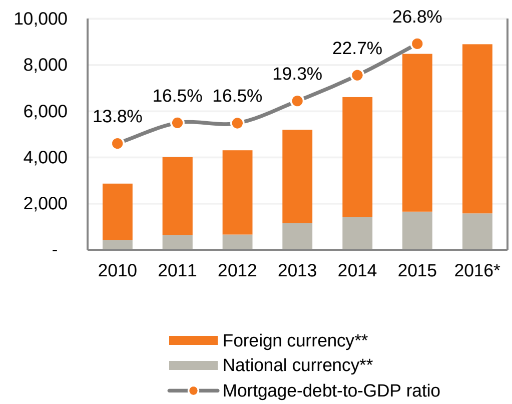
Consistent growth of real estate transactions is reflected in the annual growth of mortgage loans. Mortgage loans posted a CAGR of 17.6% over past 6.5 years. Total mortgage loans outstanding as of July 2016, both in national and foreign currency, were at GEL 8.9bn (USD 3.8bn) in July 2016. Ratio of outstanding mortgage debt to GDP stood at 26.8% in 2015, without inflation effect this ratio would have stood at 22.0%. In advanced economies this metric is way above 26.8%. In 2013 in Netherlands residential mortgage-to-GDP ratio stood at 104%, in Denmark at 93.8%, in Spain and Estonia at 59.9 and 37.1%, respectively, according to European Mortgage Federation. This stands to indicate that there is a substantial room for growth for mortgage loans in Georgia as the country develops and economy advances. Notably, despite regional economic turbulence and currency depreciation NPLs remained subdued below 3.3% all throughout 2015-2016.

Figure 1: Number of real estate transactions



Source: NAPR
**CAGR is for the period 2010-2015*

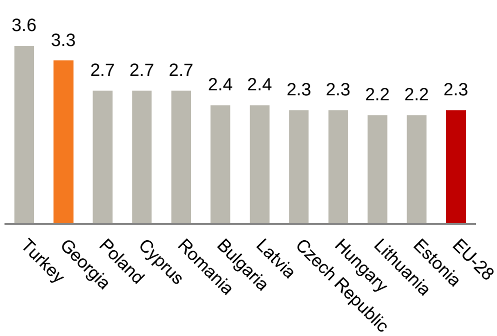
Figure 2: Total outstanding mortgage loans, GEL mn



Source: NBG, GeoStat, G&T Research
**2016 figure is December through July*
*** All the figures (except 2016) are as of December 31st*
Mortgage-debt-to-GDP ratio is only available for the period 2010-2015

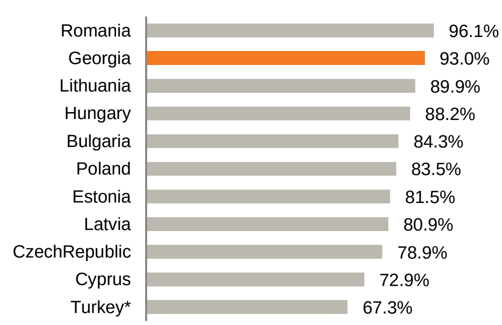
Average household size in Georgia is still high at 3.3 people per household, way above EU average of 2.3. **Households with 2 to 4 people make up 58% of total households, according to 2014 census[5].** Home ownership is the dominant tenure structure with 93% of the households owning their homes. Second only to Romania, Georgia outperforms all of its peers in this metric (Please refer to Figure 3). Notably, large part of the housing stock was constructed between 1960 and 1990s by the Soviet administration. In 1991-2000 there was a significant reduction in development and bulk of housing stock was amortized by year 2000. Residential construction picked up significantly post 2003. At a current rate of development, 21,000 dwelling units will have been constructed between 2013 and 2016 according to Colliers International, on top of 344,000 that already exist in Tbilisi. Additional demand on housing is expected to be generated as the amortized stock requires replacement.

Figure 3: Average number of people per household, 2014



Source: GeoStat, EuroStat

Figure 4: Tenure structure (home ownership) 2014



Source: GeoStat, EuroStat, TurkStat
**Data for Turkey is from year 2011*

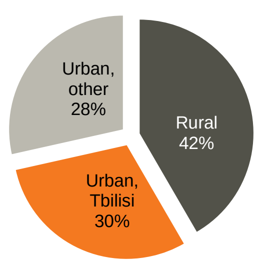
[5] Source: GeoStat

Tbilisi population has increased 5.2% over past decade and currently there are 3.3 people per household with an average living area per household of 23 m^2. As the economy grows, it can be expected that average household size will decrease and demand for dwelling units will increase.

Average monthly income per household posted CAGR 7.8% over 2010-2015. Household income consists of wages, remittances, income earned from self-employment, savings, pensions, scholarships and aid and real estate operations. 40% of remittances come from Russia. Oil price crisis in Russia did not reflect well on remittances from Russia, however in 2Q16 remittances showed sign of rebound. Notably, household income growth is outpaced by mortgage CAGR, indicating that household spending moods are heavily weighted towards long term investment decisions.

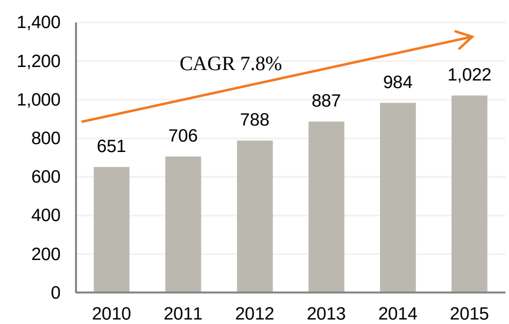
Significant changes have occurred in demographic structure in Georgia in past decade. Rural population decreased 23.8% over past decade and now 57.4% of total population lives in urban areas with 30% of total population living in Tbilisi. Number of people living in urban areas increased 5.1% in past decade. Currently, roughly half of Georgia's labour force is employed in agriculture and 42.3% of population lives in rural areas. As the efficiency in agricultural sector increases, the households will migrate from rural to urban areas generating a greater demand for residential housing.

Figure 5: Distribution of households, 2014



Source: Geostat

Figure 6: Average monthly income* per household, GEL



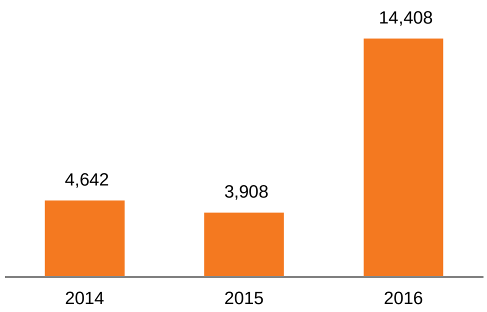
Source: Geostat
**income includes wages, remittances, self-employment, savings, pensions, scholarships and aid, and real estate operations*

3,908 dwelling units were completed and supplied to the market in 2015 70% of which are now sold. 29,427 dwelling units are expected to hit the market in coming three years comprising a total residential area of 3.0 million m^2 (This includes residential developments commenced in previous years). Despite a considerable increase in residential property supply in 2016, the Company does not expect material change in selling prices in foreseeable future. 47% of the projects are owned and/or managed by small-sized developers, 38% by mid-sized developers and 11% by large-size developers. Distressed developers are still managing 4% of the residential units to be supplied.

Average housing prices have been declining since the beginning of 2015 – dropping by 10% y/y on primary transactions and 5% y/y on secondary transactions in 4Q15. The decline in US$ prices can be attributed to currency depreciation. Premium and medium segments were the ones to take the hit with average selling price dropping 1% y/y, to US$ 1,497 and US$ 942, respectively, in 2015 as the average selling price for lower segment residential real estate remained steady at US$ 580[6].

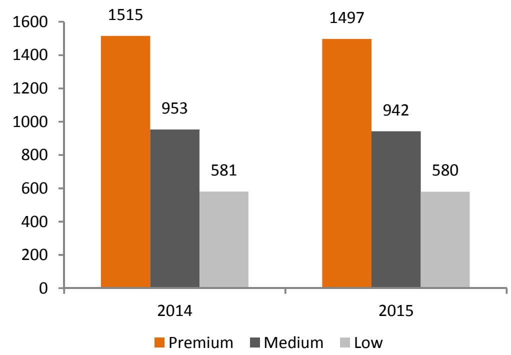
[6] Source: Colliers International

Figure 7: Supply of residential real estate, number of flats



Source: Colliers International

Figure 8: Average selling price on primary market by segments (US$/m2) 2014-2015

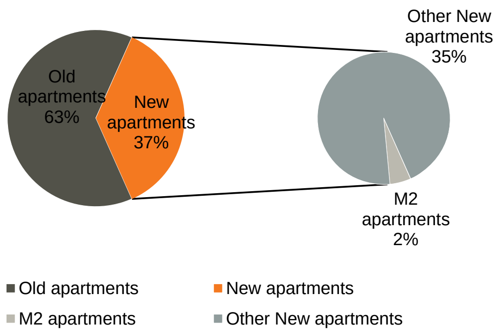


Source: Colliers International

The Issuer is the fourth largest developer according to its share in total construction area as of 2015; however Dirsi and Hualing concentrate on residential development in suburbs. Local leading developers are Axis, Archi Group, Domus, House art; finished and on-going projects such as King David Residence, Outlook Vake should also be mentioned. Taking into account the fact that most of the Company's developments are located in central part of Tbilisi, Dirsi and Hualing should not be considered as the Company's direct competitors.

