The Prospectus is translated from Georgian. Only the Georgian version of the Prospectus is submitted to and approved by the National Bank of Georgia

Limitd Liability Company

„Silk Real Estate"
(Identification Code: 404535240)

Preliminary Multi-Currency Program Bond Issue Prospectus

Direct, unsubordinated and jointly guaranteed bonds (up to 20,000 units respectively) of a total principal/nominal value equivalent to 20,000,000 (twenty million) dollars, issued in one or more issues as fixed interest coupon bonds. For each issue (the date of the first issue is specified in Final Term Sheet of said bonds, and the estimated release date of subsequent issues will be specified through the relevant Final Term Sheet), nominal value of each bond at issue: 1,000 (thousand) units in relevant currency; Respective issue currency will be specified in Final Term Sheet document and may be one of the following: EUR, USD or GEL. Price at issue: 100% (one hundred percent) of nominal value; The detailed terms of Bonds issuance, such as the total volume of the respective issue, denomination, Interest payment frequency, exact date of issue, maturity and annual rate are determined by this Prospectus and the Final Term Sheet of the respective issue. The Bonds coupon payment frequency is defined as one of the following: a) monthly; b) quarterly; c) half-yearly; Term is defined as one of the following: 1) 1 year; 2) 2 years; 3) 3 years; 4) 4 years; 5) 5 years. The final interest rate of the Bonds will be determined during the book-building process.

The Bonds are secured by the joint and several surety issued by the Guarantors as set forth under the "Terms and Conditions of the Bonds".

Silk Real Estate LLC (hereafter referred to as "Silk Real Estate", the "Company" or the "Issuer") accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to significantly affect the accuracy and completeness of such information. Furthermore, the Prospectus contains all the material facts known to the Company and no information that could affect the content of the Prospectus has been intentionally omitted.

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.

Person responsible for preparation of the document:

Silk Real Estate LLC, ID 404535240

Statement of Responsible Person:

Responsible person declares that "the information presented in the issuance Prospectus includes all the essential facts known to them and there was no omission of such information that would affect the content of the Prospectus".

Signed on behalf of LLC Silk Real Estate:

Signatory

Name, Surname: Mamuka Shurghaia

Position: Director

Signature:

Signed on behalf of LLC Silk Real Estate:

Signatory

Name, Surname: Giorgi Ramishvili

Position: Chairman of the Supervisory Board

Signature:

Signed on behalf of JSC Galt & Taggart:

Signatory

Name, Surname: Irakli Kirtava

Position: General Director

Signature:

Signed on behalf of "TBC Capital" LLC:

Name, Surname: Marry Chachanidze

Position: Managing Director

Signature:

Signed on behalf of JSC "Silk Bank":

Name, Surname: Aleksi Khoroshvili

Position: Director

Signature:

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

IMPORTANT INFORMATION FOR THE INVESTORS:

Prospective investors must read the following disclaimer before continuing. The disclaimer applies to the attached prospectus (the "**Prospectus**") and prospective investor is therefore advised to read this carefully before reading, accessing or making any other use of the attached Prospectus. By accessing and using the Prospectus (including for investment purposes), an investor agrees to be bound by the following terms and conditions (modified from time to time).

Body responsible for approving the Prospectus:

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

Limitation of the liability:

Furthermore, except for cases expressly provided for by applicable law, no person, including an authorized representative of the Issuer, CEO, CFO, member of the Supervisory Board, Chairman of the Supervisory Board, Placement Agents, the Calculation and Paying Agent, the Central Depository (hereinafter - "Central Depository" or " Depository"), other advisers of the Company, nor any of their affiliates, directors, advisers or agents, other than the Issuer, accepts any responsibility for the content of this prospectus, the accuracy or completeness of the information presented therein, or any statements made by them or on their behalf regarding the company in this prospectus, nor for any information disclosed in this prospectus related to the issuance and offering of securities specified herein. Consequently, the placement agent and the company's advisers disclaim any liability, legal or otherwise, in connection with this prospectus or any statements made by them therein.

For the purposes of this Offering, the Placement Agents and Calculation and Paying Agent are acting exclusively for the Issuer and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the Offering. Therefore, they will not be responsible to anyone other than the Company for providing services or for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

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

The investor's confirmation: the attached Prospectus is delivered to the investor at his/her/its request and on the basis that the investor has confirmed to the Placement Agents: Galt & Taggart JSC (ID No. 211359206), address: 3, Pushkin street, Tbilisi 0105, Georgia, tel.: (995 32) 2401-111; Email: st@gt.ge (hereinafter referred to as the **"Placement Agent 1"**), TBC Capital LLC (ID No. 204929961), address: 7, Marjanishvili street, Tbilisi 0102, Georgia, tel.: (995 32) 227-27-27; Email: info@tbccapital.ge (hereinafter referred to as the **"Placement Agent 2"**) and Silk Bank JSC (ID No. 201955027), address: 2, Zaarbrucken Square, Old Tbilisi, Tbilisi 0102, Georgia, tel.: (+995 32) 2242242; Email: Posta@silkbank.ge (hereinafter referred to as the **"Placement Agent 3"**) and to Silk Real Estate (hereinafter referred to as the „**Company**“ or „**Issuer**“) that the investor (i) is located outside the United States of

America and is not a US person (as defined in Regulation S under the United States Securities Act of 1933), and (ii) is outside the United Kingdom and European Economic Area, and (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she/it is located.

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

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

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

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

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

Approved by the National Bank of Georgia	Date of approval
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Please refer to the original, Georgian version of the prospectus for relevant signatures & approvals

Table of Contents

General overview of Prospectus

Introduction

Name of security	Bonds of LLC Silk Real Estate
Name, legal form, identification number and contact details of the Issuer	Limited Liability Company "Silk Real Estate", ID No. 404535240, address: Republic Square, Mtatsminda, Tbilisi, 0160, Georgia. Telephone: , Email info@silkdevelopment.ge, Website: www.silkdevelopment.ge
Name and contact information of the Placement Agent 1	JSC Galt & Taggart (ID No. 211359206) Address: 3, Pushkin Street, 0105, Tbilisi Email:gt@gt.ge; sales@gt.ge Website: https://galtandtaggart.com/en Telephone: (+995 32) 2401-111
Name and contact information of the Placement Agent 2	JSC TBC Capital (ID No. 204929961) Address: Marjanishvili Street, 0102, Tbilisi Email: info@tbccapital.ge Website: https://www.tbccapital.ge/ Telephone: (+995 32) 227 27 33
Name and contact information of the Placement Agent 3	JSC „Silk Bank" (ID: 201955027) Address: Tbilisi, Zaarbrucken Square #2 Email: posta@silkbank.ge Website: www.silkbank.ge Tel: +995 (32) 2242242
Name and contact information of the body responsible for approving the Prospectus	National Bank of Georgia, address: 2, Sanapiro Street, Tbilisi, 0114 Telephone: +995 322 406 406; Email: info@nbg.gov.ge; Website: www.nbg.gov.ge
Date of approval of the Prospectus	
Prospectus validity period	In accordance with legislation, 12 months from approving preliminary Prospectus

Important information:

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

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

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

An investment in Bonds involves high risk. Any prospective investor, who will purchase the Bonds, should be prepared to face the economic risk of his/her/its investment and take into account the fact that the repayment of the principal amount of the Bonds and accrued interest will depend on the Issuer's solvency. In accordance with the legislation on the securities market, information reflected in the prospectus shall be exhaustive, reflect all essential information related to company, its activities, bonds to be released, shall be presented in a concise, comprehensible language and shall be easy to be analyzed. Any other information provided by the Company and/or the Placement Agent regarding the offering or placement is not intended to fully or independently assess the risks associated with capital investment in the Bonds. All investors shall assess their own potential risks. Additionally, the investor may lose invested amounts fully or partially.

