



უძრავი ქონება
REAL ESTATE

Diversified Real Estate Company

Bond Presentation

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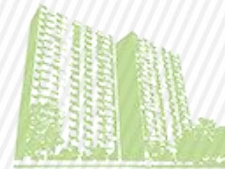
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TRANSACTION OVERVIEW



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Key terms and conditions

Issuer	<ul style="list-style-type: none"> JSC m2 Real Estate
Amount	<ul style="list-style-type: none"> US\$ 25,000,000
Tenor	<ul style="list-style-type: none"> 3 years
Issue date	<ul style="list-style-type: none"> October 2016
Use of proceeds	<ul style="list-style-type: none"> Refinancing of existing bonds Financing new development projects
Covenants	<ul style="list-style-type: none"> Standard Package: <ul style="list-style-type: none"> – Debt incurrence – Restricted Payment
Coupon range	<ul style="list-style-type: none"> From 7.5% to 9% (To be determined during book-building)*
Listing	<ul style="list-style-type: none"> Georgian Stock Exchange

* Income tax applies if free float is not determined

COMPANY OVERVIEW



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m2 - Market leader with significant growth potential and unmatched track record

1

Diversified real estate company

- **Affordable housing:** the largest residential developer in the country, enjoying scale advantage to be a lowest cost producer.
- **Optima:** m2 made housing even more affordable by introducing Optima line targeted to low-income families
- **Luxury housing:** Company introduced small scale luxury housing
- **Commercial property:** management targeting 10% annual yield
- **Franchising:** m2 plans to utilize an opportunity to generate fee through franchising its platform
- m2 is planning to develop **3 Star hotels** and fill in the gap of low-budget lodging in Tbilisi

Unmatched track record & strong project pipeline

2

- **Successful history:** Completed 6 projects on time and within a budget, IRR ranging from 46% to 165% on affordable housing projects and IRR of 31% for Optima line.
- **On-going projects:** Company has three ongoing projects - 1,140 apartments under construction with 30% pre-sales,
- **Pipeline:** Three planned projects with 478 apartments to be constructed in the next three years.
- Characteristics of these six projects to be completed and sold during next three years:
 - ✓ Total area to be developed: 224,500 sqm
 - ✓ IRR range on planned projects: 36%-70%



3

Solid financial performance

- Stabilization of economy, strong management and solid growth strategy resulted in recovered sales during 1H2016
- **Sales performance:** Company's sales during 2Q2016 has increased in terms of area by 319% and in terms of sales value by 314% compared to 2Q2015 figures
- **Cost efficiency:** Company continued effective management of administrative costs
- Accumulated US\$ 50.1mln sales, which will be recognized as revenue upon completion of the on-going projects in 2016-2018
- Solid and well managed balance sheet
 - ✓ Net assets have increased by 33.7% y-o-y from GEL 83.3 million as of 30-Jun-2015 to GEL 111.4 million as of 30-Jun-2016

Clear strategy and viable business plan

4

- **Affordable housing:** Company intends to expand multi-family residential projects for middle income segment
- **Optima:** M2 plans to engage in residential projects targeted at low-income segment
- **Luxury housing:** Company will continue to develop small-scale luxury residential projects
- **Investment property:** m2's goal is to grow portfolio of yielding assets and target 10% yield.
- **Franchising:** company intends to start development of third party lands using m2 franchise
- **3-star hotels:** m2 is starting development of three star hotels. Management believes that there is low supply of branded budget hotels while demand for such accommodations is increasing.

Diversified real estate company

m2 develops residential and commercial real estate in Tbilisi. In recent years it has established itself as one of the most recognized and trusted developers of housing in the country.

Company is 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 residential development

Residential Development

Affordable Housing:

- Since 2011, Company is offering its clients affordable housing.
- m2 has successfully completed 6 residential projects. 1,672 apartments completed with 94% sales and 1,140 apartments under construction with 30% pre-sales.
- Maintained exceptional return, an average 65% IRR on its housing projects.

Optima:

- m2 has introduced "Optima" line targeted to families with low income.
- Brought the price of a one-bedroom apartment from US\$ 40,000 to US\$ 29,000 in Tbilisi.

Luxury Housing:

- m2 recently introduced its first luxury residential complex – Skyline residence.
- m2 will engage into small scale luxury developments in premium locations on a very selective basis.

Commercial Property

As a property manager, m2 makes opportunistic investments and manages a well diversified portfolio of yielding assets primarily consisting of:

- high street real estate assets
- industrial and office space real estate assets.

m2 is targeting 10% annual yield on a fair market value of the income generating portfolio

Franchising

- **Opportunity:** Development of third party land to earn fees.
- m2 customer-driven franchise, sales channels and being a low-cost producer puts the Company in a unique position to generate fees, while not taking balance sheet risk from re-investing m2 profit into the development of the land bank.

Hotels

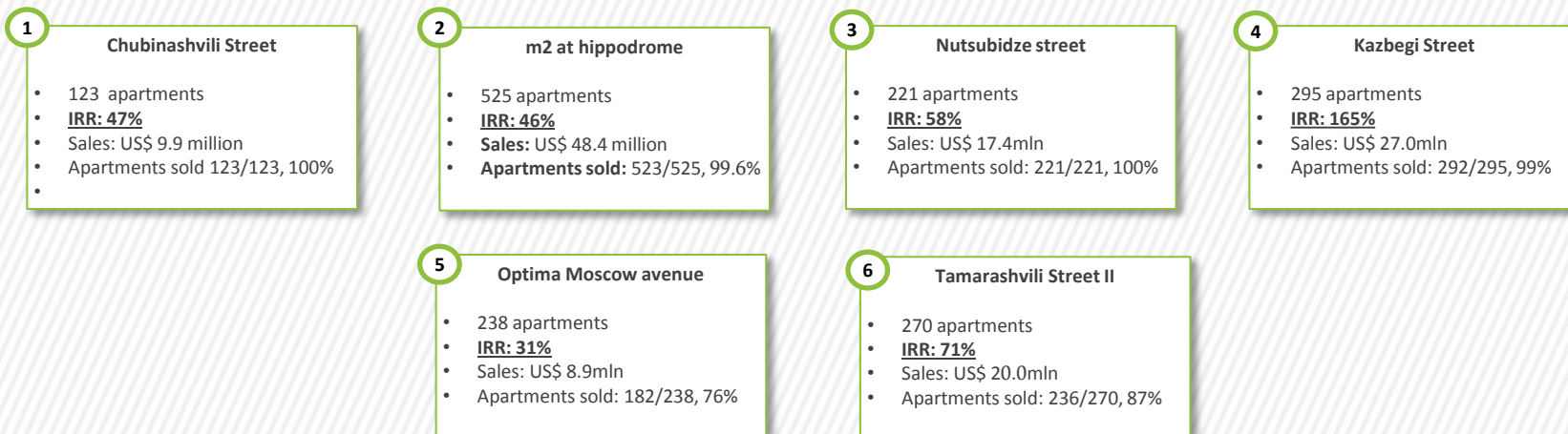
- **Opportunity:** Limited supply of three star hotels and increase in visitors inflow from 560,000 in 2007 to 6 million in 2015, creates a significant opportunity for m2.
- The Company has signed exclusive development agreement with Wyndham to open Ramada Encore hotels in Georgia