The real estate development segments are categorized into luxury, midscale and economy housing mainly depending on the location and prestige of the building. Different customer segments react differently to outside factors, among which economic factors are the most important. (see Customer Segmentation Risk pg. 11) The Company has on-going or planned project in all three segments unlike any other active developer on the market, although it is still mainly concentrated on the midscale segment. Market distribution is as follows:

Figure 9: Supply of residential real estate, number of flats



Source: Colliers International

Strengths

The Company differentiates itself from its competitors by emphasizing its strengths in following areas:

Product

- ✓ Apartments with completed refurbishment
- ✓ Energy efficient buildings
- ✓ Efficient planning of an apartment – more bedrooms in less area
- ✓ Modern fire and life safety systems
- ✓ Buildings adapted for disabled people

Service

- ✓ Delivery of projects on time
- ✓ High quality of construction/refurbishment
- ✓ 4 Sales offices
- ✓ Sales force of 8 employees with high capacity (on average 3,000 calls and 600 visits per month, sales to visits rate at 15%-during presales, and 10%-on project completion stage)
- ✓ Online services including consistent website, availability of requested calls, possibility of choosing an apartment through online system
- ✓ Property management services
- ✓ Client relations management (CRM) –handling post-sales and apartment handover process

Location

- ✓ Choosing most demanded locations in Tbilisi based on the type of the project, whether it's the central part of the town, suburbs or exclusive locations for premium housing.
- ✓ Location and concept testing before commencement of the design phase

Planning and interior design

- ✓ Extensive knowledge of customer preferences to be incorporated into final design
- ✓ Choice of quality materials for refurbishment and volume discounts

Technology

- ✓ Sophisticated online sales channels including company web-site with apartment selection, mortgage calculator and other tools that expedite sales process, minimize sales consultants time spent per client and reduce human errors Call center services with call back options for missed calls
- ✓ Automated system of sending text messages and newsletters to customers.

This technological support is unique among the developers and represents one of the major competitive advantages for the Company.

Experienced management team

The senior managers of the Company have a solid experience in the sector of real estate development and have a successful track record of executing residential and other real estate projects and delivering results. They are loyal employees of the Company dedicated to build on their experience and constantly improve company results. Significant part of compensation of key personnel is performance driven.

Brand and communication

- ✓ High brand awareness
- ✓ Loyal customer base
- ✓ Developed sales and communication channels (Facebook, website, newsletters)
- ✓ Strong integrated marketing communication
- ✓ Brand parameters:
    - o Trustworthy company (partnership with strong international financial institutions)

- Innovation – first company to offer affordable housing concept with refurbished apartments, also offering energy efficient buildings to mid-income and low income families
- Corporate social responsibility – creating adapted space, environmentally conscious company, promoting education

Company overview

The Company was established by JSC Bank of Georgia in 2006. The Company started out with acquisition of several major commercial real estate properties, some of which were re-developed and retained for yield generating purposes. In 2010, the Company launched its first 123-apartment affordable housing project on Chubinashvili Street to test the market. The project turned out to be a big success demonstrating that strong demand existed for apartments with full fit-out.. The Company has already successfully completed six residential projects and three new developments are under construction (Kazbegi Ave., Kartozia Str., and Makashvili str. Turn.). Further three new projects are planned to commence in the end of 2016 and in the first half of 2017 (Kavtaradze Str., Chavchavadze Ave. and Melikishvili Ave projects)

The Issuer was the first major market player on the residential development market to develop the turnkey apartments' concept and offer its buyers property management services after commissioning the buildings

As part of its strategy in housing market the Company is offering land owners in Georgia its franchising platform to develop the land plots. The Company will design, sell and construct residential projects on land plots owned by third parties. As a result the Company will receive fixed fees as well as share in a profit of the project. This strategy allows the Company to use its rich expertise and sales channels to develop and sell housing units without tying up its own capital in a land bank. The Company's goal is to expand the fee generating business so that it becomes a major source of revenue for the company in the medium to long run.

To cater the needs of growing budget travellers to Georgia the Company decided to enter hospitality sector and has plans to develop 3-star hotels in Georgia. The Company has signed exclusive development agreement with Wyndham to open Ramada Encore hotels in Georgia. Construction of a 152-room hotel in Tbilisi has already commenced. The Company plans to develop at least two more hotels with minimum 100 rooms each. One of them will be located in Tbilisi and another in Kutaisi - the second largest city in Georgia with budget airport hosting low cost airlines.

One of the reasons behind extraordinary sales performance of the Company has been the flexible buying terms offered to the customers. Several payment options are offered to buyers, including in-house finance possibilities and tailor made mortgage lending program - from two of the country's biggest commercial banks to finance mortgages in on-going projects without the need of any additional collateral. (For more detailed information please refer to “additional services for residential developments pg. 35)

To diversify revenue stream, the Company is also engaged in leasing commercial properties including high street retail locations in projects completed by the Company. The goal is to grow rent earning assets by means of developing them as well as opportunistic acquisitions.

Currently the Company has 66 employees and 4 sales offices in Tbilisi.

Analysis of financial statements

Balance sheet data

As of 30 June 2016 **Investment property** comprised 34.1% of total assets amounting GEL 104.2mn**.** It consists of two parts: commercial properties (GEL 37.2 mn) and lands for development (GEL 67mn). On 31 December 2015 investment property amounted to GEL 109.9mn, translating into 73.6% increase compared to the previous year: land value increased by GEL 21.0mn of which GEL 9.2mn was from revaluation and GEL 8.1mn was due to the new land purchases, with remaining GEL 3.7 attributable to capitalisations; while commercial properties increased by GEL 28.1mn of which GEL 7.5mn was from revaluation, GEL 9.0mn was due to the development of new projects and GEL 11.6mn was attributable to in-kind contribution of investment property from the parent.

Inventory property is the largest asset item comprising 38.6% of total assets, totaling GEL 119.8mn as of 30 June 2016, compared to GEL 98mn on 31 December 2015 and GEL 77.3mn on 31 December 2014. Growth is healthy and is derived from increase in number of new projects. Projects under development are recognized as inventory property, which includes land value, construction costs and all other direct costs associated with the project implementation. The item is classified as current and non-current according to the maturity of projects, namely development projects that are planned to be completed within 12 month period are classified as current inventory property, while projects due within more than 12 months are classified as non-current inventory property. As of 30 June 2016 current Inventory property comprises 44% of the total Inventory property.

Prepayments and other assets consist of two major components: VAT prepayment and prepayments for inventory properties. The break-down is as follows:

Prepayments and other assets (GEL '000)	**30-Jun-16**		**31-Dec-15**		**31-Dec-14**	
Prepayments for inventory properties	14,535	37.7%	21,918	55.8%	8,908	55.2%
VAT prepayment	18,804	48.8%	12,878	32.8%	5,215	32.3%
Property and equipment	1,594	4.1%	1,370	3.5%	788	4.9%
Other current assets	1,174	3.0%	884	2.3%	325	2.0%
Other non-current assets	2,400	6.2%	2,231	5.7%	901	5.6%
Total	**38,507**		**39,281**		**16,137**	

Total equity: As of 30 June 2016 total equity amounted to GEL 111.4mn; while the respective figure on 31 December 2015 was GEL 106.8mn (4% growth – due to growth in retained earnings).

Company experienced significant growth of 34% (GEL 26.9mn) in the total equity in 2015. Growth was derived partly due to the retained earnings growth for the Y2015 and partly due to the increase in share premium as shown in the table below.

Equity (mn GEL)	**30-Jun-16**	**31-Dec-15**	**31-Dec-14**
Share capital	4.2	4.2	2.8
Share premium	84.8	85	71.8
Pooling reserve	-	-	0.7
Accumulated losses/Retained earnings	22.4	17.6	4.5
Total equity	**111.4**	**106.8**	**79.9**

Deferred revenue consists of amounts received in advance from buyers and as a project is completed the amounts are transferred to income statement as sales of inventory property. This item is increasing from year to year as the Company commences new projects (it grew by 18.7% in first half of 2016 and 39.2% in 2015).

Debt securities issued In March 2015 the Group completed issuance of 2-year local bonds of USD 20 million, registered on Georgian Stock Exchange. The bonds were issued at par carrying 9.5% coupon rate per annum with semi-annual payments. Fair value of debt securities amounted to GEL 49.3 mn as of 31 December 2015 (2014: GEL 29,2 mn), categorized within level 2 of fair value hierarchy. As of 31 June 2016 Debt securities issued are classified as short term liabilities and amount GEL 47.5mn.