The Prospectus and the information contained therein may be subject to introducing appropriate alterations and additions in case of change of circumstances, which will be reflected in the final Prospectus (e.g. fixing the interest rate, correction of technical deficiency, clarification of the issue size, etc.). The Issuer will inform the investors about such alterations and additions based on the procedure established by the law. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia.

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

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

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

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

Future Statements

Some of the statements given in this Prospectus may be considered as “Future Statements”. Forward-looking statements contain statements relating to the Company's plans, expectations, forecasts, goals, strategies, future events, future revenues, capital investments, financial needs, future operations, development, business strategy and other information that is not historical information.

Words such as "expected", "estimated", "target", "potential", "awaits", "believes", "aims", "assumes", "may(be)", "desires", “possible”, "plan" ", "achievement" and other similar expressions represent forward-looking statements, but are not the only means of identifying such statements.

Due to their nature, forward-looking statements contain characteristic risks and uncertainties, both general and specific, and there is a risk that assumptions, forecasts and other forward-looking statements will not be achieved. The mentioned risks, uncertainties and other factors, amongst them, include the factors listed in "Risk Factors" and also in other parts of the Prospectus. Investors should note that certain important factors could cause actual results to differ materially from the plans, goals, expectations, assumptions and intentions contained in the forward-looking statements.

Therefore, Investors should not overly rely on forward-looking statements and, when considering forward-looking statements, should carefully analyze the aforementioned factors and other uncertainties and events. In this Prospectus, future statements are given as of the date of approval of the Prospectus. Company undertakes no obligation to update or correct any of them (based on new information, future events or any other basis), except in cases defined by applicable law. Company does not make any statement or assumption and does not give any guarantee that the results predicted by future statements will be achieved, and such forward-looking statements, in each case, represent one of several expected scenarios and cannot be considered as the most expected or standard scenario. These warning statements apply to all forward-looking statements made by the Company or any person acting on behalf of the Company and also to any forecast made by third parties reflected in this Prospectus.

Warning

Bond Prospectus is not a simple document and it can be difficult for the investors to thoroughly understand and evaluate the product offered by this Prospectus. In making any investment decision, investors must rely on their own examination of the Company, the Bonds and the terms of this offering, including the merits and risks involved (see the "Risk Factors" section). Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. The issue of the Bonds under the Prospectus is public. Besides, all potential investors should:

i. Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
ii. Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
iii. Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments is different from the currency in which the potential investor attracts or implements investments;
iv. Understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate;
v. Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and the ability to bear the applicable risks.

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

References:

The main references used in the Prospectus are as follows:

- Audited annual financial statements for 2023, 2022 and 2021 (https://reportal.ge/)
- National Statistics Office of Georgia (www.geostat.ge)
- National Bank of Georgia (www.nbg.gov.ge)
- Galt & Taggart Research (www.gt.ge)
- TBC Capital Research (www.tbccapital.ge)
- Our World in Data (www.ourworldindata.org)
- Reporting portal (https://reportal.ge/)
- Georgian National Tourist Agency (https://gnta.ge/ge/)

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

Key Information about the Issuer

"Silk Real Estate" LLC (the “Company”, the “Issuer”, the “Silk Real Estate”) is a real estate management company within the Silk Road Group (hereinafter SRG, Silk Road Group), a private investment group founded by George Ramishvili in Georgia in 1997. George Ramishvili is currently the chairman of the company's supervisory board.

Silk Road Group is a diversified holding company whose activities (through its respective subsidiaries) cover the fields of energy, banking, transportation, hotel and entertainment industries, real estate and telecommunications.

The Silk Road Group started its activities in Central Asia and the Caucasus region, primarly through transportation and the trade of consumer goods. Soon after, the Silk Road Group emerged as a leader in rail transportation of both dry and liquid cargoes. The group’s rapid ascent was greatly aided by the the use and improvement of the transport infrastructure connecting Georgian Black Sea ports and the energy resources of Central Asia.

Real estate/hotel business - the primary activity of "Silk Real Estate" LLC is to act as a holding company for the group’s various subsidiaries. The main activities of the group companies are: ownership and management of hotels under the brand of Radisson Blu, located in Tbilisi and Batumi; Management of the hotel located in Tsinandali under the brand of Radisson Collection, as well as "Park Hotel Tsinandali"; Management of casinos in Tbilisi and Batumi (located at respective Radisson Blu branded hotels); Ownership and management of the "Republic" complex; Development and management of various real estate projects located in different regions of Georgia.

Silk Real Estate is the parent entity of hotels, restaurants and entertainment establishments, and cooperates with leading organizations in the hospitality sector. Today, the group employs approximately 2,000 people and owns assets in the most prestigious districts of Tbilisi, as well as in other regions of Georgia.

The real estate and hospitality business is managed by two divisions:

- **Silk Real Estate through its subsidiary "SRG Investments" LLC (under Silk Development brand)** - manages the development of new real estate projects;
- **Silk Hospitality LLC (under Silk Hospitality brand) -** is an operating company responsible for the management of the group's developed properties as well as the properties of third parties.

Silk Real Estate operates the following facilities of the group:

- Radisson Blu Iveria Hotel, Tbilisi;
- Radisson Blu Hotel, Batumi;
- Radisson Collection Hotel, Tsinandali Estate;
- Park Hotel, Tsinandali Estate;
- Casino Iveria, Tbilisi;
- Casino Iveria, Batumi;
- Republic Event Hall, Tbilisi;
- Republic Rooftop-Bar-Terrace, Tbilisi;
- Restaurant Republic 24, Tbilisi;
- Iveria Beach Club, Batumi;
- Iveria Café, Tbilisi
- Club Nobel Savage

In the first half of 2025, it is planned to open another 5-star "Telegraph" hotel in the center of the capital and in the near future several large-scale projects in Tbilisi and various regions of Georgia.

Since 2005, Silk Road Group has invested approximately 1,3[1] billion US dollars in the economy of Georgia.