Unmatched track record and strong project pipeline

Completion dates



1,672 apartments completed with 94% sales

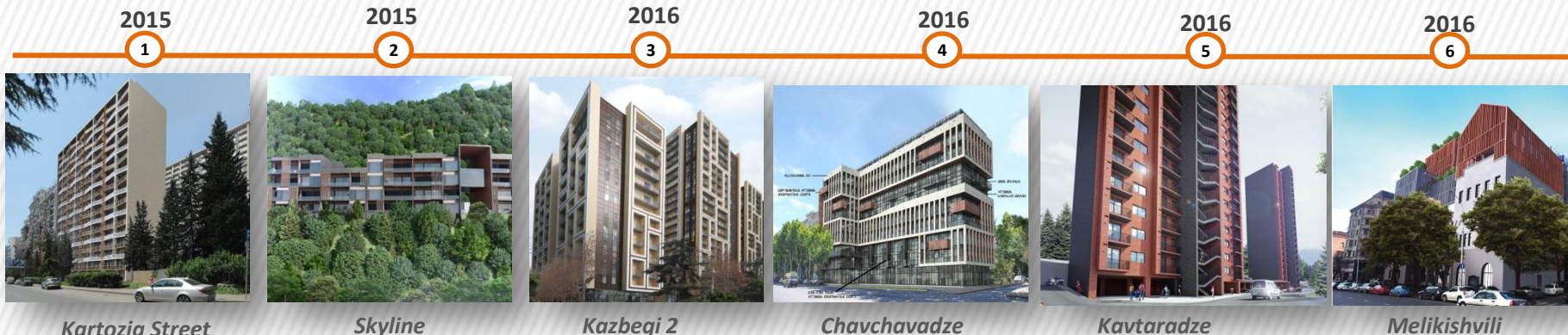


- 1 Convenient locations
- 2 Fine-tuned infrastructure
- 3 23% energy efficiency
- 4 Comfort and safety

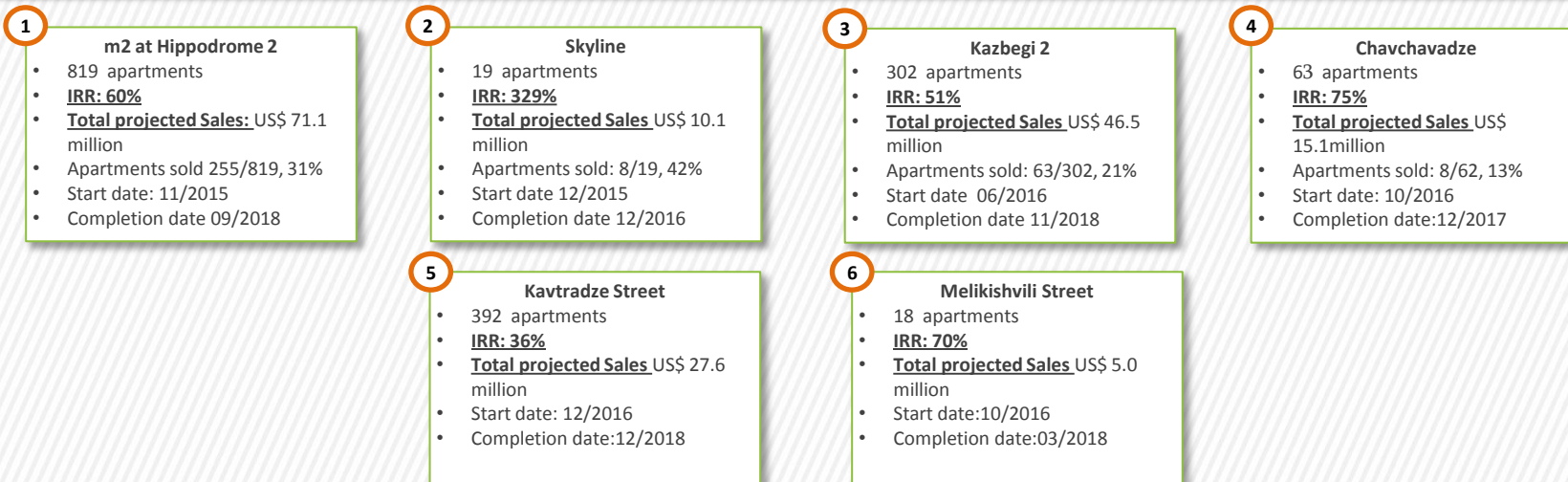
Customer satisfaction is m2's core value

Unmatched track record and strong project pipeline

Start dates



Pipeline of 1,140 apartments with 30% already sold



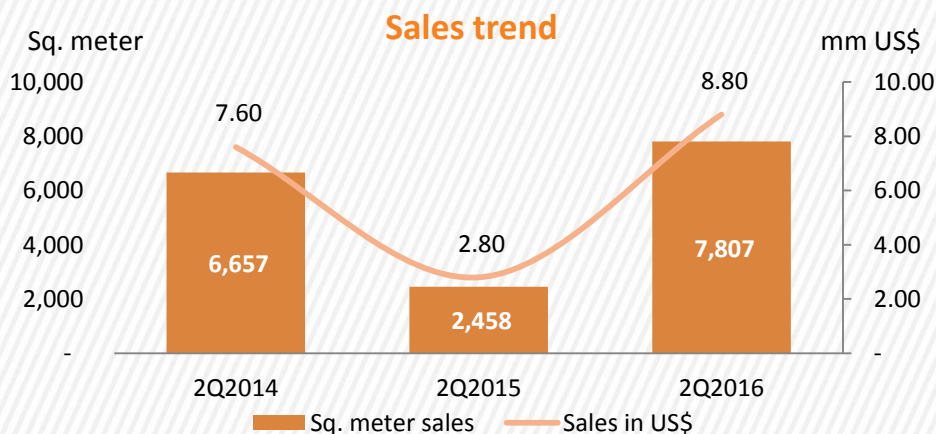
Substantial increase in sales during 2016 and strong P&L

Extract from P&L ('000 GEL)

	1H 2016	1H 2015
-Income	33,327	4,557
-COGS	26,766	4,440
Revenue from development	6,561	117
Revenue from operating lease	1,089	882
Other	12	146
Total operating revenues	7,662	1,145
Total administrating expenses	3,014	3,035
EBITDA	4,648	(1,890)

Source: IFRS based unaudited financial statements

**note 1: m2 Real Estate gross real estate profit, revenue and profit are by their nature choppy, given both uneven real estate project development cycles and the revenue recognition method under current accounting rules (IAS 18) pursuant to which, apartment sale revenues are recognized upon handover of the apartment to its clients, following the completion of the projects. Sales trend analysis gives realistic view about the performance of the company*



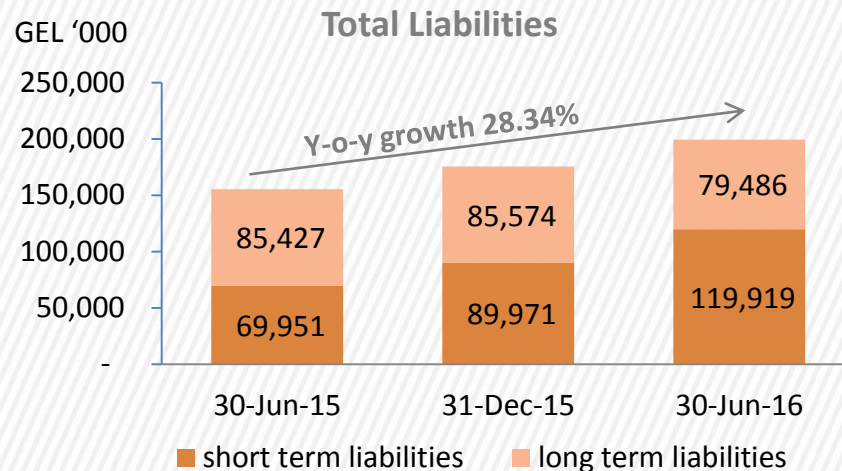
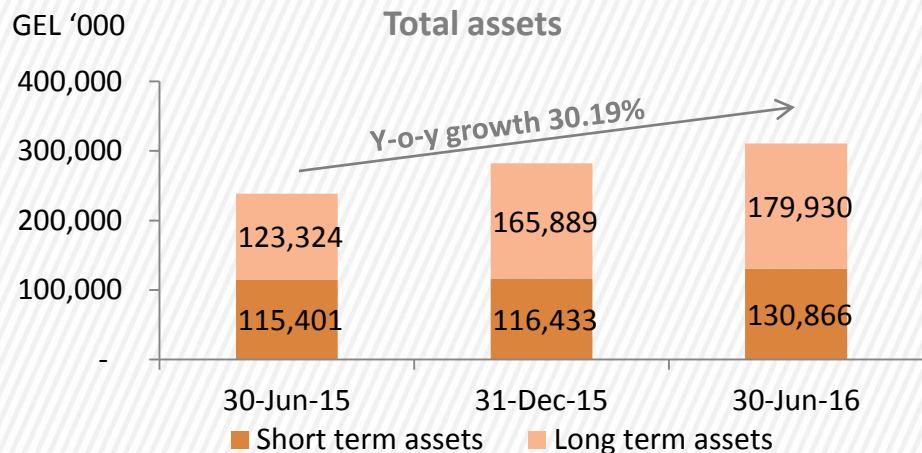
Source: Management accounts