Short-term loans amounted to GEL 2,2 mn as at 31 December 2015. Investment property with carrying value of GEL 4,8mn was pledged as collateral under this loan. In 2016 the short-term loans decreased to 0.13 mn. The following table provides a breakdown of the Company's borrowings as of 31 August 2016:

Outstanding borrowings as of 31 August 2016

Facility type	Currency	Initial Date	Interest Rate	Maturity Date	Amount, FC	Amount, GEL	Accrued %, US$	Accrued %, GEL
Bonds	USD	3/20/2015	9.50%	3/20/2017	20,000,000	46,112,000	900,808	2,076,903
IFC	USD	2/16/2016	7.43%[7]	12/15/2019	15,000,000	34,584,000	241,527	556,864
TBC Loan	USD	7/19/2016	8.00%	7/8/2026	992,500	2,288,308	5,003	11,536
KSB Loan	GEL	4/3/2015	11.00%	3/23/2017	717,038	1,653,203	7,131	16,441

The Company's off-balance sheet liabilities as of 31 August 2016 are as follows:

Facility type	Currency	Initial Date	Interest Rate	Maturity Date	Amount	Beneficiary	Collateral
Performance guarantee	GEL	3/6/2014	3.50%	3/28/2019	2,520,000	National Agency of State Property	Land and Building on Melikishvili ave. 10

Currently the Company is conducting a litigation process with Ministry of Finance of Georgia. The Revenue Service under the Ministry of Finance inspected the Company for the years 2006-2012 and imposed GEL 4.5mn penalty that the Company challenged in courts. The Company recently won this case in the Court of Appeals, which will most likely be challenged by the tax authorities at the Supreme Court. Due to the fact that the Company won previous two instances the Company estimates chances of losing the case as remote. Moreover, the Company management considers that even if the Company loses this court case, it will not have any material effect on the Company's financial condition.

Income statement data

Income statement shows significant fluctuations due to the accounting standards effective during represented reporting periods. According to IFRS the Company can recognize the revenues only after the project is completed. Therefore the revenues from development (sales of inventory property) vary across the years. In 2014 new standard has been introduced (IFRS 15) that is expected to be effective and become compulsory on 1 January 2017. This standard is expected to allow the Company to be able to recognize revenues and costs according to the percentage of completion method, thus the income statement will become consistent in representing the revenues and respective costs over the course of the project.

The Company's main business activity is development of real estate (sales of inventory property). Other income sources of the Company are rent income and revaluation of investment property. In 2015, sales of inventory property accounted for 95.6% of the company's revenue.

[7] 6,5% + 6m Libor

Sales of inventory property: 2015 and 2016 revenue streams were derived from the sale of Residential Area, Commercial area and Parking lot area. In 2015, sale of Inventory property has decreased by 21.2% (GEL 12.0mn) compared to the previous year: residential area revenue decreased by 17.6% (GEL 9.3mn), commercial area decreased by 80.9% (GEL 1.9mn) and parking lot area decreased by 54.8% (GEL 0.8mn). Decrease in sales can be explained by the economic slowdown in the country and by strengthening competition. GEL devaluation against USD had a major negative impact on the customers. In the first half of the 2015, despite the declining selling prices on the residential market, the Company held its prices unchanged and hence was unable to maintain its historical level of sales. In the third quarter of 2015, company corrected its selling prices downward and initiated attractive promotional offerings for the customers, which improved company sales in the second half of 2015.

Rental income is derived from the rent of the Company's commercial investment property and remains stable**.**

Gross profit margin has increased from 14.3% in 2015 to 22.2% in 2016 whereas EBITDA margin has decreased from 45% to 16.9% over the same period. This was due to net gain from revaluation (GEL 16.7mn) of investment property in 2015.

Net gain from revaluation of investment property: in 2015 net gain from revaluation comprised GEL 16.7mn.IFRS requires revaluation of land plots classified as investment property before commencement of the development project and at each reporting date. Therefore the amounts shown in income statement represent revaluation of project land plots that were commenced in respective years and revaluation attributable to other investment properties held by the Company. The revaluations are performed by independent consultants, namely Paragon Ltd. and Colliers International Georgia.

Major cost items of the Company are: employee benefit expense, other general and administrative expenses and marketing and selling expenses. They represent 2,0%, 4,4%, 5,9% of revenue respectively. In 2015, other general and administrative expenses increased by 20.2% and marketing and selling expenses increased by 15.7%.

Company has not distributed dividends for the past two years as described in the audited financial statements.

Cash flow statement data

Operating income: in the first half of 2016, cash received from the sale of residential properties increased by 33.8% compared to the respective period of 2015 and comprised GEL 36.2mn. Increase in revenues was primarily driven by improved country's economic conditions and by recovering market after economic shocks in the first half of 2015. (See Georgian residential market and its potential pg.19***)***

Income from commercial property lease, which comprised 3% of the cash income in the first half of 2016, increased by 51% compared to the respective period in 2015 and amounted GEL 1.2mn. Growth was driven by increase in number of commercial property held for leasing.

Operating expenses: : in the first half of the 2016 cash expenses on constructions increased by 69% compared to the respective period of 2015 and comprised GEL 46.5mn. Increase in operating expenses relates to increase in number of new project constructions, which in turn is a result of improvement of economic condition of the country.

Expenses related to investing activities are quite volatile and depends on the Company's opportunities to buy new lands, commercial properties or other assets. In the first half of 2016 the Company spent GEL 2.3mn for purchasing investment assets. Respective number in 2015 was GEL 8.9mn.

In the first half of 2016 expenses related to development of investment projects (building commercial properties) increased by 42% compared to the first half of 2015 and amounted GEL 4.3mn.

Main source for project financing in the first half of 2015 was the issuance of the bonds (net cash from financing activities - GEL 10.7mn), while in the first 6 month of the 2016 Company withdrew IFC loan (net cash from financing activities - GEL 35.8mn)

As of 30 June 2016, cash held on Company accounts amounts GEL 42.5mn.

Major financial ratio analysis	30-Jun-16	31-Dec-15	30-Jun-15	31-Dec-14
Current ratio	2.06	2.27	2.08	1.88
Quick ratio	0.53	0.57	0.79	0.51
Debt/Equity	0.75	0.48	0.63	0.41
Gross profit margin	0.22	0.14	0.18	0.20
EBITDA Margin	0.14	0.01	0.38	0.11
Debt/EBITDA	N/A[8]	61.3	N/A	5.0
EBITDA/Interest	36.2	0.8	7.6	23.0

Liquidity ratios remained stable for the past 2 years, which indicates strong financial standing of the company.

Debt/Equity ratio has increased for the past two years, but it’s still in the reasonably acceptable range. Debt/EBITDA ratio is not reflective of reality in this case, because revenue recognition takes place only after the completion of the project, therefore profit in the financial statements is recognized upon handover of the apartments to the clients, following the completion of the projects. The management of the Company expects that Georgia will enforce a new financial standard, enabling the Company to recognize revenue proportionally to the construction stage of the project. This standard is expected to be enforced in 2017.

[8] Estimating yearly EBITDA from half year figures in this business sector would be a very rough estimate, therefore ratios on half year periods is not calculated.

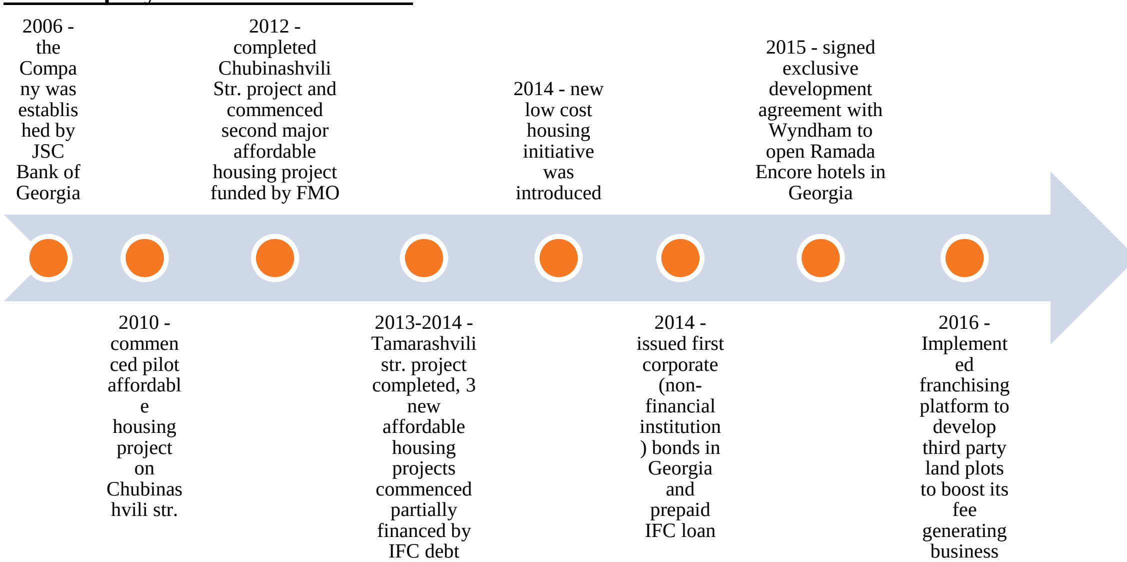
DESCRIPTION OF BUSINESS

The Company was established by JSC Bank of Georgia in 2006. Initially the Company conducted acquisition of several major commercial real estate properties, some of which were re-developed and retained for yield generating purposes. During early stage of development the Company was actively engaged in raising debt/equity from both private and institutional investors. Additionally the Company's management team and staff members were involved in major third party projects through rendering project management services, such as:

- ✓ Conversion of the landmark property in Tbilisi purchased by Bank of Georgia in 2008 into its new headquarters in August 2010. The Company's management team successfully carried out management for this project and completed it on time (within 14 months) and within budget of EUR 13mn. The project included renovation of the existing shell and core structure of the building (c. 12,000 m^2), construction of underground parking of c. 3,000 m^2 and construction of cafeteria and health club.
- ✓ Construction of the 5 hospitals owned by Aldagi (largest insurance company in Georgia, Bgeo Group member) in West Georgia in the cities of Kutaisi (7,700 m^2) , Poti (6,300 m^2), Terjola (1,300 m^2), Khoni (1,200 m^2) and Tkibuli (1,300 m^2)
- ✓ Construction of 2 hospitals owned by Archimedes Global Georgia (insurance company) in East Georgia in the cities of Lagodekhi (1,300 m^2) and Tsnori (1,800 m^2)
- ✓ Development of the car market in Rustavi, with the total area of development extended upon a land plot of 23 ha. Phase 1 included construction of the car parking area/market on 11 ha (c. 3,000 cars) and premises of circa 1,500 m^2. The project was funded by Caucasus Auto House LLC.

In 2010, the Company made first steps into the residential development. At that point the demand seemed to be quite robust. Major players on the market were not active due to financial and operational problems. The Company undertook a pilot project, a relatively small one and at the same time tested a concept of delivering turnkey apartments, a new concept on the residential market. Having been engaged in rendering brokerage services to third parties before, the Company was ready to sell apartments through its own sales force. Eventually, almost of the apartments were sold before finishing the project, maintaining construction within the budgeted costs and time schedule, commissioning the developments duly, retaining planned profitability and IRR.

<u>The Company – timeline of milestones</u>



Company has an experience of providing brokerage and project management services to third parties, which allowed the Company to gain expertise in real estate development industry and establish a strong management team, supported by qualified sales force and project management personnel. The Company has already successfully completed six residential projects and 3 new developments are under construction. Table below presents the details of projects as of 31 August 2016:

Completed projects				**On-going projects**	
68 Chubinashvili Str. project		**71 Vazha-Pshavela Ave. project**		**10 Kartozia Str. project**	
Project status:	Completed	Project status:	completed	Project status:	expected completion
	(2010-2012)		(2013-2015)		on 09/2018
Number of apartments:	123	Number of apartments:	221	Number of apartments:	819
Total development cost:	USD 7.6mn	Total development cost:	USD 14.8mn	Total development cost:	USD 59.6mn
Sales progress:	100%	Sales progress:	99% (12/2013)	Sales progress:	31% (since 11/2015)
Project net income:	USD 1.3mn	Project expected net income:	USD 2.2mn	Project expected net income:	USD 7.9mn
Land value materialized:	USD 0.9mn	Land value materialized:	USD 2.2mn	Land value materialized:	USD 5.8mn
Project IRR	47% (unleveraged)	Project IRR	58% (unleveraged)	Project IRR	60% (unleveraged)
13 Tamarashvili Str. project		**6 Tamarashvili Str. Project**		**Skyline**	
Project status:	Completed	Project status:	completed	Project status:	expected completion
	(2012-2014)		(2014-2016)		on 12/2016
Number of apartments:	525	Number of apartments:	270	Number of apartments:	19
Total development cost:	USD 40.4mn	Total development cost:	USD 18.5mn	Total development cost:	USD 7.8mn
Sales progress:	100%	Sales progress:	82% (since 07/2014)	Sales progress:	53% (since 12/2015)
Project net income:	USD 5.7mn	Project expected net income:	USD 4.2mn	Project expected net income:	USD 0.4mn
Land value materialized:	USD 5.4mn	Land value materialized:	USD 2.7mn	Land value materialized:	USD 3.1mn
Project IRR	46% (unleveraged)	Project IRR	71% (unleveraged)	Project IRR	329% (unleveraged)
25 Kazbegi Ave. project		**Moscow Ave. project**		**15 Kazbegi Ave. project**	
Project status:	Completed	Project status:	completed	Project status:	expected completion
	(2013-2016)		(2014-2016)		on 11/2018
Number of apartments:	295	Number of apartments:	238	Number of apartments:	302
Total development cost:	USD 20.4mn	Total development cost:	USD 11.6mn	Total development cost:	USD 37.0mn
Sales progress:	98% (since 12/2013)	Sales progress:	76% (since 09/2014)	Sales progress:	18% (since 06/2016)
Project expected net income:	USD 6.6mn	Project expected net income:	USD 0.8mn	Project expected net income:	USD 6.3mn
Land value materialized:	USD 3.6mn	Land value materialized:	USD 1.6mn	Land value materialized:	USD 4.3mn
Project IRR	165% (unleveraged)	Project IRR	31% (unleveraged)	Project IRR	51% (unleveraged)

Company has already spent GEL 91.7mn on on-going projects (34% of the total project cost). GEL 210.9mn is anticipated to be received from the sale of remaining apartments of the projects. Remaining costs of constructions (GEL 178.6mn) will be partially financed from proceed of sales while remaining costs will be covered from IFC loan (GEL 34.5mn)

Company also intends to implement following projects:

- ✓ **Kavtaradze Project.** The project commencement is planned in last quarter of 2016 and is expected to be completed in March 2019. The project's total estimated cost (incl. VAT) is USD 22,6mn.

- ✓ **50 Chavchavadze Ave. Project.** The project commencement is planned in November 2016 and is expected to be completed in May 2018. The project's total estimated cost (incl. VAT) is USD 11,2mn.

- ✓ **10 Melikishvili ave. Project :**
  (Residential) - The project commencement is planned in December 2016 and is expected to be completed in June 2018. The project's total estimated cost (incl. VAT) is USD 4,2mn.
  (Hotel Ramada Encore) - The project commencement is planned in December 2016 and is expected to be completed in June 2018. The project's total estimated cost (incl. VAT) is USD 11,9mn.

Anticipated financing structure of on-going and planned projects is as follows: presales – 50%, equity – 20% and loans- 30%.

Another core business of the Company is acquisition and development of yield generating investment assets. The Company opportunistically acquires/develops high street retail with capital gain upside and creates portfolio of high street retail property with high annual yields. The Company also retains ground floor retail spaces within its own residential developments. Retention and further increase of the investment portfolio is a tool for diversification of business risks associated with residential development. Revenues from the investment portfolio held by the Company are additional source of financing operating costs. Below is the breakdown of the properties held by the Company as of today:

2015FY *(numbers are given in USD excluding VAT)*

Property	NLA	Appraisal value	Rent, p. a.	Occupancy	Yield
3 Iumoshevi Str.	2,611	456,100	32,737	78.54%	7.18%
6 Iumoshevi Str.	5,556	1,151,000	151,243	79.61%	13.14%
80 Aghmashenebeli Str.	880	1,099,000	125,329	100.00%	11.40%
34 Kazbegi Ave	1,135	1,741,000	226,985	100.00%	13.04%
1 Khizanishvili Str.	3,365	3,200,000	129,443	45.45%	4.05%
Gori	244	100,769	8,931	100.00%	13.29%
Marneuli	445	230,573	16,485	87.50%	12.26%
183 Nucubidze str.	99	100,578	4,411	62.50%	13.16%
19 Shartava ave., Rustavi	154	64,814	3,256	62.50%	12.06%
7 Erekle II ave., Telavi	178	103,573	8,129	87.50%	13.46%
Total	**14,667**	**8,247,408**	**706,951**	**N/A**	**8.87%**

2016 8 months fact (*numbers are given in USD excluding VAT)*

Property	NLA	Appraisal value	Rent, p. a.	Occupancy	Yield
3 Iumoshevi Str.	2,616	456,100	18,800	36.22%	6.18%
6 Iumoshevi Str.	5,451	1,151,000	91,349	86.08%	11.90%
80 Aghmashenebeli Str.	880	1,099,000	83,553	100.00%	11.40%

34 Kazbegi Ave	1,135	1,741,000	169,492	100.00%	14.60%
1 Khizanishvili Str.	3,094	3,200,000	112,608	96.12%	5.28%
Gori	244	100,769	8,249	100.00%	12.28%
Marneuli	445	230,573	18,874	100.00%	12.28%
183 Nucubidze str.	99	100,578	8,814	100.00%	13.14%
19 Shartava ave., Rustavi	154	64,814	7,458	100.00%	17.26%
7 Erekle II ave., Telavi	178	103,573	8,478	100.00%	12.28%
103 Kakheti Highway	2,060	1,277,000	66,592	100.00%	7.82%
25 Kazbegi Ave.	1,169	3,110,169	54,303	89.49%	2.99%
77 Shartava str.	2,329	1,146,691	15,669	100.00%	16.40%
13 Tamarashvili str.	476	448,000	30,995	86.12%	10.38%
Total	**20,993**	**14,958,568**	**1,223,248**	**N/A**	**8.18%**

As part of its strategy in housing market the Company is offering owners of the land plots in Georgia its franchising platform to develop the land plots. As a result the Company will receive fixed fees as well as share in a profit of the project. This strategy allows the Company to use its rich expertise and sales channels to develop and sell housing units without tying up its own capital in a land bank. Company's goal is to expand the fee generating business so that it becomes a major source of revenue for the company in the medium to long run.