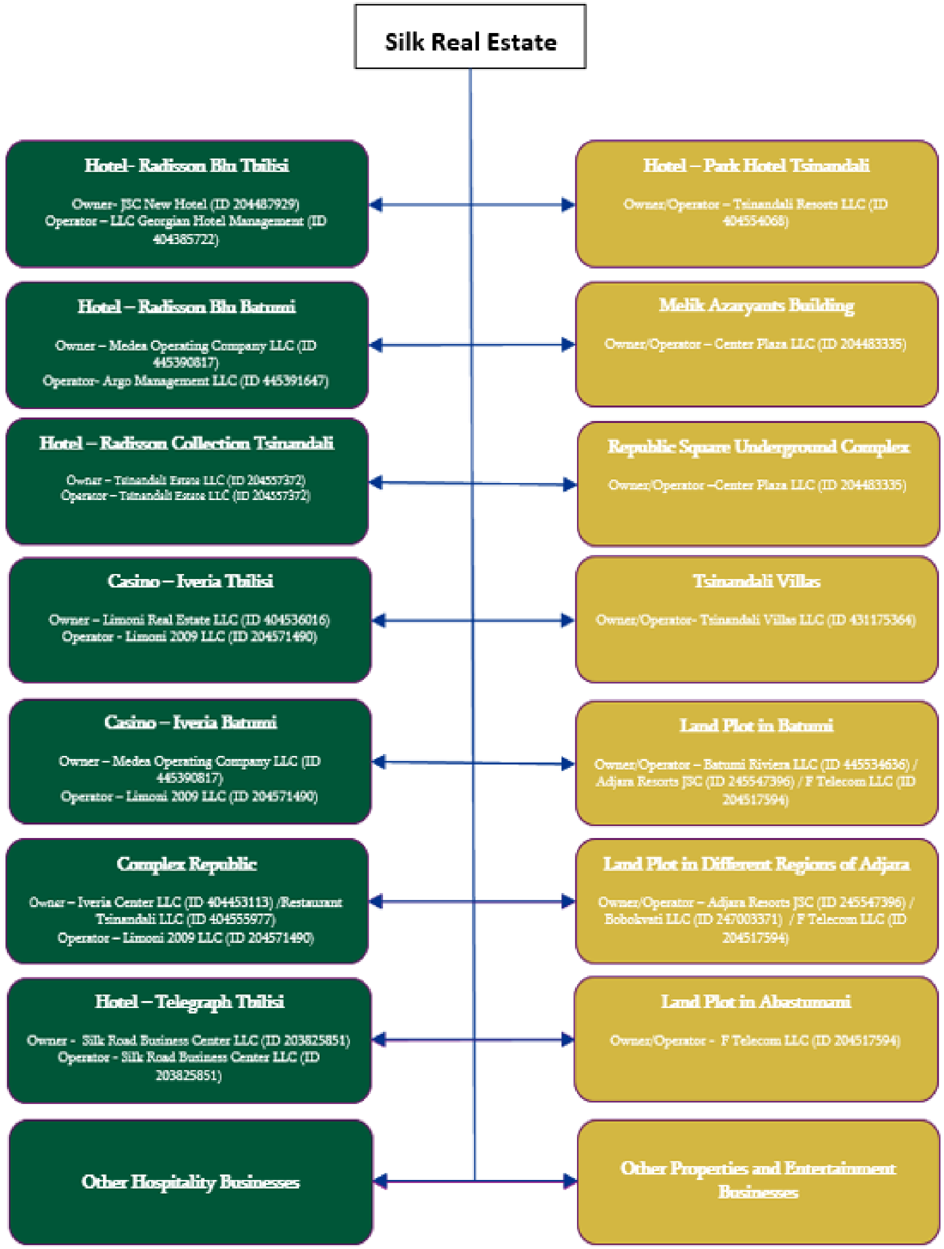
The “Green Box” category includes all operating segments and group enterprises, which a) represent a major cash-generating entity in the group, or b) are in the group's major cash-generating entity in the stage of active development; or c) generate core income from principal activities, including providing management and consulting services to third parties or group enterprises. Enterprises within the group, whose main activity is holding investments in Green Box enterprises, also belong to the “Green Box” category. All reporting segments belong to the “Green Box” category. Enterprises or operating segments, in which a non-controlling interest is substantial, are not included in the “Green Box” category.

The "Yellow Box" category includes those operating segments and group enterprises that a) own assets for future development; and b) do not generate significant income from their core activities (although they may generate some incidental income from non-core activities) and c) any other enterprise or operating segment that does not belong to the "Green Box".

Green Box Assets: 512 mn GEL	Yellow Box Assets: 480 mn GEL

** The valuation of the assets was done by the international real estate appraiser, Colliers, as of December 31, 2023. Evaluated assets include immovable and investment properties.*

[1] Source: Internal information of the Company



Casino Iveria Tbilisi

"Casino Iveria Tbilisi" was opened in 2009 and is one of the first casinos in Georgia. Located in the center of Tbilisi, the casino is distinguished by its classic European interior, world-class service standards, and a wide array of games.

Casino Iveria offers guests several varieties of poker, blackjack, American roulette - a total of 22 tables and more than 210 modern slot machines. The casino also features several types of jackpots and high-stakes slots. In terms of amenities,the casino has a restaurant service that offers customers a broad range of Georgian, European and Mediterranean dishes. There are also 3 bars and a VIP area with its own dedicated staff. The casino's recent success was aided by the fact that it was one of the first to resume operations during the pandemic.

Casino Iveria Batumi

Located in the center of Batumi in the Radisson Blu Hotel Batumi, the Casino Iveria Batumi has been in operation since 2011. The casino features a variety of slots and table games, includingblackjack, poker (Cash Games such as No Limit Texas Hold'em and Pot Limit Omaha) , American roulette and baccarat - a total of 17 tables and more than 160 slot machines.

In addition to the main space, the Casino Iveria has a buffet and an à la carte restaurant with Georgian and foreign dishes, as well as a fully-serviced premium area.

Hotel Radisson Blu Iveria - Tbilisi

The Radisson Blu Iveria first opened in 2009. This top-class 236-room hotel is located in the capital of Georgia - Tbilisi, overlooking the Mtkvari River. The hotel is conveniently located on the city's main avenue – Rustaveli -making it a major tourist attraction and destination. Guests at Radisson Blu Iveria can enjoy 2 top-of-the-range restaurants and a world-class Anne Semonin spa salon. The hotel also offers its visitors a fully equipped business center, 9 meeting rooms, a large hall and a buffet, and can even be rented for major events

As of 2023, throughout Tbilisi, Radisson Blu Tbilisi is, in its class, one of the highest-grossing hotels.

- Number of rooms - 236;
- Indoor and outdoor pool;
- Anne Semonin SPA;
- Gym and beauty treatment;
- Two restaurants and one cafe;
- Office space;
- Conference and events space.

Hotel Radisson Blu - Batumi

The Radisson Blu is a high-class hotel located on the Black Sea coast. It has been operating since 2011 and features a casino and beach club. The hotel boasts 168 rooms and 2 restaurants and is located within a few minutes' walk from the Batumi beach and boulevard, making it an attractive location for vacationers. The hotel also features 7 meeting rooms for events, parties and conferences, including 2 for small gatherings and one large hall that can accommodate up to 350 people.

On average, 20% of the hotel's revenue is generated from the casino. This share is even higher in the off-season.

- Number of rooms - 168;
- Indoor and outdoor pool ;
- Anne Semonin SPA ;
- Ball room and meeting facilities;
- Two restaurants.

Hotel Radisson Collection Tsinandali

The Radisson Collection Tsinandali,first opened in 2019, is a five-star Luxury class hotel in the wine region of Georgia. Located in Kakheti and adjacent to the 19th century historical park where the Tsinandali House-Museum of Aleksandre Chavchavadze is housed, the 124-room hotel was desgined by internationally recognized architects such as Christian Gabas and Damien Figuras, Ingo Meurer and John Fotiadis . The Radisson Collection Tsinandali also features a world-class amphitheater that can accommodate up to 1,200 spectators for concerts, weddings, gala dinners, plays and fashion shows. Concert hall, which is distinguished by acoustics and has capacity of up to 500 visitors is also part of the hotel.