Key Highlights

- ✓ Strong revenue – m2 performance in 2016 improved significantly.
- ✓ Company managed administrative expenses effectively.
- ✓ Company has accumulated US\$ 50.1mln sales, which will be recognized as revenue upon completion of the on-going projects in 2016-2018 (of which c. US\$ 27.0mln is expected to be recognized in 2016)* (note 1)

- ✓ Regional economics slowdown had negative impact on sales during FY 2015
- ✓ Stabilisation of economy, strong management and solid growth strategy resulted in recovered sales during 2H2016
- ✓ Area sold more than tripled in 2Q2016 compared to 2Q2015. Company managed not only to recover sales but also to increased sq. meters sold in 2Q2016 by 17% compared to 2Q2014
- ✓ Company's strong pipeline suggests that further growth is expected in sales

Solid and well managed balance sheet



Total assets increased by 18% from 30-Jun-2015 to 31-Dec-15, and by 10% from 31-Dec-2015 to 30-Jun-2016. Y-o-y growth represented 30.19%.

- ✓ Short-term assets increased by 13.4% y-o-y, due to increased C&CE as a result of partial utilization of IFC credit line
- ✓ Long-term assets increased by 45.90% y-o-y due to (1) Purchase of land (2) Capitalization of borrowing costs (3) Revaluation gain (4) In-kind contribution of investment property from parent (5) Prepayments for inventory*

Total liabilities increased by 13% from 30-Jun-2015 to 31-Dec-15, and by 14% from 31-Dec-2015 to 30-Jun-2016. Y-o-y growth represented 28.34%. Increase is majorly attributable to US15 million draw down from IFC credit line.

As a result net assets have increased by 33.65% y-o-y from GEL 83.3 million as of 30-Jun-2015 to GEL 111.4 million as of 30-Jun-2016

*prepayment for inventory are advance payments made to general contractors under the general construction contract, to fix the prices of main construction materials, like re-bars, concrete etc.

Residential

Primary focus of Company's strategy is to expand multi-family residential projects for middle income segment as well as low cost housing.

Liquidating all land-plots by developing housing. Start development of third party lands.

Currently the company owns land bank of US\$ 29.3 mln

Yielding Portfolio

Grow portfolio of yielding assets by retaining investment property from own residential developments, and acquiring opportunistically and/or developing high street retail, commercial and office space, with capital gain upside and 10% annual yield.

Investment policy:

- ✓ Good location
- ✓ Good tenant
- ✓ Good lease terms
- ✓ 10% annual yield

3-Star Hotels

Develop 3 hotels (3-star, select service mixed-use hotels) in next 7 years in Tbilisi and Kutaisi with minimum room-count of 370 in total, catering to budget travelers *Ramada Encore exclusivity for 7 years.*

- ✓ *Target investment per room – US\$ 70K*
- ✓ *Occupancy rate – 74% (after 3rd year stabilized)*
- ✓ *ADR – US\$ 110 (Tbilisi) US\$ 105 (Kutaisi)*



Goal: Accelerate growth, building on existing track record, to develop m2 into a sizable player on Georgian real estate market.

Clear strategy and **viable business plan**

Company has prepared 3 year business plan. For the purpose of liquidity analysis, forecasted cash flow is presented herein.

Key Assumption	Rationale
New development projects	<p>Company has started or will start and finish construction of 6 new development projects during next 3 years:</p> <ul style="list-style-type: none"> ✓ Hippodrome 2 (31% of apartments already sold, remaining 69% will be sold during next 3 years) ✓ Skyline – Under construction ✓ Kazbegi 2– Under construction ✓ Chavchavadze – Pre-sales stage, construction to commence in 4Q2016 ✓ Optima Kavtaradze – Planned to commence in 4Q2016 ✓ Melikishvili – Planned to commence in 4Q2016
Sale of current inventory	Company estimates to sell the remaining stock of already completed apartments by the end of the year. Total cash value of such sales is US\$11.3 million.
Borrowing	Total additional borrowing to be obtained during next 3 years: US\$ 34.3million. US\$ 7 million and US\$ 8million committed from IFIs for financing of the 1 st 3 star hotel and residential projects, respectively. Another US\$ 6million to be obtained from IFIs to finance 2 nd 3 star hotel. Remaining will be obtained from local banks by leveraging yielding portfolio.
Payment to general contractor	m2 announces tender for each development project. Construction company with best bid is chosen for the project. Payment is made as per contract terms during the construction of the project.

Cumulative Liquidity Position

Start: September/2016

End: September/2019

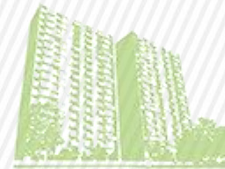
Cash Inflows	3 months	6 months	9 months	12 months	18 months	24 months	30 months	36 months	37 months
Cash and cash equivalents	16,508,634	16,508,634	16,508,634	16,508,634	16,508,634	16,508,634	16,508,634	16,508,634	16,508,634
Sales	13,205,075	25,893,540	41,027,662	53,343,533	78,330,435	101,425,314	127,201,251	146,604,759	146,604,759
In house finance	1,353,577	1,854,983	2,285,165	2,601,939	3,380,426	4,331,494	5,038,838	5,038,838	5,038,838
Rent Income	374,232	799,884	1,251,246	1,702,608	2,680,502	3,808,736	5,103,624	6,731,820	8,387,152
Debt financing	-	14,999,140	24,791,990	24,791,990	24,791,990	27,791,990	27,791,990	27,791,990	34,291,990
Debt Securities Issued	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Total cash inflows	56,441,518	85,056,180	110,864,698	123,948,703	150,691,987	178,866,168	206,644,337	227,676,041	235,831,373
Cash Outflows	3 months	6 months	9 months	12 months	18 months	24 months	30 months	36 months	37 months
Development Cost	13,392,762	33,178,239	50,149,872	66,764,976	97,517,797	113,488,259	119,239,591	119,521,460	119,804,877
Repayment of debt securities issued	21,565,137	21,565,137	22,674,726	22,674,726	23,784,315	24,893,904	26,003,493	27,113,082	53,222,671
Repayment of Loans	274,887	551,138	871,687	1,040,082	5,125,509	5,531,357	17,831,544	18,379,415	27,263,469
Operating cash outflows	426,786	867,798	3,444,285	3,892,410	4,803,598	7,897,590	8,838,653	11,932,645	12,089,489
Operating taxes	2,769,317	3,298,564	6,465,785	6,545,012	7,879,425	11,782,767	17,231,747	21,647,691	22,030,535
TOTAL USES	38,428,890	59,460,877	83,606,355	100,917,207	139,110,644	163,593,878	189,145,028	198,594,292	234,411,041
SURPLUS/(GAP)	18,012,628	25,595,303	27,258,343	23,031,496	11,581,343	15,272,290	17,499,309	29,081,749	1,420,332

Projected cash flow statement is conservative and does not include cash inflow from hotels, we have also excluded potential income from franchising agreements.