To cater the needs of growing budget travelers to Georgia the Company entered hospitality sector and has plans to develop 3-star hotels in Georgia. The Company has signed exclusive development agreement with Wyndham to open Ramada Encore hotels in Georgia. Construction of a 152-room hotel in Tbilisi has already commenced. The Company plans to develop at least two more hotels with minimum 100 rooms each. One of them will be located in Tbilisi and another in Kutaisi - the second largest city in Georgia with budget airport hosting low cost airlines.

Project financing overview

The Company has been intensively working with International Financial Institutions to finance residential developments. To finance the residential development project on 13 Tamarasvhili Str., which is the largest completed project so far, the Issuer obtained project funds from FMO (Dutch Development Fund) – USD 20mn senior debt in 2011. Due to large sales the Company drew down only half of the facility, another half was cancelled. In 2013, the Company prepaid the loan.

In order to finance 3 new projects (25 Kazbegi Ave., 71 Vazha-Pshavela Ave. and 6 Tamarashvili St.), the Company started working with IFC (International Finance Corporation – World Bank Group). In 2014, IFC together with the Canadian Government (Canada Climate Change Program) provided USD 14mn revolving credit line to the Company. USD 4mn was obtained from the Canadian Government, which represent concessional funding granted for the energy efficiency components delivered by the Company in its residential developments. Due to strong pre-sales the Company drew down only USD 5mn. The loan was prepaid.

In 2014, the Company also applied to Green for Growth Fund (GGF), which approved EUR 14mn corporate facility to Bank of Georgia JSC for further on-lending to the Company. The energy efficiency components delivered by the Company in its residential developments played significant role in obtaining financing. First tranche (USD 2.5mn) was drawn down for the projects on 14a Moscow Ave. (the first project under m2 Optima line). The loan was prepaid.

In 2014, the Company became the first developer in Georgia to issue bonds. In April 2014, USD 5mn bonds were issued followed by second issuance of USD 10mn in June 2014 and by third issuance of USD 20mn bonds in March 2015, maturing in March 2017. Bonds were successfully placed on the background of strong investor interest.

In 2015 IFC, together with GGF, provided USD 23mn corporate facility to finance residential developments. USD 15mn was drawn down to finance the biggest residential project carried out by the Company so far. To finance the construction of the 1st Ramada Encore hotel, IFC has also approved a USD 7mn senior debt with 11 year maturity.

Additional services for residential developments

The Company has an outstanding track record of sales performance that is due to the quality products and the flexible buying terms offered to customers. There are several payment options offered by the Company to its buyers:

- ✓ In-house finance: This means down paying 20%-30% (depending on a project) of the price and then paying the rest through quarterly/semi-annual installments till the end of the construction.
- ✓ Full prepayment in which case the company offers discounts.
- ✓ Mortgage loan: The Company offers a tailored mortgage lending programs through top two banks in Georgia (Bank of Georgia and TBC Bank), which enable the potential buyers to obtain a loan at market rates secured with the apartment being purchased and with no additional collateral requirements . Purchases made with mortgage loans qualify as full prepayments as the proceeds are immediately collected by the Company therefore full prepayment discount is granted to a buyer who uses mortgage loan to purchase the apartment.

Having introduced m2 optima product line, the Company also developed a new mortgage lending program through Bank of Georgia which offers up to 20-year tenor for mortgage loans; such terms substantially increase affordability of the mentioned product.

The Company was one of the first companies in Georgia to introduce the property management service after construction completion.

Strategy

The Company has established itself as a leading developer of housing in the capital city of Georgia. Primary focus of Company's strategy is to expand multi-family residential projects for middle income segment as well as low cost housing. The Company will also engage itself in small scale luxury developments in premium locations on a very selective basis.

As part of its strategy in housing market the Company is offering owners of the land plots in Georgia its franchising platform to develop the land plots. As a result the Company will receive fixed fees as well as share in a profit of the project. This strategy allows the Company to use its rich expertise and sales channels to develop and sell housing units without tying up its own capital in a land bank. M2's goal is to expand the fee generating business so that it becomes a major source of revenue for the company in the medium to long run.

To cater the needs of growing budget travelers to Georgia the Company entered hospitality sector and has plans to develop 3-star hotels in Georgia. The Company has signed exclusive development agreement with Wyndham to open Ramada Encore hotels in Georgia. Construction of a 152-room hotel in Tbilisi has already commenced. The Company plans to develop at least two more hotels with minimum 100 rooms each. One of them will be located in Tbilisi and another in Kutaisi - the second largest city in Georgia with budget airport hosting low cost airlines.

As part of its strategy to grow portfolio of income generating assets, The Company retains ownership of ground floors of its multi-family developments and leases them. The Company's strategy is to grow this portfolio further both organically and by means of opportunistic acquisitions of commercial properties in prime location in major cities of Georgia targeting annual yield of 10% on a fair market value of the income generating portfolio.

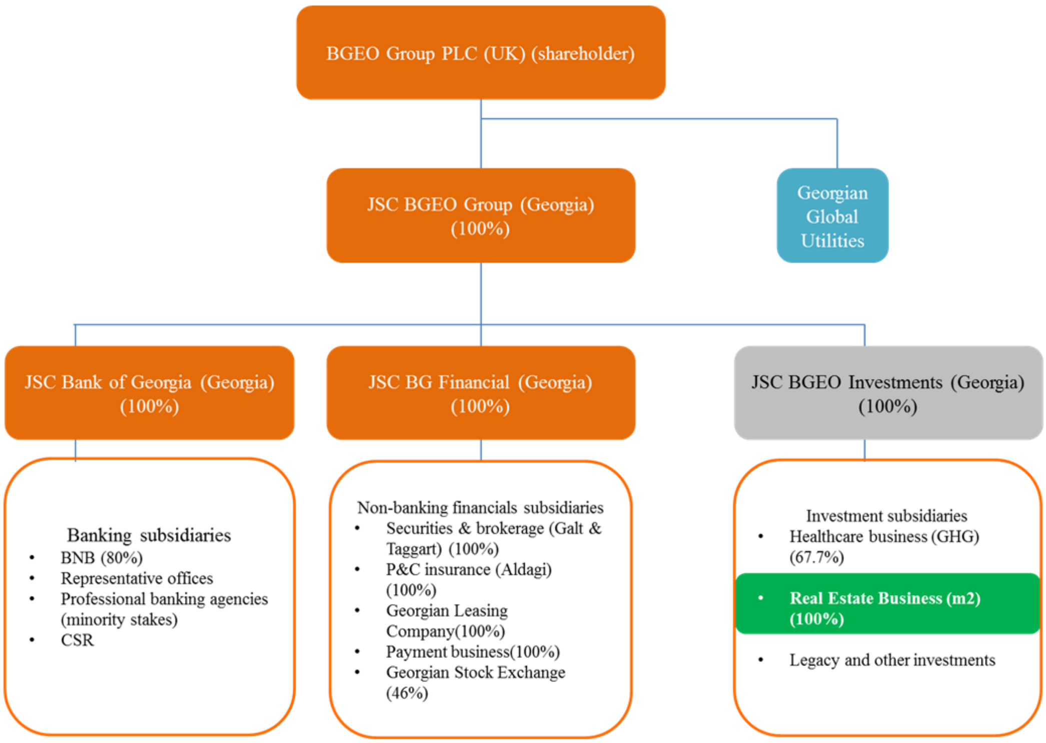
Recent developments

JSC Galt & Taggart has expressed a non-binding interest to subscribe and pay for Bonds in an estimated aggregate nominal amount up to U.S.$5.0 million. The Galt & Taggart investment is subject to the approval of the Galt & Taggart Board of Directors. The Galt & Taggart would hold the Bonds *pari passu* with all other bondholders and benefit from the rights given to all other bondholders.