- Number of rooms - 124;
- Anne Semonin SPA ;
- Indoor and outdoor pool ;
- Outdoor concert location for 1,000 visitors ;
- Ballroom and meeting facilities ;
- Two restaurants;
- Location adjacent to historical garden of Prince Chavchavadze.

Iveria Beach Club

Iveria Beach Club is located between Batumi Boulevard and the sea coast and covers a beach area of up to 3,000 sq.m.. The club includes a bar, restaurant, music and other types of entertainment. Vacationers can access the beach and wide variety of premium while on club grounds, during the season.

Restaurant Republic

The Republic is a multi-functional building of up to 1,500 square meters and designed for 1,000 guests, that includes two restaurants and a two-story event space used for both concerts and conferences. It is located in the center of Tbilisi, on Republic Square. Rooftop terrace offers its guests gorgeous city views, a cozy atmosphere and a sophisticated menu of European cuisine. Bar serves cocktails and wines to visitors. With respect to first floor, the guests enjoy 24-hour modern concept diner “Republic 24” that serves Georgian food.

It should be noted that "Restaurant Republic" and “Republic 24” belongs to Yellow Box projects but are managed by a Green Box entity.

Iveria Café

Iveria Café is located next to Radisson Blu Iveria in Tbilisi. Nestled in the city center, Iveria Cafe offers a wide range of lunch options, wine bar and store .

Brief information about the sector

Casino Sector Overview

Gambling is prohibited either completely or partially in most countries in the Caucasus region. In Georgia, gambling is fully legalized and regulated by the Ministry of Finance. Current regulations allow for both online gambling activities and the so-called land gambling activities. As of March 2024, up to 127 permits are active for the establishment of gambling facilities at physical locations in different regions of Georgia, with more than half held by slot-machine parlors. There are currently 24 active licenses for casinos, most of which are located in Batumi. As of March 2024, number of gaming tables in casinos of Batumi was 214 and number of slot machines was 1,397. In Adjara, total number of visitors in casinos in 2023 were 1,261,279, 90% of which were foreigners.

Hospitality Sector Overview

The Georgian tourism sector was enjoying rapid growth before the pandemic, with much of it due to a visa-free regime with more than 100 countries, as well as a rich and historic culture, improved service quality, and comprehensive Government support. Georgia's marine resorts, medical and health resorts, winter ski resorts, four-season resorts, wine tourism, cultural attractions and gaming business have made tourism a key sector of the service sector.

Georgia's tourism sector experienced significant growth during 2015-2019, the number of international visitors steadily increased until the industry in 2020, after the start of the pandemic, faced unprecedented challenges, as a result of which, the number of international visitors decreased by 80.4%[2] and the revenues from tourism by 83.4%.

World tourism has recovered to 88% of the pre-pandemic level by the end of 2023. A strong trajectory of recovery is likely to continue in 2024. The recovery of Georgia's tourist indicators lags behind the world indicator and in 2023 compared to 2019 an 80% recovery was recorded. However, in the first quarter of 2024, the number of international visitors reached more than 1.2 million, which is 8.6% higher than in 2023, and the recovery of international visitor travel reached 87% compared to 2019.

Construction sector

The construction sector remains the backbone of the Georgian economy, as major investment opportunities in the tourism industry, energy sector, residential and commercial real estate, as well as infrastructure projects, can only be realized with the direct involvement of the real estate sector.

According to preliminary data from Geostat, the construction sector grew by 17.2% in real terms in 2023, which was preceded by a 15.9% real growth in 2022. This is partially explained by the low base effect of previous periods, as the sector had actually been decreasing every year since 2018 in real terms (With the exception of 1.1% growth in 2019). The pandemic and related restrictions had a significant negative impact, both on the economy as a whole and on the construction sector. On the other hand, the increased demand for real estate and construction led to the sector's growth in both nominal and real terms from 2022 to the present. In 2021, the construction sector in real terms decreased by 23.9%, despite a nominal 1.6% increase, which was due to a significant increase in the prices of construction materials. High prices for construction materials were caused by the increase in prices on global commodity markets and the disruption of supply chains (Resulting from the pandemic). However, in light of the increased

[2] Source: Georgian National Tourism Administratin

demand for real estate from 2022 and the stabilization of construction materials prices from 2023, the sector's real growth for the same year amounted to 17.2%.

Residential Real Estate

The residential real estate sector has been the driving force of the Georgian economy since the mid- 2000s. GDP per capita increased by an average of 7.7% in dollars between 2010-2023, which had a positive effect on the purchasing power of the Georgian population. Consequently, increasing average incomes and the availability of real estate contributed to an increase in demand for residential real estate, especially in Tbilisi and Batumi. It is worth noting that along with the aforementioned factors, migration has significantly increased the investment attractiveness of residential real estate from 2022.

There are several factors that positively affect demand. Out of these, need-based drivers are: growing urbanization, reduction in family size, income growth, mortgage availability, housing improvement, migration, etc. and factors based on investment attractiveness are: rent profitability, surplus capital and lack of investment alternatives.

In 2020, amid the pandemic, the real estate market suffered a significant hit. However, due to a state-initiated interest subsidy scheme, sales were relatively maintained. Within the framework of the scheme, in 2020 the state subsidized 4 percentage points of the interest rate on mortgage loans denominated in GEL. After the recovery in 2021, real estate sales in 2022 reached a record high of 42,974 apartments sold (+15.9% y/y), a result of pent-up demand and migrant inflows.

39,949 apartments were sold in 2023, which is a 7.0% decrease compared to the same period year before, but still a high figure given the high base of the previous period. It is worth noting that 46.9% of sales (18,734 apartments) come from primary market transactions.

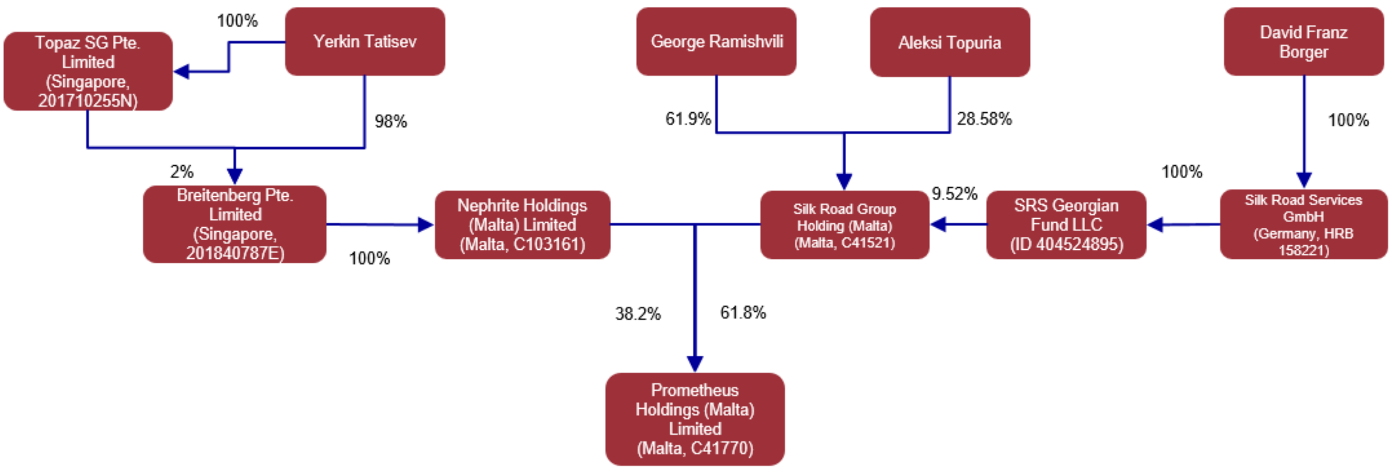
It should be noted that the space sold in the real estate market of Tbilisi increased by 5.7% from 2018 to 2023, and the sales of apartments increased by 9.6% in the same period. This reflects a slight decrease in the average area of apartments. The average apartment size in 2023 was 68 square meters compared to 71 square meters in 2018.