INDUSTRY OVERVIEW



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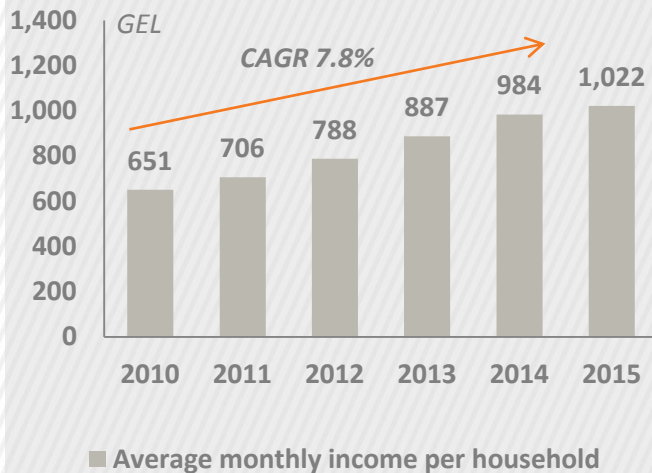


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Residential Real Estate

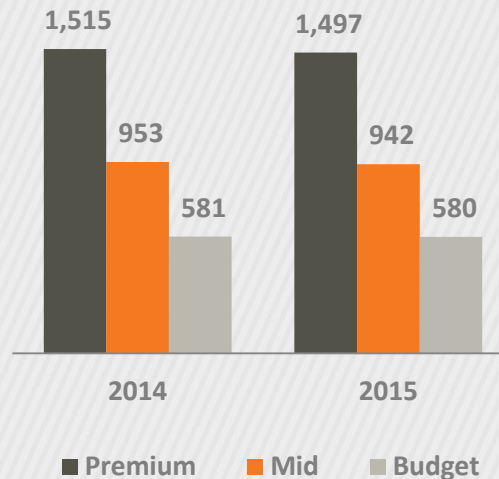
- ✓ The number of real estate transactions increased 15.7% y/y in 7M16 and share of newly built flats in residential real estate transactions increases 9% y/y in 2015
- ✓ Factors such as above average (compared to peers) household size (3.3), bulk of housing stock fully amortized (built between 1960-1990), Anticipated migration of rural population to urban areas and Georgian population's spending moods weighted towards long term investment will drive the future demand for residential real estate.

Income growth outpaces average GDP growth



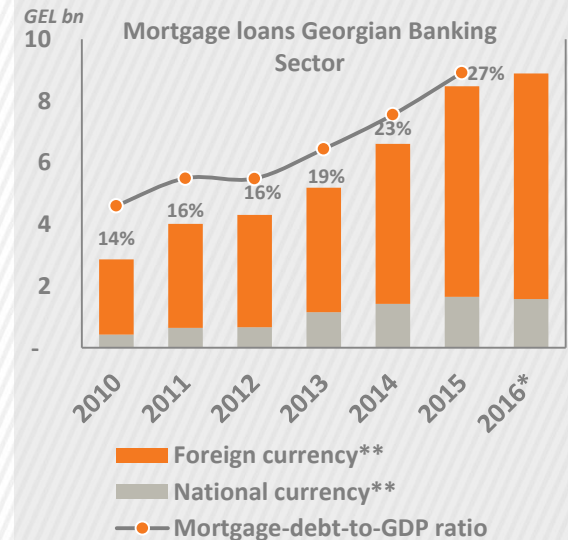
- Average monthly income per household posted 7.8% CAGR over 2010-2015;
- Georgian population is gravitating towards Tbilisi (+5.2% in past Decade), as Tbilisi generates 48% of country's total output;
- Average living area per household – 23 m² with 3.3 people per household on average.

Real estate - a resilient investment



- Real estate prices denominated in US\$;
- Average housing prices posted a mere 1% y/y decline for premium and mid segments on the backdrop of ~30% currency depreciation in 2015, while prices on budget segment remained flat.

Room for growth in mortgage lending



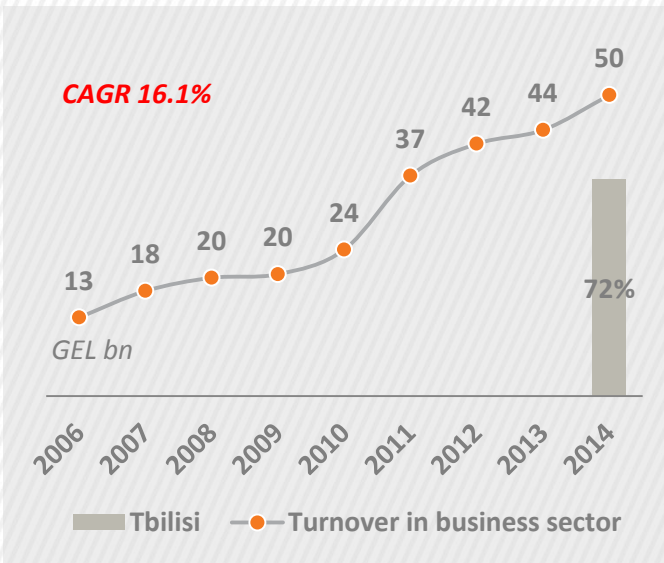
- Mortgage loans posted CAGR of 17.6% over past 6.5 years (national and foreign currency combined)
- Mortgage debt-to-GDP ratio in Georgia is below developed economies* - room for growth in medium and long term

* Residential mortgage debt-to-GDP ratio alone stands at 93.8% in Denmark, 59.9% in Spain and 37.1% in Estonia.

Commercial Real Estate

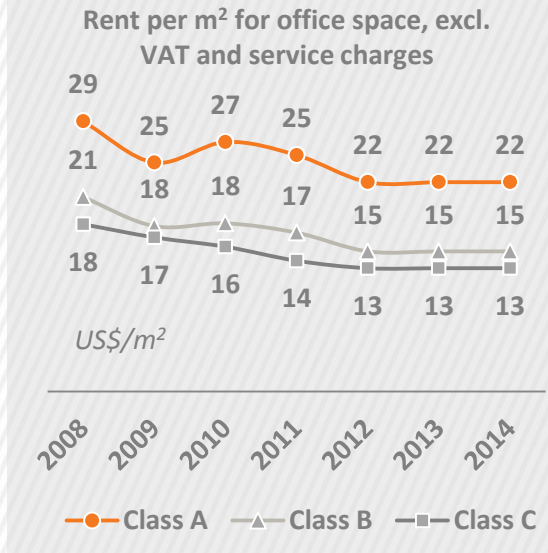
- ✓ Accelerated business activity translates into higher demand for commercial real estate, mostly office spaces with main focus on Tbilisi as 72% of business turnover is concentrated on greater Tbilisi area
- ✓ Vacancy rates in higher tier business centers decrease as business turnover grows, posting 13.6% y/y growth in 2014

Business activity concentrated in Tbilisi

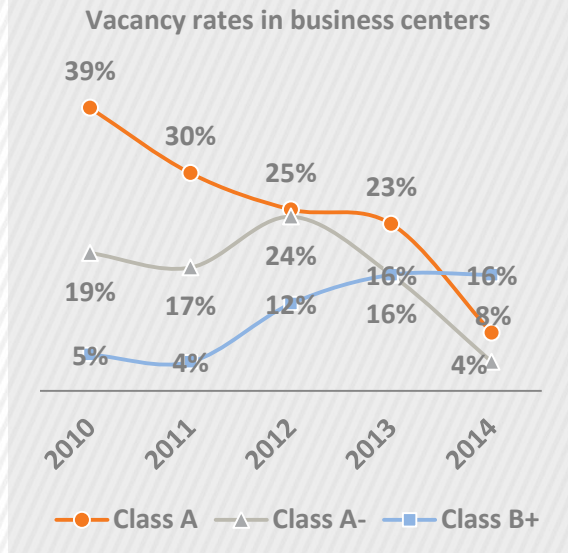


- GDP growth averaged 5.4% annually over 2006-2015 translating into 16.1% CAGR in business sector turnover and leading to subsequent growth in demand for office space;
- 72% of business activity in terms of turnover was concentrated in Tbilisi in 2014;
- 638,555 business entities are currently registered in total.

Appetite for premium office estate growing; prices sticky in face of growing demand



- Appetite for higher tier (Class A and A-) office space is increasing as prices remain sticky;
- Almost half of modern office stock in Tbilisi is owner occupied (*Colliers*);
- Modern business center supply in Georgia will rise by 7% and 8% in 2015 and 2016 respectively, still remaining behind the CEE average; (*colliers*)
- Rent yields for commercial space in Tbilisi stood at 12% in 2014, according to Colliers international, above CEE average 8.2%.