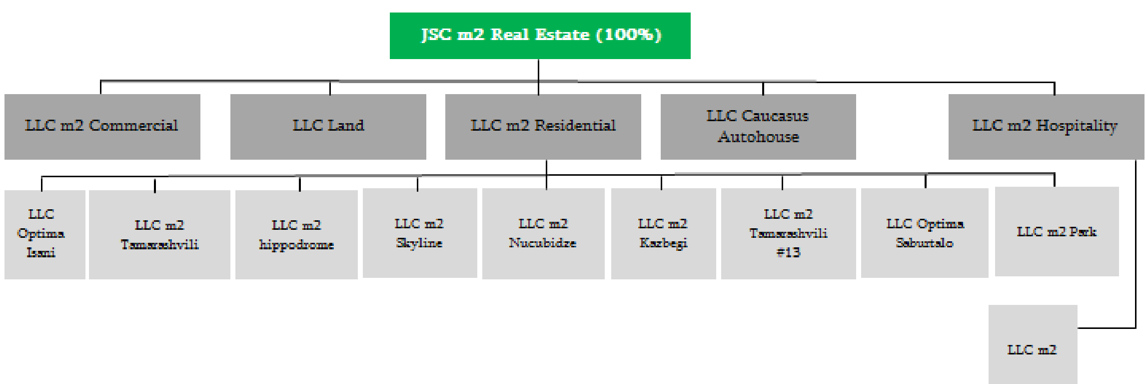
Shareholder structure

The group ultimate shareholder is BGEO Group plc (BGEO), which is a UK public limited company listed on the main market of the London Stock Exchange (BGEO:LN). BGEO holds the assets in Georgia through JSC BGEO Group. The Company does not depend financially or operationally on other subsidiaries of the group.

The shareholding structure of the company and BGEO Group PLC is the following:



The Company has the following structure:



REGULATION OF REAL ESTATE DEVELOPMENT IN GEORGIA

Development in the regulatory framework

Following activities are regulated by law: the building permits for new development projects and commissioning the building after the construction phase is completed.

Generally obtaining the building permit for the new project needs to go through following three stages:

1. **Land zoning parameters**
   On the first stage, 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.

2. **Architectural project (full set of drawings)**
   On the second stage 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.

3. **Construction permit**
   Generally second and third stages can be passed within one application. In addition to the previously mandated set of documents at this stage the 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.

   The last stage of the process is the commissioning of the building itself. Commissioning order is issued by the City Hall after the respective audit of the building. A special committee is appointed to do the review/monitoring of the completed project and compare it to the initial project parameters. Up to one month is required to commission the building, followed by the transfer of the title to the owners.

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Additional Requirements Applicable to Reporting Companies

Reporting requirements

Following public offering of the Bonds, the Company will become a Reporting Company within the meaning of the Law of Georgia on Securities Market ("**Securities Law**") defined as a company that has placed securities through public offering or whose securities are admitted to trading on a stock exchange.

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

Approval of Interested/Related Party Transactions

The Securities Law regulates interested party transactions and sets various approval and transparency requirements for a Reporting Company. Except as noted below, these requirements do not apply to transactions concluded between: (i) a company and its wholly-owned subsidiary; and (ii) a company and its 100% shareholder.

If a Reporting Company enters into a transaction and a member of its management body or a holder of 20% or more of its voting shares (or a related person of any such person) (a) has some relation to the transaction counterparty (such as by directly or indirectly holding 20% of its shares or by being a member of its supervisory or management board) or (b) receives a benefit from it, that person will be regarded as an "**Interested Party**" for the purposes of the Securities Law. In general, the Interested Party must notify the supervisory board and, depending on the value of the transaction, the general meeting of shareholders, of that party's interest in the transaction to be concluded. The supervisory board or the general meeting of shareholders (as applicable) must approve the transaction. Reporting Companies are required to provide information about Interested Party transactions to the NBG and publish information about such transactions (including those concluded with wholly-owned subsidiaries and with 100% shareholders).

If a transaction is concluded in violation of the rules described above, a member of management body of the Reporting Company or its shareholder (or group of shareholders) holding 5% or more of the shares in the Reporting Company are entitled to sue the Interested Party for damages and the return of any benefit received from the transaction. The plaintiff must establish that Reporting Company suffered damages as a result of the Interested Party transaction and had there been no such interested party, the transaction would have been concluded on better terms. Invalidation of the transaction may be requested within 18 months from the date of its conclusion.

POLICIES AND PROCEDURES

The company has established procedures for residential development projects from concept development to project implementation.

Figure 1 – Residential development planning

Procedures are discussed in detail below according to the consecutive steps taken:

1. Concept development
   - ✓ The Company is screening available land plots for possible residential development and decides on the target client segments
   - ✓ The Company's sales force goes through brainstorming sessions regarding the target customers, potential apartment layouts and project details coming up with the rough plans of a new project.
   - ✓ The Company's own architect works on rough renders and designs of the new residential project (incl. block structure, layouts of the apartments, common area structure, preliminary landscaping, etc.).
   - ✓ Based on the above exercises the Company comes up with the preliminary floor plans.
   - ✓ Preparation of the financial model based on the parameters deriving from the concept planning.

2. Concept testing
   - ✓ The Company hires third party consultancy in order to carry out a market research and analyze following issues: location, pricing, potential customers, competitors in the area, etc. This is done with the help of consulting companies working on qualitative and quantitative research.
   - ✓ Based on results obtained through market studies, the Company adjusts the concept of the project adequately, if needed.

3. Planning
   - ✓ The actual working phase on the concept starts with hiring an architectural and engineering company responsible for delivering architectural, structural and MEP projects.
   - ✓ The Company hires an independent cost consultant for every project who prepares detailed bill of quantities.

- ✓ The output prepared by the Company, architects, engineers and cost consultant are checked either by the independent engineer hired by the Issuer or lender's engineer who is appointed by the lender, which provides financing to the project.
- ✓ Construction permit is obtained as outlined within the section "*Regulation of Real Estate Development in Georgia*".
- ✓ Top managers together with in-house architect review the final project before the tendering process is commenced and submit the project for board approval.

4. Tender
   - ✓ The final bill of quantity is prepared for the bidders by the cost consultant. It is provided to the tender participants as recommendation; Participants should prepare their own bill of quantities. As a rule the tender is held privately with 5-6 participants,
   - ✓ After the bids are taken, the comparative analysis is conducted to evaluate and select the best value for money bid.
   - ✓ Together with the successful tenderer the cost consultant goes through the value engineering process, where the project can be altered through exploring the possibilities of project optimization.
   - ✓ After the value engineering is completed the final development budget is ready.
   - ✓ Board approval for the selection of general contractor
   - ✓ The Company always executes a contract with a single general contractor (the best bidder from the tender), for the total amount of works.

5. Project launching
   - ✓ For every new project the sales staff is trained extensively and different sales techniques are employed tailored for the project specificities.
   - ✓ In parallel with the trainings specific sales program is prepared to achieve the best sales results.
   - ✓ After the sales program is prepared the respective promo materials are also prepared.
   - ✓ Having finished the above items the Company launches the sales campaign

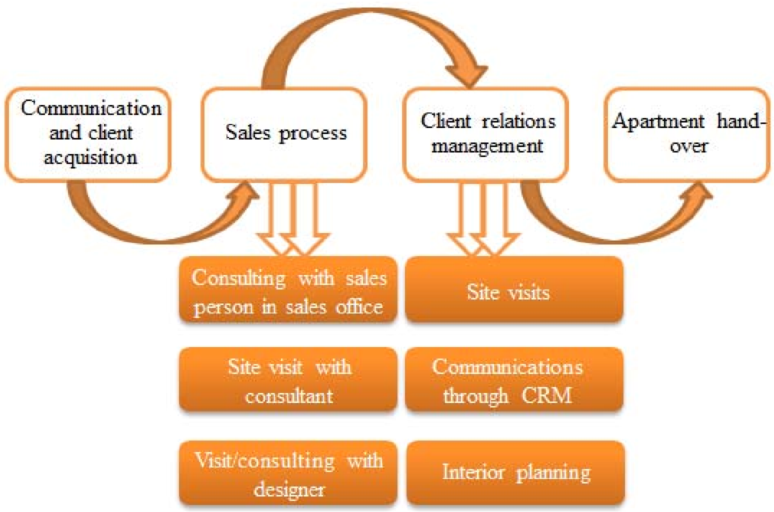
Before offering the new product to the market the Issuer actively applies the pre-sales practice. Before starting the sales process a list of potential buyers of the product is established. In general the number of the buyers on the list is not less than the number of the apartments within the respective residential development. The sales team contacts the potential buyers and makes the offering regarding new residential development. According to the Company statistics, the average conversion rate of the clients on the waiting list to the actual buyers is between 25%-30%.