The Shareholders

As of the date of the Prospectus, the issuer's 95% shareholder is the limited liability company Silk Road Group Holding LLC (ID 404579354), and the owner of the 5% share is Amphidon Holding (Malta) Limited, (C96531 - Malta). 90% of shares in Amphidon Holding are distributed among 4 partners who individually do not own more than 5% of the issuer's shares.

Shareholder	Share in Capital
Silk Road Group Holding LLC	95%
Amphidon Holding (Malta) Limited	5%

In turn, the owner of 95% of the equity of Silk Road Group Holding LLC is Comodon Holding (Malta) Limited.



The overall group structure and the corresponding shareholdings are given below:

Shareholder of Prometheus Holdings (Malta) Limited:

Shareholder	Share in Capital
Silk Road Group Holding (Malta) Limited	61.76%
Nephrite Holdings Limited	38.24%

Shareholders of Silk Road Group Holding (Malta) Limited[3]:

Shareholoder	Share in Capital
George Ramishvili	61.90%
Aleksi Topuria	28.58%
SRS Georgia Fund LLC	9.52%

[3] A portion of the shares of Silk Road Group (Malta) Limited is registered to Artio Trustees Limited pursuant to a fiduciary agreement.

Shareholder of SRS Georgia Fund :

Shareholoder	Share in Capital
Silk Road Services GmbH	100%

Shareholder of Silk Road Services GmbH

Shareholoder	Share in Capital
David Borger	100%

Shareholder of Nephrite Holdings Limited:

Shareholder	Share in capital
Breitenberg Pte. Limited	100%

Shareholders of Breitenberg Pte. Limited

Shareholder	Share in capital
Yerkin Tatishev	98%
Topaz SG Pte. Limited	2%
Shareholders of Topaz SG Pte.Shareholder	**Share in capital**
Yerkin Tatishev	100%

As of the date of this Prospectus, the ultimate beneficial owners of the issuer are George Ramishvili (36.51%), Yerkin Tatishev (36.51%), Aleksi Topuria (16.86%), and David Borger (5.62%), who together hold 95.5% of the shares. The remaining 4.5% is mostly owned by partners with insignificant shares. Prometheus Holding owns a 95% stake in Silk Real Estate. George Ramishvili is the founder and controlling shareholder of the company, and in the holding structure, no company owner has a different voting right.

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

Mamuka Shurghaia – CEO of Silk Real Estate LLC and SRG Investments LLC

Mamuka Shurghaia joined Silk Road Group in 2011 as the Chief Financial Officer. Previously, Mamuka worked as a senior auditor at EY (formerly Ernst & Young). He holds a Master's degree in Business Administration from Grenoble Ecole de Managementand is a member of the supervisory board of JSC Silknet.

Vasil Kenkishvili – CEO of SRG Investments LLC

Vasil Kenkishvili first joined Silk Road Group in 2006 as a Chief Legal Advisor and was promoted to Director in early 2010. He holds a law degree from the Tbilisi State University and a master's degree in international legal studies from Washington College of Law, Washington DC, USA. He has also completed Harvard University Law School's Negotiation Program and is a member of the supervisory boards of various group companies. At various times, Vasil Kenkishvili worked for the Ministry of State Property Management, the Parliament of Georgia, and the Georgian Railway.

Nona Oniani- CFO of SRG Investments LLC

Nona Oniani joined Silk Road Group in 2022 after working in corporate banking at TBC Bank, where she worked extensively on the real estate and hospitality sectors. She has a Bachelor's degree in business administration from Free University Tbilisi.

Lia Dolidze - Head of Project Management at SRG Investments LLC

Lika Dolidze joined Silk Road Group as a Procurement Manager in 2007 following several project engagements with the World Bank. She holds a degree in Western Languages from Ilia State University and has completed a Project Management Course at George Washington University in the USA.

Anton Johan Hendrik Kuijt – CEO of Silk Hospitality

Johan Kuijt is the Executive Director of Silk Hospitality and the General Manager of Radisson Blu Iveria Tbilisi Hotel. He joined Silk Road Group in 2016 after holding senior positions in the hospitality sector throughout Europe. Kuijt holds a degree from Hotel School, The Hague University (Netherlands) and has completed executive programs in Hospitality Finance and Hotel Investments at Cornell University (USA).

David Rapava – CFO of Silk Hospitality

David Rapava is the Financial Director and Head of the Entertainment Business at Silk Hospitality. He has been with Silk Road Group since the 1990s, previously serving as CEO of the group's Transportation Business. David holds a degree in Economics from Tbilisi State University.

Elene Machavariani – COO of Silk Hospitality

Elene Machavariani joined Silk Road Group in 2021, having previously worked with leading companies in the Georgian hospitality sector. Elene holds a degree in International Law and Diplomacy from the American University for Humanities in Tbilisi.

Giorgi Kapanadze – Director of Business Development at SRG Investments LLC

Giorgi joined Silk Road Group in 2018, having previously served as General Director of a major Georgian development company. He holds a Civil Engineering degree from Georgian Technical University, as well as a Master's degree in Business Administration from Free University Tbilisi.

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

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

Issuer's financial auditor: Issuer's financial auditor is „KPMG Georgia". ID No: 404437695. Address: Mtatsminda District, Liberty Square N4, 0105, Tbilisi, E-mail: general@kpmg.ge

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

Issuer's Depository: JSC Georgian Central Securities Depository (ID No. 204935400), Tel (+995 32) 2 50 02 11. Address: Tbilisi, Vazha-Pshavela 71, block 10.

Bondholder's representative: Suknidze & Partners LLC (ID 405413299). Email: office@alfg.ge, Tel: 551 14 30 66, Address: I. Abashidze street 34"

Third parties or experts: The Company's real estate has been appraised by Colliers Georgia LLC. Identification code: 405029810. Legal address: Floor II, 2 Leonidze (former Kirovi) street / 1 G. Tabidze street, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Website: colliers.com. The appraisal is performed in accordance with the requirements of International Appraisal Standards (IVS 2013).

Individuals and legal entities involved in the offer:

Placement, Calculation and Paying Agents:

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

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

The Issuer and the Placement Agent 1 (JSC Galt & Taggart), the Issuer's auditors and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest between them.