Hotels

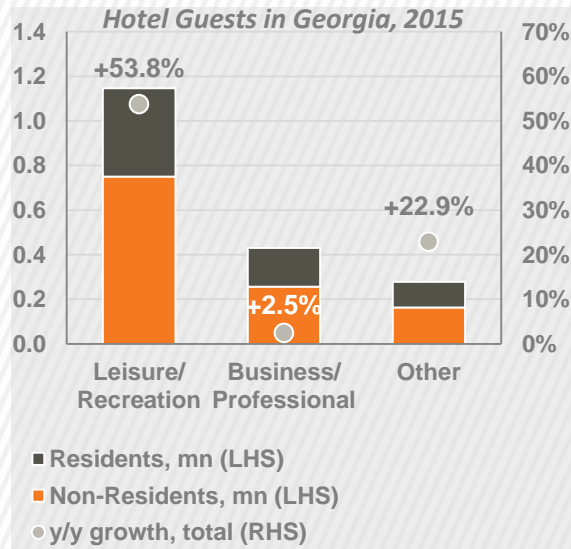
- ✓ Number of international visitors increased at a 26.6% CAGR over 2005-2015 to 5.9mn visitors in 2015;
- ✓ Number of hotel guests in Georgia up 33.3% y/y to 1.9mn in 2015;
- ✓ Tourism growth reflected in investor appetite - an estimated US\$ 800mn+ pipeline for branded hotel development over 2016-2018;
- ✓ High likelihood of saturation in the branded upscale segment by end-2018, gap in the branded mid-scale segment.

Tourism shifts into high gear



- Tourism receipts - 23.1% CAGR over 2005-2015, reaching US\$ 1.9bn in 2015;
- Overnight visitors accounted for 38.7% of total arrivals in 2015;
- 17.7% y/y growth in overnight visitors in 8M16;
- Average length of stay of an international visitor to Georgia - 5.1 days.

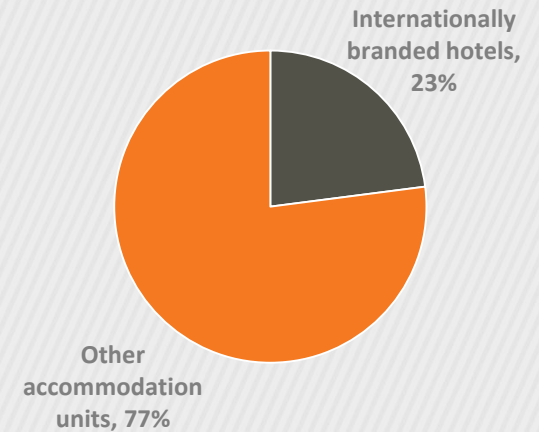
Strong growth in hotel guest numbers



- 1.2mn non-resident and .7mn resident hotel guests in Georgia in 2015;
- Leisure (64.1%) and business (21.9%) - top reasons for non-resident hotel guest visits;
- 53.8% y/y growth in hotel guests visiting for leisure purposes in 2015;
- Russia (11.5%), Turkey (10.8%), Israel (8.2%) - top three source markets for hotel guest visits in 2015.

Gap in branded mid-scale hotels

Distribution of Hotel Rooms in Tbilisi, 2015



- YTD occupancy rate in Tbilisi branded hotels at 69.7% (Jul-16), up 6.5 ppts y/y;
- No branded 3-star hotels in Tbilisi;
- Over 3,700 rooms in the 2016-2018 branded hotel pipeline;
- Only 2 budget brands in the Tbilisi pipeline - Moxy by Marriott and Ramada Encore.

APPENDIX

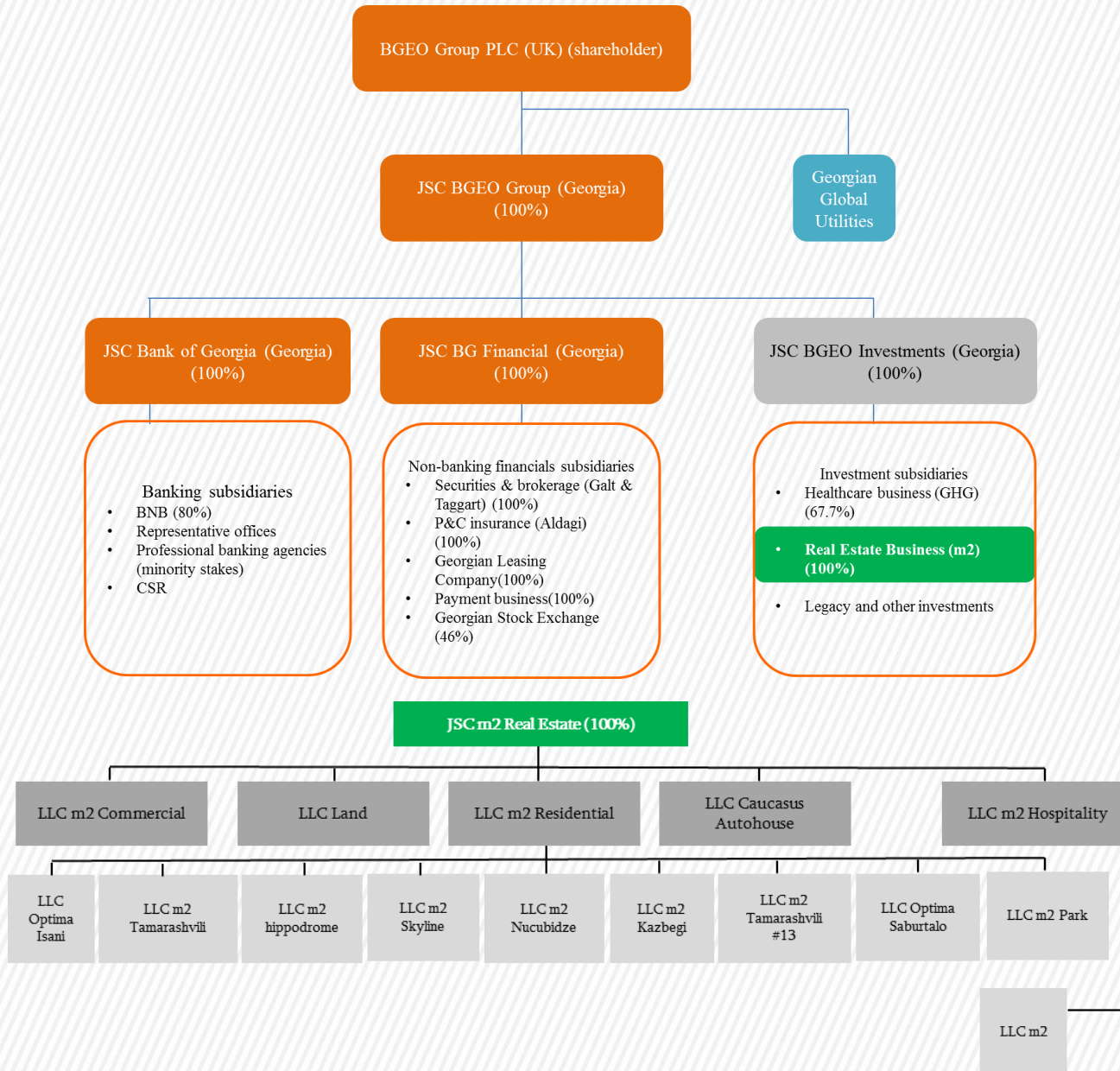


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Ownership Structure



Management and Supervisory Board



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

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

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

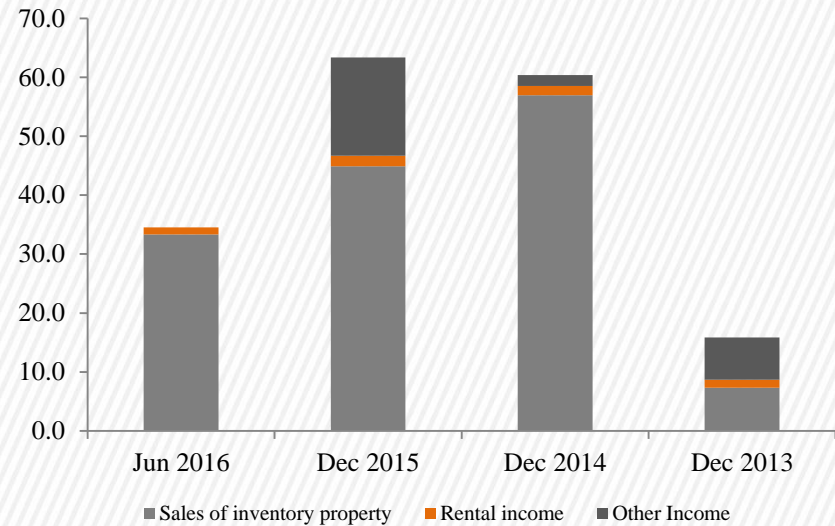
Name	Current Position	Term of Employment / Reappointment
Irakli Burdiladze.....	General Director (CEO)	12 months, expiring on 1 May 2019
Emzar Otkhozoria.....	Deputy CEO in finance and operations	One year, automatic renewal
Shorena Darchiashvili	Deputy CEO in sales and marketing	One year, automatic renewal