There are financial requirements set out by the Company that need to be followed in order to execute residential projects. The profitability requirement for every feasible project is as follows: required IRR for luxury housing – 40%, for standard housing – 35% and for optima housing – 30%. The financing structure of the project should satisfy following requirements:

- ✓ Maximum reliance on pre-sales to finance total project costs (cash costs) should not be higher than 50% of total project costs.
- ✓ Leverage should not be lower than 30%
- ✓ Equity not higher than 20% including land value

Project launching is followed by the extensive sales and marketing efforts to keep the customers satisfied at every level before the project completion.

Figure 2 – Sales and marketing



1. Customers are either contacted directly by the sales staff on the basis of available customer data, or they approach the Company as the information about launching new project becomes available through different media channels.
2. As the potential customer expresses the interest, sales staff consults the customer regarding target property in sales office, sales consultant provides a tour to the construction site and the designed counsels the customer regarding the optimal interior planning/renovation materials.
3. After buying an apartment a client relations manager is assigned to the customer. CRM organizes site visits and meetings with the designer, provides the information concerning the construction progress status, monitors the payment schedule and deals with any inquiries coming up from the customer. He/she serves as a direct contact person from the Company side.
4. After the apartment is handed over, the Company still maintains the relationship with customers; for the next 1 year after the completion of construction the Company offers additional services to customers, such as 24/7 security of the community, cleaning of common area, maintenance of elevators and the green area etc.

After the project is launched and construction process is initiated the thorough monitoring of the construction progress is executed. The Issuer employs qualified project management team which monitors construction on-site. Most of the construction management standards adopted by the Company are incorporated into the construction agreement with the selected general contractor. The appointed project management team (mostly 2 individuals for a middle-size residential project) is required to communicate to general contractor the requirements set forth by the construction agreement. The team is responsible for the following activities:

- ✓ Monitoring the construction budget and time schedule
- ✓ Testing of major construction materials, quality of on-site works
- ✓ Monitoring the compliance with environmental and social, health and safety policies
- ✓ Reviewing architectural and MEP project and making sure that general contractor strictly complies with the approved projects

Project management team is also heavily involved in dealing with independent engineers, engineers hired by the lender and the consultants who are employed by the Company to provide any additional training to the staff of the Issuer and the general contractor.

In order to manage construction progress across several projects simultaneously, the Company has developed and successfully implemented a unified project management system which enables it to monitor construction progress and quality according to the general guidelines on daily basis.

MANAGEMENT AND EMPLOYEES

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 ordinary General Meeting is held annually, while extraordinary General Meeting can be held based on written request of Supervisory Board, General Director or shareholder(s) who hold at least 5% of the ownership interest of the Company. The majority of decisions at the General Meeting are adopted by simple majority; however there are cases when 2/3 or 3/4 of the votes is needed to adopt a decision. The resolutions that are passed by the General Meeting include:

- ✓ Approval and amendments to the charter;
- ✓ Merger, division or transformation of the Company into another legal entity;
- ✓ Appointment and dismissal of the Supervisory Board members;
- ✓ Approval of annual accounts;
- ✓ Distribution of net income;
- ✓ Approval of the Supervisory Board's and General Director's reports;
- ✓ Hiring of an auditor or special controlling body;
- ✓ Acquisition, sale or encumbrance of real property if the transaction exceeds 50% of the Company's total assets; and
- ✓ Other issues that fall within the competence of the General Meeting under the law and the Charter.

Supervisory Board

The Supervisory Board consists of 5 members, none of whom has the right to be the General Director of the Company at the same time. 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;
- ✓ Approval of the General Director's reports;
- ✓ 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;
- ✓ Acquisition, sale or encumbrance of real property if these activities are outside the ordinary course of the business or if the transaction exceeds 1% of last month's ending total assets;
- ✓ Establishment and liquidation of subsidiaries;
- ✓ 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;

- ✓ Taking of loans/credits, the value of which exceeds 2% of last month's ending total assets;
- ✓ Pledge of the property against loans/credits, if it is outside the ordinary course of business; and
- ✓ Other issues that fall within the competence of the General Meeting under the law and the Charter.

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

General Director

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

Organizational Chart

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

Chairman of Supervisory Board – Mr. Irakli Gilauri

Irakli Gilauri was appointed as an executive director of BGEO Group on 24 October 2011 and has been re-elected by shareholders at each AGM thereafter. Mr Gilauri has served as CEO of BGEO since 2011 and also serves as chairman of the supervisory board. He was CEO of JSC Bank of Georgia from May 2006 until the group's restructuring in September 2015. Mr Gilauri is also chairman of the supervisory board of GHG, insurance company Aldagi and the Tree of Life Foundation and is a member of the supervisory board of the following subsidiaries: Agron Group, BNB, Galt & Taggart Holdings and m2 Real Estate. He has also recently joined the supervisory board of GGU.

Skills and experience: Before his employment with the Bank, Irakli was a banker at the EBRD's Tbilisi and London offices for five years, where he worked on transactions involving debt and private equity investments in Georgian companies.

Education: Irakli received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick, Ireland, in 1998. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the Cass Business School of City University, London, where he obtained his MSc in Banking and International Finance.

Deputy Chairman of Supervisory Board – Mr. Avtandil Namicheishvili

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.

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)	12 months, expiring on 1 May 2019
Emzar Otkhozoria...................................	Deputy CEO in finance and operations	One year, automatic renewal
Shorena Darchiashvili.............................	Deputy CEO in sales and marketing	One year, automatic renewal

CEO– Mr. Irakli Burdiladze

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.

Deputy CEO in finance and operations – Mr. Emzar Otkhozoria

Emzar Otkhozoria is the Deputy CEO of the Company in charge of Finance and Operations. He previously worked as Chief Financial Officer, holding this position from May 2010 to February 2013. Emzar joined the Company in October 2007 as Chief Accountant. Prior to joining the Company, he was leading the Mathematics section in Demirell private college and Mathematics Olympiad team. He received a Master's degree in Mathematics from Tbilisi State University.

Deputy CEO in sales and marketing – Ms. Shorena Darchiashvili

Shorena Darchiashvili was appointed as a Deputy CEO in 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).

Employees

As of 31 August 2016, the Company had a total of 66 full-time employees. As of the date of this Prospectus, total number of Company employees is 66.

The Company places significant emphasis on the professional development of its employees. The Company's employees are offered the opportunity to train at specialist training centers and various educational institutions.

The Company is required to withhold income tax at the flat rate of 20.0% on the gross compensation of its employees.

Remuneration and Benefits

The remuneration of the Company's employees is comprised of a fixed monthly salary and a quarterly or annual bonus depending on the position in the Company. In addition. CEO's fixed remuneration includes BGEO shares component subject to 4 years vesting period. Overall, the Company offers a highly competitive remuneration and benefits package to its employees.

Bonus schemes: Sales personnel bonuses are based on a quantitative formula and they are paid on the quarterly basis, while the bonuses of senior managers have both quantitative and qualitative component and are paid on annual basis. Part of the bonus given to senior management is in the form BGEO shares is dependent on both Company performance and the manager achieving his KPIs and is subject to deferral, vesting over a two or three-year periods. The decision on bonuses is made by the General Director of the Company and is approved by the Supervisory Board. Certain restrictions apply to the timing of disposal of these securities.

Benefits:

- ✓ Every employee is included in an insurance scheme, with the Company contributing GEL 15 per month.
- ✓ Every employee is included in a pension scheme, with the Company contributing 1% of gross monthly salary.
- ✓ Training is held frequently for the professional development of employees financed by the Company.

The table below sets out the aggregate amount of the salaries, and other benefit expenses paid to employees for the years 2015 and 2014 (thousand GEL):

Name	2015	2014
Share-based compensation expense	2,628	1,521
Salary	1,623	1,287
Cash bonus	870	569
Total employee benefits	5,121	3,377
Employee benefits expense	943	1,139
Employee benefits capitalized in inventory	4,178	2,238
Total employee benefits	5,121	3,377

Note: the amount given in the table differs from the employee benefits expense in income statement, as part of the salaries and employee benefits expense directly attributable to development projects are capitalized in respective "inventory property" and are expensed through the "cost of sale - inventory property"

Litigation Statement

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

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

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholders

The company is ultimately owned and controlled by the BGEO Group PLC, previously known as the Bank of Georgia Holdings PLC. The BGEO is incorporated in the United Kingdom and listed on the London Stock Exchange.

Related Party Transactions

In the ordinary course of its business, the Company has engaged, and continues to engage, in transactions with related parties. Related parties include, among others, shareholders, all managers and senior personnel of the Company, companies affiliated with the Company and certain shareholders of such affiliated companies. Furthermore, parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control.

The Company is a Reporting Company within the meaning of the Securities Law. The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as Interested Parties (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the General Meeting of Shareholders. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements. Consequently, following public offering of Bonds, the Company's Meeting of Partners will have to approve transactions involving Interested Parties, except transactions with its 100% shareholders - Bank of Georgia. The Company seeks to conduct all related party transactions on market terms and at market prices.

The following table shows volumes of related party transactions, outstanding balances at the period end and related party expense and income for the periods indicated in Lari (‘000).