There is a possibility that part of the Bonds will be purchased by JSC Bank of Georgia, which is one of the largest commercial banks operating in Georgia and is affiliated with Placement Agent 1. Specifically, Placement Agent 1 and JSC Bank of Georgia are indirectly related as they are members of the same group - the ultimate controlling party of JSC Bank of Georgia and Placement Agent 1 is the Bank of Georgia Group PLC. At the same time, the management of JSC Bank of Georgia's corporate banking direction (which includes both corporate loan issuance and investment in bonds) has been authorized by the group (controlling party) to make decisions regarding Placement Agent 1 on behalf of the group. These circumstances may create a conflict of interest between, on the one hand, Placement Agent 1 and the issuer, and on the other hand, Placement Agent 1 and JSC Bank of Georgia. However, the issuer believes that the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 1 declares and confirms that JSC Bank of Georgia will be treated as one of the investors on an equal and equitable basis;

(b) If during the process of forming the final interest rate (Book-building), the interest expressed by potential investors through applications to purchase Bonds exceeds the amount provided for in this prospectus and the applications are satisfied partially, the decision regarding this will be made by the issuer itself and not by Placement Agent 1, proportional to the amounts specified in the submitted applications or otherwise.

There is a possibility that the portion of the Bonds will be purchased by one of the largest commercial banks, which is affiliated with Placement Agent 2 (Placement Agent 2 is a direct subsidiary of JSC TBC Bank). At the same time, the Placement Agent 2 and JSC TBC Bank's corporate lending division (responsible for issuing corporate loans and investing in bonds) share the same management team. The listed circumstances may give rise to a conflict of interests between Placement Agent 2 and the Issuer, between Placement Agent 2 and JSC TBC Bank, and between Placement Agent 2 and Investors. However, the Issuer believes the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 2 declares and confirms that it will treat JSC TBC Bank as one of the investors based on principles of equality and fairness.

(b) In the event that, during the determination of the final interest rate (book-building process), potential investors express an interest in purchasing a quantity of bonds exceeding what is available under this prospectus, and applications are only partially fulfilled, the allocation will be conducted on a proportional basis or as otherwise determined by the Issuer, not by the Placement Agent 2.

It is important to note that Placement Agent 3 is a commercial bank established and operating in compliance with Georgian legislation and is licensed by the National Bank of Georgia. As an entity licensed by the National Bank of Georgia, JSC Silk Bank is subject to strict regulatory and supervisory oversight, including in terms of the management of risks and conflict of interests. As a result, the Placement Agent 3 has a management policy separate and independent from the Issuer, and an organizational and corporate structure that ensures adequate supervision and control over transactions with related parties. Both the current legal framework and the internal policy document of JSC Silk Bank support Placement Agent 3's commitment to conduct transactions with related parties on an arm's-length basis and in accordance with the rules and conditions that are no more favorable than those applied to non-related parties in analogous transactions under similar circumstances. Based on the foregoing, the Issuer believes that the Placement Agent 3 has taken all measures to ensure the due identification, prevention and management of potential conflicts of interest in line with the principle of fairness.

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

Key Financial Indicators

The table below summarizes the company's key financial indicators, which are based on the issuer's audited IFRS financial statements.

The auditor's opinion on issued IFRS financial statements for the years of 2021, 2022 and 2023 isunqualified. Additional details and the basis for the preparation of the report are provided in the attached report.

Apart from the information described in the prospectus, no other significant events have occurred between December 31, 2023 and the date of the filing of the prospectus that may be material to the assessment of the issuer's solvency.

** The financial statements contain the consolidated financial indicators of the Group.*

Consolidated Statement of Financial Position (000' GEL)	**31-Dec-2023**	**31-Dec-2022**	**31-Dec-2021**
	Audited	**Audited**	**Audited**
Assets			
Non-current assets			
Property and equipment	354,339	331,151	267,193
Investment property	242,890	238,930	309,771
Intangible assets	6,607	6,700	5,619
Prepayments for non-current assets	29,630	1,592	308
Investments in equity accounted investees	642	-	-
Loan receivable	14,537	222,123	237,275
Non-current assets	**648,645**	**800,496**	**820,166**
Current assets			
Inventories	7,802	6,483	4,873
Loans receivable	5,198	1,886	40,710
Trade and other receivables	9,106	11,523	8,966
Cash and cash equivalents	40,779	53,912	34,413
Prepayments and other assets	11,499	9,062	7,747
Current assets	**74,384**	**82,866**	**96,709**
Total assets	**723,029**	**883,362**	**916,875**
Equity			
Capital*	492,242	671,140	671,140
Accumulated losses	(48,205)	(122,875)	(137,860) [4]
Equity attributable to owners of the Company	**444,037**	**548,265**	**533,280**
Non-controlling interests	17,304	12,091	7,529
Total equity	**461,341**	**560,356**	**540,809**
Non-current liabilities			
Loans and borrowings	223,130	230,374	263,497
Trade and other payables	599	-	504
Put option liability	-	42,138	42,436
Non-current liabilities	**223,729**	**272,512**	**306,437**
Current liabilities			
Loans and borrowings	18,413	33,287	49,296
Trade and other payables	19,546	17,207	20,333
Current liabilities	**37,959**	**50,494**	**69,629**

[4] For details regarding the factors contributing to accumulated losses, please refer to "*Capitalization and Indebtedness.*"

Total liabilities	**261,688**	**323,006**	**376,066**
Total equity and liabilities	**723,029**	**883,362**	**916,875**

*The Company has no subscribed capital according to Law of Georgia On Entrepreneurs, and the "Capital" section presented in the issuer's consolidated financial statement is not a constituent part of "Subscribed Capital" or "Reserve" as defined by the Law of Georgia On Entrepreneurs. Therefore, it does not serve as a protection mechanism or act as a buffer within the framework of Article 145 of the Georgia Law on Entrepreneurs concerning dividend issuance and capital reduction. Specifically, the restrictions established by the Law of Georgia on Entrepreneurs, which do not apply to the company due to the absence of subscribed capital, are as follows:

- In the event of a reduction of the subscribed capital, it is not permissible to distribute dividends in the amount of the reduced invested capital within six months from the date of the reduction.
- Dividends cannot be distributed to partners if, as a result, the assets of the limited liability company can no longer cover the liabilities and the amount of subscribed capital.
- The reduction of the subscribed capital is only possible at least six months after the publication of the decision to reduce the subscribed capital, provided that the demands of creditors that arose before the publication of the decision to reduce the subscribed capital have been satisfied or secured by the company, or if the court did not satisfy their demands. Following the decision to reduce the capital, the following requirement must be observed: after the reduction of the subscribed capital, the total assets of the company must be divided by the total liabilities of the company.

However, the terms and conditions of the Bonds contain several restrictions on both the Company and its restricted Subsidiaries (except those restricted Subsidiaries in which the Company owns 100% of the shares) from paying dividends in cash or otherwise and from making any other distributions in respect of capital. For detailed information, see Sub-Clause 5(g) of the "Terms and Conditions of the Bonds" - "Restricted Payment".