Historical P&L

GEL '000

	30-Jun-16	31-Dec-15	31-Dec-14	31-Dec-13
Sales of inventory property	33,327	44,893	56,940	7,347
Cost of sales-inventory property	(26,766)	(39,744)	(46,544)	(5,848)
Profit on sale of inventory property	6,561	5,149	10,396	1,499
Rental income	1,186	1,785	1,579	1,315
Property operating expense	(97)	(251)	(55)	(16)
Net rental income	1,089	1,534	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	188	151
Employee benefits expense	(633)	(943)	(1,139)	(1,282)
Other general and administrative expenses	(1,305)	(2,076)	(1,726)	(1,094)
Marketing and selling expenses	(1,076)	(2,785)	(2,408)	(940)
Depreciation	(113)	(185)	(155)	(216)
Non-recurring income/(expense)	205	(323)	(263)	(808)
Operating profit	4,740	17,358	8,271	5,777
Finance income (expense)	(134)	(644)	160	1,131
Net foreign exchange gain/loss	1,022	(836)	(536)	215
Non-operating income	-	-	-	-
Profit before income tax expense	5,628	15,878	7,895	7,123
Income tax expense	(844)	(2,798)	(1,137)	(279)
Profit for the year	4,784	13,080	6,758	6,844

Revenue breakdown, GEL million



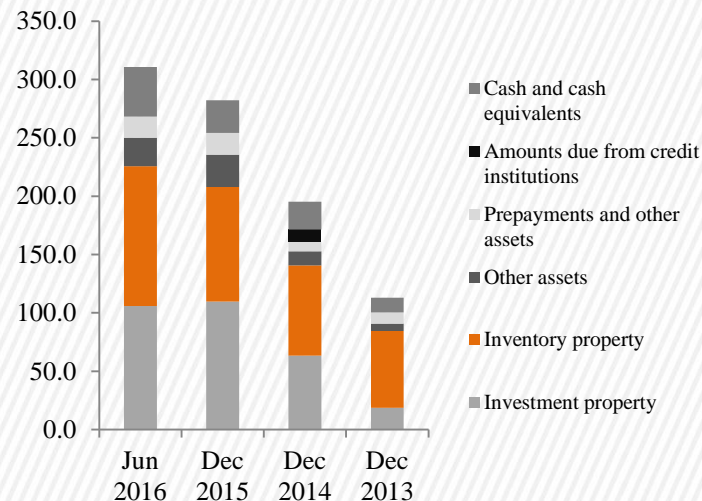
Annual financial statements are audited by EY Georgia, semi-annual income statement is based on management accounts

Historical Balance Sheet

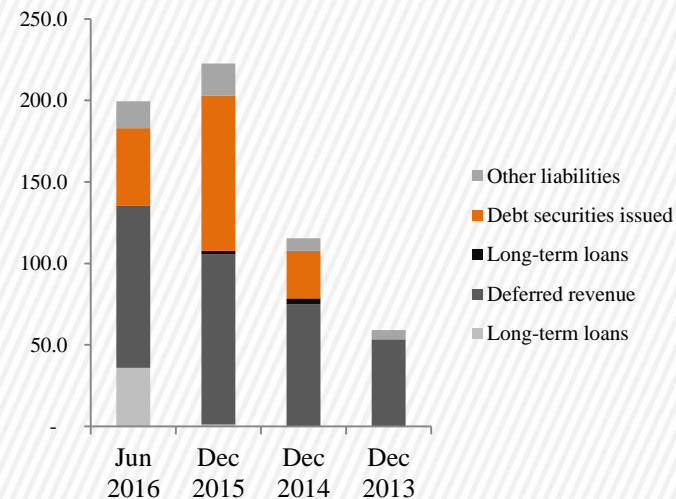
	30-Jun-16	31-Dec-15	31-Dec-14	31-Dec-13
Assets				
Non-current assets	179,930	165,889	111,476	39,269
Investment property	105,916	109,855	63,313	18,796
Inventory property	52,627	32,921	37,971	16,849
Deferred tax assets	2,930	2,704	2,191	1,555
Other non-current assets	18,457	20,409	8,001	2,069
Current 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	3,445	2,358	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