	2015			2014		
	Parent	Entities under common control	Key management personnel	Parent		Key management personnel
Cash and cash equivalents	-	27,986	-	23,897	-	-
Trade and other payables	-	27	-	29	-	-
Debt securities issued	-	2,196	192	-	-	-
Rental income	52	37	-	61	-	-
Rental expense	183	120	-	242	-	-
Finance income	-	-	-	-	-	-
Finance expense	80	1,045	14	177	-	-
Employees benefits expense	-	-	3,682	-	-	2,139
Insurance expense	-	138	-	-	77	-
Other operating expense	-	-	-	-	-	-

Conflict of Interest

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

TERMS AND CONDITIONS OF THE BONDS

The issue of US$25,000,000 (twenty five million) with fixed interest rate of 7.5% Bonds due 7 October 2019 was authorised by a resolution of the Meeting of board of directors of the Company passed on 5 September 2016. The Bonds and the Bondholders' rights are governed by the Prospectus, including without limitation these Terms and Conditions and by the Agreement on Terms and Conditions of the Bonds between the Issuer and Nodia, Urumashvili and Partners LLC, as the Bondholders' Representative dated 5 October 2016 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Overview of the Offering*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement.

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

1. FORM, SPECIFIED DENOMINATION AND TITLE

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

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

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

(a) Bond Offering Process

The Placement Agent carries 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 Agent and/or its 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 Agent and/or a financial intermediary(ies) involved in the placement process provide to potential investors, in accordance with their preference, electronic link to the Prospectus, its scanned or printed version. The final Prospectus is 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 the Placement Agent. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agent. The deadline for accepting the application(s) for Bonds is determined unilaterally by the Placement Agent. 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 is being 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 Bonds. The Placement Agent must be notified of such decision immediately (no later than 2 pm 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 Bonds). Failure to notify the Placement Agent of such decision entitles the Placement Agent, at its 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 Agent makes an announcement on completion of the offering and notifies those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the final interest rate to be accrued on the Bonds and the number of Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of the completion of the offering, the applications of the potential investors that have been satisfied are irrevocable and binding upon such investors ("**Subscribing Investors**").

Subscribing Investors must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date. 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. 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.

Should the Subscribing Investors hold the issuer's bonds with the following ISIN and maturity date: ISIN - GE2700603295; Maturity Date - 20 March 2017 (hereinafter the "Earlier Bonds"), then such Subscribing Investors are given the option to pay the purchase amounts of the respective number of bonds by means of:

(i) setting off the purchase amounts of the respective number of bonds by the sums to be received by the Subscribing Investors as a result of the redemption of the Earlier Bonds (at the par value of the Earlier Bonds increased by 1% (1% being a premium for early redemption of the Earlier Bonds) and the interest rate accrued by the date of redemption). In this case the difference between the purchase amounts of the respective number of bonds and the sums to be received by the Subscribing Investors as a result of the redemption of the Earlier Bonds shall be covered by a cash via depositing money, no later than 2 business days prior to the Issue and Placement Date, by the Subscribing Investors with the brokerage account opened with the placement agent; or

(**ii**) Depositing (no later than 2 business days prior to the Issue and Placement Date) the purchase amounts of the respective number of bonds in full with the brokerage account opened by the Subscribing Investors with the placement agent or otherwise as prescribed in this Prospectus.

Furthermore, should the sums to be received by the Subscribing Investors as a result of the redemption of the Earlier Bonds exceed the purchase amounts of the respective number of bonds, then the excess shall be covered by the issuer within 5 business days from the Issue and Settlement Date via a bank transfer to the bank account registered with the Earlier Bonds' registry as it is prescribed in the prospectus prepared with respect to the Earlier Bonds.

The early redemption of the issuer's Earlier Bonds (at the par value of the Earlier Bonds increased by 1% (1% being a premium for early redemption of the Earlier Bonds) and the interest rate accrued by the date of redemption) will occur notwithstanding whether the purchase amounts of the respective number of bonds will be set off by the sums to be received by the Subscribing Investors as a result of the redemption of the Earlier Bonds.

Should the Subscribing Investors holding the Earlier Bonds decide not to set off the purchase amounts of the respective number of bonds by the sums to be received by them as a result of the redemption of the Earlier Bonds, then the issuer shall redeem the Earlier Bonds of the Subscribing Investors within 5 business days from the Issue and Settlement Date via a bank transfer to the bank account registered with the Earlier Bonds' registry as it is prescribed in the prospectus prepared with respect to the Earlier Bonds.

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 but no later than one month after the Bond placement, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

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

5. COVENANTS

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

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

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

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

(c) **Mergers**: The Issuer shall not, without the prior written consent of the Bondholders' Representative, (x) enter into any reorganisation (whether by way of a merger, division, or transformation to another legal form) or 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.

(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 10 per cent. of the total consolidated assets of the Issuer determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the disposal, provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) 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 from its inventory in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests", does not, at any time, exceed the greater of US$56,000,000 or 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.

(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, lease, 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 5 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 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 2015, exceeds the sum of:

(a) 50 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2015 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 2015from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2015 of any Indebtedness of the Issuer into or for share capital of the Issuer; or

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

(i) any Indebtedness, provided that:

(A) total Indebtedness of the Goup excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time exceed 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 50% (fifty 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.1)*. 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, 2017. 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 2019. 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 (06.00 PM) 3 Business Days before the due date for payment thereof (the "**Record Date**"). Payments shall be made by bank transfer in United States dollars to the bank account for such Bondholders and Nominal Holders as recorded in the Register on the Record Date. The Bondholders and Nominal Holders recorded in the Register shall procure that the Registrar has updated, complete and correct information regarding their respective bank account details where any payments pertaining to the Bonds shall be made. None of the Issuer, the Registrar nor the Calculation and Paying Agent shall be responsible for non-payment of any amount due if the Bondholder or Nominal Holder (as the case may be) has failed to provide its bank account details to the Registrar, or to update its bank account details as of the Record Date, as requested by the Issuer or the Registrar for its receipt of payments.

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

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

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

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

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

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

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

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

9. TAXATION

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

10. EVENTS OF DEFAULT

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

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

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

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

(d) **Insolvency**:

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

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

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

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer or any Material Subsidiary exceeds US$ 500,000 or the equivalent thereof in any other currency or currencies, or any such unsatisfied judgment, decree or order results in (a) the management of the Issuer or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer or any Material Subsidiary in the conduct of its business being wholly or partially curtailed, (b) all or a majority of the share capital of the Issuer or any Material Subsidiary or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets being seized, nationalised, expropriated or compulsorily acquired; or

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

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

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

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

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

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

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

A resolution in writing signed by or on behalf of the Bondholders who for the time being hold 75% or more of the outstanding Bonds will take effect as if it were an Extraordinary

Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

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

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

12. ENFORCEMENT

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

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

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

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

14. NOTICES

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

15. DEFINITIONS

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

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

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

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

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

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

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

"**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*";

"**Earlier Bonds**" means the issuer's bonds with ISIN GE2700603295 whose maturity date is as follows: 20 March 2017.

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

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

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

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

"**Permitted Security Interests**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. GOVERNING LAW AND JURISDICTION

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

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

TAXATION OF THE BONDS IN GEORGIA

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

Withholding Tax on Interest

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

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

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

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

Taxation of sale of Bonds - General

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

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

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

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

Taxation of sale of Bonds by Non-Resident Individual Bondholders

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

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

Taxation of sale of Bonds by Resident Legal Entity Bondholders

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

Taxation of sale of Bonds by Resident Individual Bondholders

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

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

Tax on Payment of Principal

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

Value Added Tax

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

GENERAL INFORMATION

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

2. The Company has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a decision of the Partners' Meeting of the Issuer dated 6 September 2016.

3. There has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since 31 December 2015.

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

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

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

   (b) the Agreement between the Issuer and Bondholders' Representative;
   the audit report on the historical financial information of the Company set out in the annex to this Prospectus.

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

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

Issuer

JSC m2 Real Estate

29 Chavchavadze Ave.
Tbilisi, 0179
Georgia

Placement Agent

JSC Galt & Taggart

79 Aghmashenebeli Avenue
Tbilisi, 0102
Georgia

Bondholders' Representative

Nodia, Urumashvili and Partners LLC

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

Calculation and Paying Agent

JSC Galt & Taggart

79 Aghmashenebeli Avenue
Tbilisi, 0102
Georgia

Registrar

JSC United Securities Registrar of Georgia

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

Auditor of 2015 consolidated financial statements

EY Georgia LLC

44 Kote Apkhazi Str.
Tbilisi, 0105
Georgia

Signed on behalf of JSC m2 Real Estate:

Signatory

Name:	*Irakli Burdiladze*
Position:	*General Director*
Signature:	
Date:	

Signatory

Name:	*Irakli Gilauri*
Position:	*Chairman of Supervisory Board*
Signature:	
Date:	

Signed on behalf of JSC Galt and Taggart:

Signatory

Name:	*Irakli Kirtava*
Position:	*General Director*
Signature:	
Date:	