Consolidated Statement of Profit or Loss and Other Comprehensive Income (000' GEL)	**31-Dec-2023** **Audited**	**31-Dec-2022** **Audited**	**31-Dec-2021** **Audited**
Revenue	246,995	246,002	144,738
Other income	15,433	17,030	7,795
Operating costs	(97,940)	(88,328)	(59,607)
Wages and other employee benefits	(97,191)	(87,679)	(51,606)
Depreciation and amortization	(27,566)	(26,977)	(29,408)

Impairment reversal of trade and other receivables and loans receivable	2,218	650	(374)
Modification gain on financial liabilities	1,575	-	-
Other expenses	(3,795)	(2,699)	(2,250)
Results from operating activities	**39,729**	**57,999**	**9,288**
Interest income	9,103	18,639	19,655
Net foreign exchange loss	(9,009)	(5,220)	3,032
Interest expense	(27,176)	(26,284)	(29,515)
Net finance costs	**(27,082)**	**(12,865)**	**(6,828)**
Profit/(loss) before income tax	**12,647**	**45,134**	**2,460**
Income tax	-	-	-
Profit/(loss) and total comprehensive income/(loss) for the year	**12,647**	**45,134**	**2,460**
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owners of the Company	5,201	38,244	463
Non-controlling interests	7,446	6,890	1,997

The Group's reportable segments are described below (both Green Box and Yellow Box) (information is presented in the audited statement). Numbers after elimination presented in segment reporting, reconciles with consolidated audited report.

Segment Report as of December 31, 2023 (Green Box and Yellow Box are separated by respective colors)

Consolidated statement of profit or loss and other comprehensive income (000' GEL)	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Hotels	Elimin-ations	Hotels after eliminations	Casino Tbilisi	Casino Batumi	Casinos	Elimin-ations	Casinos after eliminations	Other unallocated "Green box" entities	Elimin-ation	Other unallocated "Green box" entities after eliminations	Total "Green box" entities after eliminations	Other unallocated "Yellow box" entities	Elimin-ation	Other unallocated "Yellow box" entities after eliminations	Elimin-ations	Total
Revenue	49,229	19,364	20,982	89,575	(11,547)	78,028	102,302	69,467	171,769	(111)	171,658	31,782	(13,621)	18,161	267,847	6,426	(3)	6,423	(2,642)	271,628
Other operating income	-	-	-	-	-	-	(74)	1,059	985	(4)	981	1,980	-	1,980	2,961	4,162	(17)	4,145	(998)	6,108
Depreciation and amortization	(6,459)	(2,361)	(6,132)	(14,952)	-	(14,952)	(2,102)	(1,386)	(3,488)	-	(3,488)	(464)	-	(464)	(18,904)	(2,951)	-	(2,951)	-	(21,855)
Direct costs and expenses	(28,736)	(11,827)	(16,137)	(56,700)	8,488	(48,212)	(66,730)	(64,434)	(131,164)	12,176	(118,988)	(14,708)	3,543	(11,165)	(178,365)	(5,121)	4	(5,117)	2,214	(181,268)
Overhead costs	(3,129)	(1,984)	(1,284)	(6,397)	-	(6,397)	(1,630)	(150)	(1,780)	12	(1,768)	(26,655)	1,064	(25,591)	(33,756)	(4,788)	16	(4,772)	1,426	(37,102)
Segment operating profit	**10,905**	**3,192**	**(2,571)**	**11,526**	**(3,059)**	**8,467**	**31,766**	**4,556**	**36,322**	**12,073**	**48,395**	**(8,065)**	**(9,014)**	**(17,079)**	**39,783**	**(2,272)**	**-**	**(2,272)**	**-**	**37,511**
Interest income	1,411	106	53	1,570	(92)	1,478	8,296	54	8,350	(6,709)	1,641	22,721	(15,094)	7,627	10,746	3,251	(66)	3,185	(4,828)	9,103
Interest expense	(34)	-	(3,105)	(3,139)	950	(2,189)	-	-	-	-	-	(46,901)	20,945	(25,956)	(28,145)	(3,925)	66	(3,859)	4,828	(27,176)
Net FOREX	(718)	(27)	129	(616)	-	(616)	(149)	(63)	(212)	-	(212)	(7,747)	-	(7,747)	(8,575)	(434)	-	(434)	-	(9,009)
Impairment of financial assets	916	-	-	916	-	916	-	-	-	-	-	1,332	-	1,332	2,248	(30)	-	(30)	-	2,218
Segment profit/loss before tax	**12,480**	**3,271**	**(5,494)**	**10,257**	**(2,201)**	**8,056**	**39,913**	**4,547**	**44,460**	**5,364**	**49,824**	**(38,660)**	**(3,163)**	**(41,823)**	**16,057**	**(3,410)**	**-**	**(3,410)**	**-**	**12,647**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**12,480**	**3,271**	**(5,494)**	**10,257**	**(2,201)**	**8,056**	**39,913**	**4,547**	**44,460**	**5,364**	**49,824**	**(38,660)**	**(3,163)**	**(41,823)**	**16,057**	**(3,410)**	**-**	**(3,410)**	**-**	**12,647**
Net operating profit	**20,493**	**7,537**	**4,845**	**32,875**	**(3,059)**	**29,816**	**35,498**	**6,092**	**41,590**	**12,061**	**53,651**	**19,054**	**(10,078)**	**8,976**	**92,443**	**5,467**	**(16)**	**5,451**	**(1,426)**	**96,468**
Segment adjusted EBITDA**	**17,364**	**5,553**	**3,561**	**26,478**	**(3,059)**	**23,419**	**33,868**	**5,942**	**39,810**	**12,073**	**51,883**	**(7,601)**	**(9,014)**	**(16,615)**	**58,687**	**679**	**-**	**679**	**-**	**59,366**
CAPEX and other additions	2,607	2,760	973	6,340	-	6,340	8,621	3,289	11,910	-	11,910	29,556	-	29,556	47,806	7,479	-	7,479	-	55,285

*Eliminations are divided into three parts: elimination between Green Box companies, elimination between Yellow Box companies, and finally elimination between Green Box and Yellow Box companies. The numbers presented in the segment reporting are based on management reports, which are regularly reviewed by the Chief Operating Decision Maker (CODM), therefore the classification of profit and loss items presented in the segment reporting differs from the classification of items in the audited consolidated statement of profit or loss and other comprehensive income. Segment operating profit and net operating profit after eliminations reconciles with the consolidated audited financial statements.