Source: Audited statements

Asset structure, GEL million

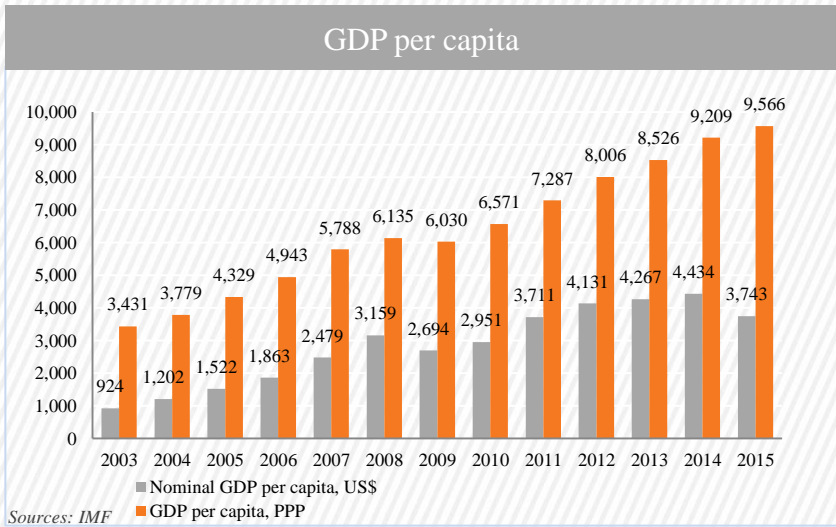
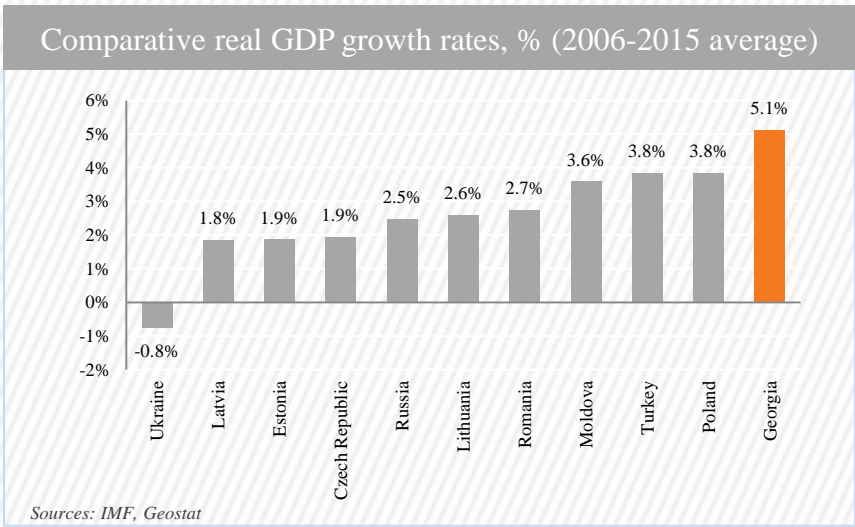
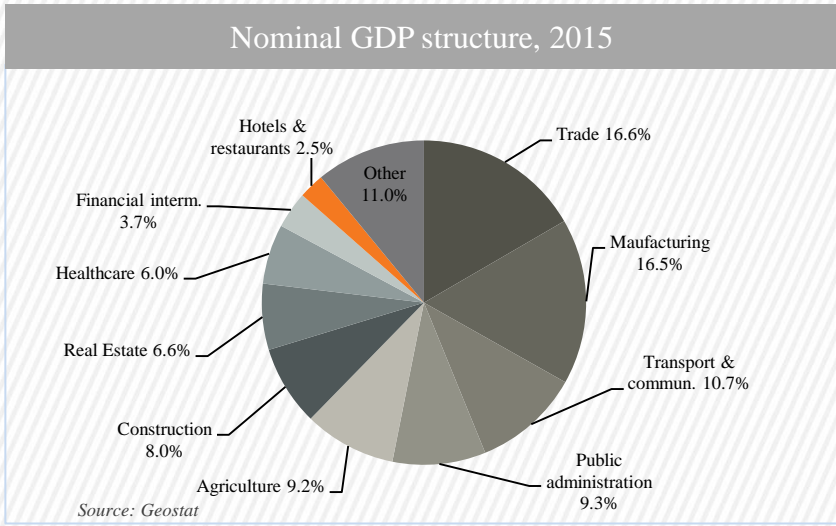
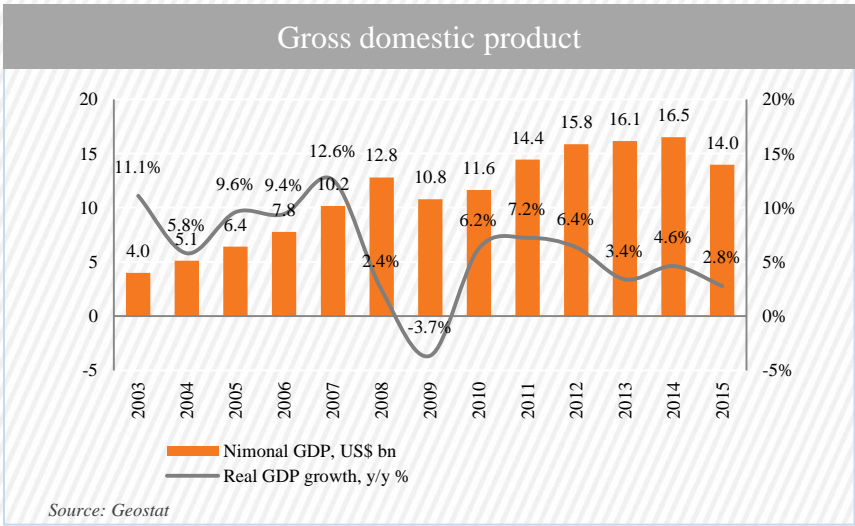


Equity and liabilities structure, GEL million



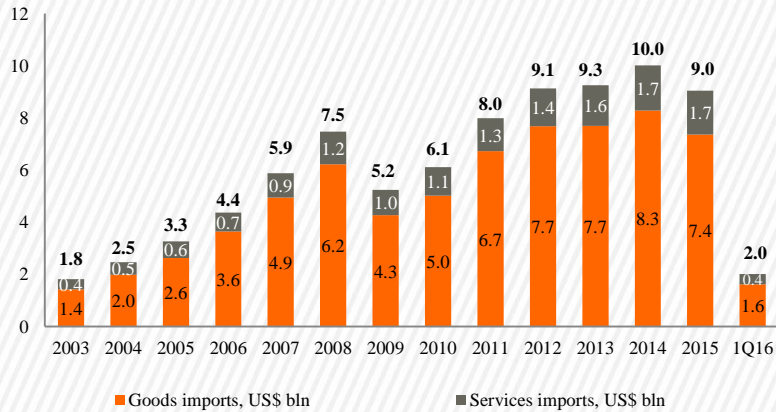
Source: Audited statements

Macroeconomic overview



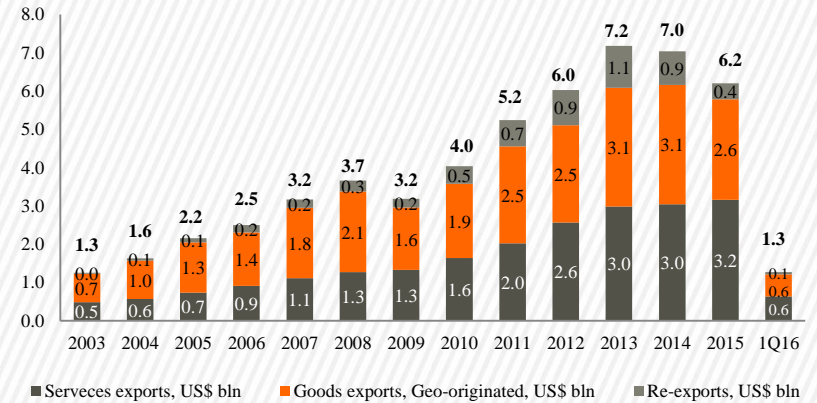
Diversified foreign trade

Imports of goods and services



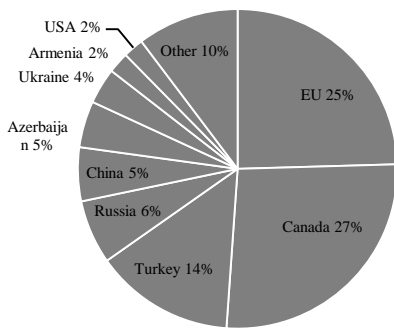
Source: NBG – BOP statistics

Exports of goods and services



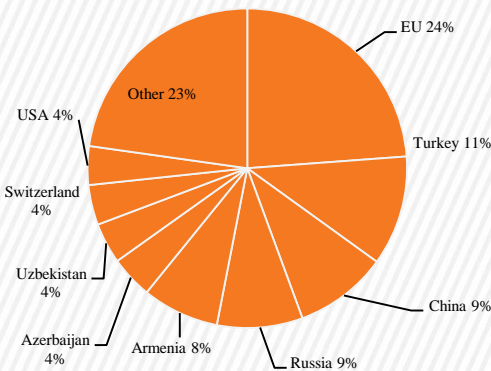
Source: NBG – BOP statistics

Imports, 6M16

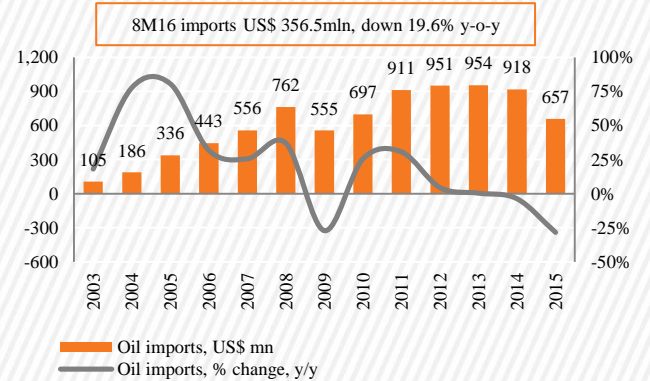


Sources: Geostat

Exports, 6M16



Oil imports

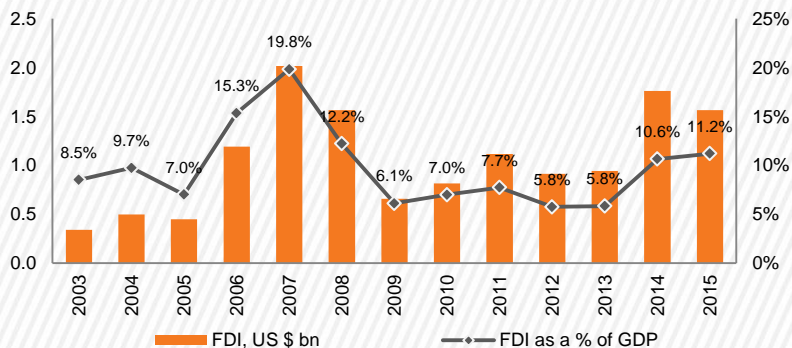


Sources: GeoStat

Diversified sources of capital inflow

Strong foreign investor interest

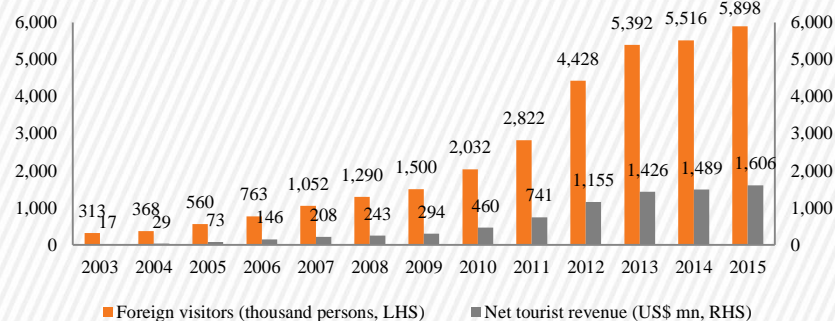
US\$ 833mln in 1H16, up 10.6%



Sources: Geostat

Tourist arrivals and revenues on the rise

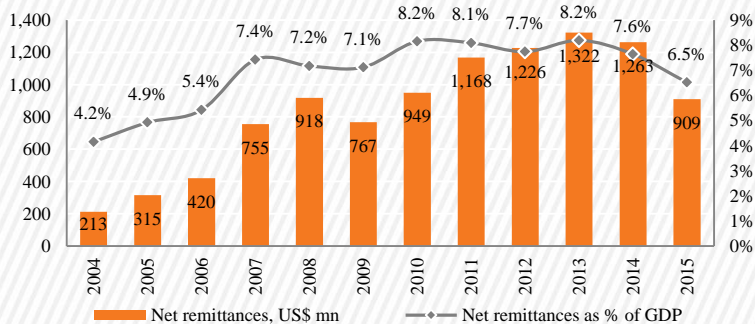
4.3mln visitors in 8M16, up 8.3%



Sources: Georgian National Tourism Agency, National Bank of Georgia

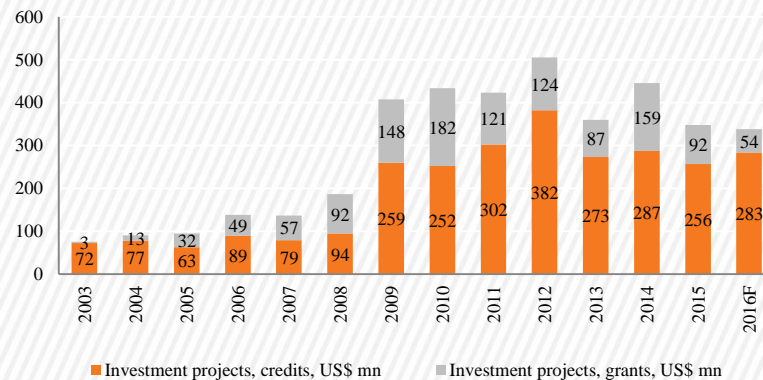
Remittances - steady source of external funding

US\$ 731.8mln in 8M16, up 2.4%



Source: National Bank of Georgia

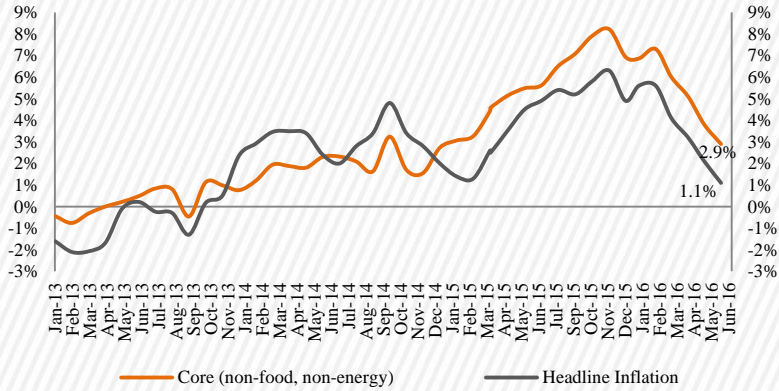
Donor funding for public infrastructure projects



Source: Ministry of Finance of Georgia

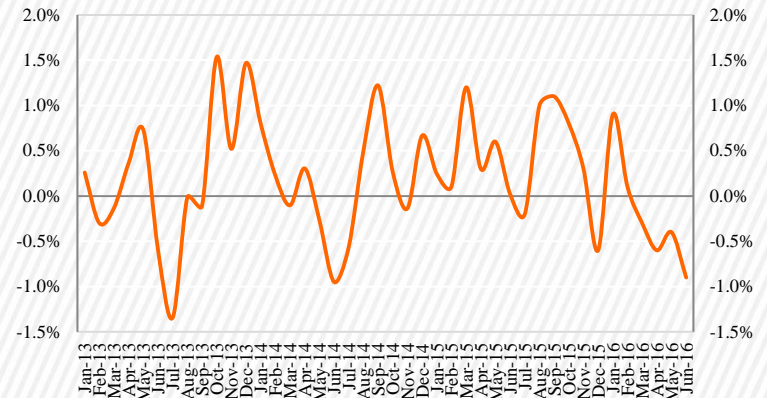
Inflation target - 5% for 2016 and 4% for 2017

Annual inflation



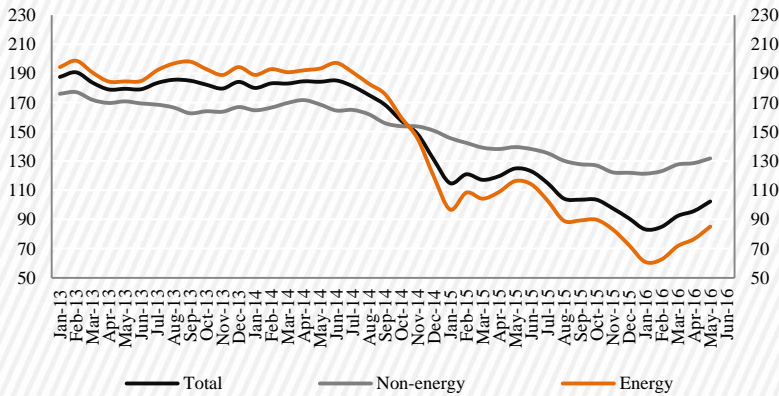
Sources: Geostat

Monthly inflation rate



Sources: Geostat

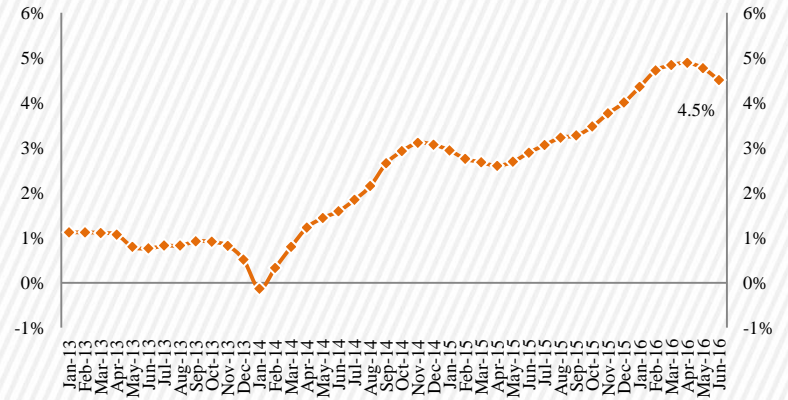
World commodity prices indices



Source: IMF

Note: Jan2005=100

Average inflation rate



Source: GeoStat

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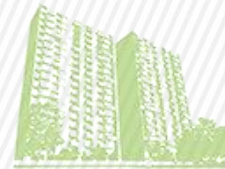
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