Segment Report as of December 31, 2022

Consolidated statement of profit or loss and other comprehensive income (000' GEL)	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Hotels	Eliminations	Hotels after eliminations	Casino Tbilisi	Casino Batumi	Casinos	Eliminations	Casinos after eliminations	Other unallocated "Greenbox" entities	Elimination	Other unallocated "Greenbox" entities after eliminations	Total "Greenbox" entities after eliminations	Other unallocated "Yellowbox" entities	Elimination	Other unallocated "Yellowbox" entities after eliminations	Eliminations	Total
Revenue	42,228	19,731	19,876	81,835	(9,596)	72,239	116,896	65,810	182,706	(10)	182,696	25,597	(9,960)	15,637	270,572	7,414	(3)	7,411	(4,381)	273,602
Other operating income	-	-	777	777	-	777	118	712	830	-	830	2,069	-	2,069	3,676	3,500	-	3,500	(1,975)	5,201
Depreciation and amortization	(6,271)	(2,157)	(7,084)	(15,512)	-	(15,512)	(2,352)	(1,166)	(3,518)	-	(3,518)	(1,199)	-	(1,199)	(20,229)	(2,511)	-	(2,511)	-	(22,740)
Direct costs and expenses	(24,530)	(11,277)	(16,249)	(52,056)	7,253	(44,803)	(61,666)	(59,758)	(121,424)	9,694	(111,730)	(10,628)	841	(9,787)	(166,320)	(3,678)	3	(3,675)	84	(169,911)
Overhead costs	(4,083)	(1,602)	(1,752)	(7,437)	152	(7,285)	(187)	(118)	(305)	-	(305)	(24,947)	1,626	(23,321)	(30,911)	(4,164)	-	(4,164)	6,272	(28,803)
Segment operating profit	7,344	4,695	(4,432)	7,607	(2,191)	5,416	52,809	5,480	58,289	9,684	67,973	(9,108)	(7,493)	(16,601)	56,788	561	-	561	-	57,349
Interest income	2,477	40	12	2,529	(57)	2,472	5,340	-	5,340	(4,111)	1,229	23,954	(9,025)	14,929	18,630	4,553	(511)	4,042	(4,033)	18,639
Interest expense	(151)	-	(3,386)	(3,537)	174	(3,363)	-	(6)	(6)	-	(6)	(36,371)	13,019	(23,352)	(26,721)	(4,107)	511	(3,596)	4,033	(26,284)
Net FOREX	(3,758)	(231)	4,287	298	-	298	(2,896)	(670)	(3,566)	-	(3,566)	(7,053)	-	(7,053)	(10,321)	5,101	-	5,101	-	(5,220)
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-	650	-	650	650	-	-	-	-	650
Segment profit/loss before tax	5,912	4,504	(3,519)	6,897	(2,074)	4,823	55,253	4,804	60,057	5,573	65,630	(27,928)	(3,499)	(31,427)	39,026	6,108	-	6,108	-	45,134
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	5,912	4,504	(3,519)	6,897	(2,074)	4,823	55,253	4,804	60,057	5,573	65,630	(27,928)	(3,499)	(31,427)	39,026	6,108	-	6,108	-	45,134
Net operating profit	17,698	8,454	4,404	30,556	(2,343)	28,213	55,348	6,764	62,112	9,684	71,796	17,038	(9,119)	7,919	107,928	7,236	-	7,236	(6,272)	108,892
Segment adjusted EBITDA**	13,615	6,852	2,652	23,119	(2,191)	20,928	55,161	6,646	61,807	9,684	71,491	(7,909)	(7,493)	(15,402)	77,017	3,072	-	3,072	-	80,089
CAPEX and other additions	1,864	1,245	712	3,821	-	3,821	7,188	1,245	8,433	-	8,433	5,897	-	5,897	18,151	3,400	-	3,400	-	21,551

Segment Report as of December 31, 2021 (Green Box and Yellow Box are separated by respective colors)

Consolidated statement of profit or loss and other comprehensive income (000' GEL)	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Hotels	Eliminations	Hotels after eliminations	Casino Tbilisi	Casino Batumi	Casinos	Eliminations	Casinos after eliminations	Other unallocated "Greenbox" entities	Elimination	Other unallocated "Greenbox" entities after eliminations	Total "Greenbox" entities after eliminations	Other unallocated "Yellowbox" entities	Elimination	Other unallocated "Yellowbox" entities after eliminations	Eliminations	Total
Revenue	24,538	14,483	16,422	55,443	(4,324)	51,119	50,028	46,826	96,854	-	96,854	12,454	(3,050)	9,404	157,377	3,085	-	3,085	(330)	160,132
Other operating income	-	-	-	-	-	-	393	564	957	-	957	489	-	489	1,446	5,289	(418)	4,871	(3,408)	2,909
Depreciation and amortization	(6,309)	(1,892)	(7,090)	(15,291)	-	(15,291)	(2,174)	(1,055)	(3,229)	-	(3,229)	(6,236)	-	(6,236)	(24,756)	(3,401)	-	(3,401)	-	(28,157)
Direct costs and expenses	(15,956)	(8,594)	(13,117)	(37,667)	1,621	(36,046)	(26,373)	(37,995)	(64,368)	5,023	(59,345)	(8,283)	-	(8,283)	(103,674)	(2,418)	-	(2,418)	2,977	(103,115)
Overhead costs	(3,812)	(1,026)	(1,270)	(6,108)	74	(6,034)	(204)	(152)	(356)	117	(239)	(2,918)	539	(2,379)	(8,652)	(14,634)	418	(14,216)	761	(22,107)
Segment operating profit	(1,539)	2,971	(5,055)	(3,623)	(2,629)	(6,252)	21,670	8,188	29,858	5,140	34,998	(4,494)	(2,511)	(7,005)	21,741	(12,079)	-	(12,079)	-	9,662
Interest income	2,630	13	-	2,643	(92)	2,551	-	-	-	(903)	(903)	27,554	(10,109)	17,445	20,354	4,553	(506)	4,047	(4,746)	19,655
Interest expense	(411)	-	(3,651)	(4,062)	431	(3,631)	-	-	-	-	-	(36,603)	10,668	(25,935)	(29,566)	(5,134)	506	(4,628)	4,679	(29,515)
Net FOREX	(905)	(38)	2,248	1,305	(1,358)	(53)	-	-	-	-	-	980	1,363	2,343	1,132	1,833	-	1,833	67	3,032
Impairment of financial assets	(293)	-	-	(293)	-	(293)	-	-	-	-	-	5	-	5	(190)	(184)	-	(184)	-	(374)
Segment profit/loss before tax	(518)	2,946	(6,458)	(4,030)	(3,648)	(7,678)	21,670	8,188	29,858	4,237	34,095	(12,558)	(589)	(13,147)	13,471	(11,011)	-	(11,011)	-	2,460
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	(518)	2,946	(6,458)	(4,030)	(3,648)	(7,678)	21,670	8,188	29,858	4,237	34,095	(12,558)	(589)	(13,147)	13,471	(11,011)	-	(11,011)	-	2,460
Net operating profit	8,582	5,889	3,305	17,776	(2,703)	15,073	24,048	9,395	33,443	5,023	38,466	4,660	(3,050)	1,610	55,149	5,956	(418)	5,538	(761)	59,926
Segment adjusted EBITDA**	4,770	4,863	2,035	11,668	(2,629)	9,039	23,844	9,243	33,087	5,140	38,227	1,742	(2,511)	(769)	46,497	(8,678)	-	(8,678)	-	37,819
CAPEX and other additions	624	1,147	1,991	3,762	-	3,762	5,239	2,274	7,513	-	7,513	394	-	394	11,669	9,781	-	9,781	-	21,450

**The Group calculates Adjusted EBITDA by adjusting profit from continuing operations to exclude following items:

- finance costs and finance income
- corporate income tax and any other taxes related to the distribution of dividends
- depreciation, amortization (excluding amortization of casino permit), revaluation, impairment (losses / reversals) of non-current assets

• net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates

• specific items as explained below:

Specific items are identified by virtue of their size, nature or incidence. Specific items represent:

non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group's securities, write off/impairment of issued loans and receivables, etc.).

Reconciliation of Reportable Segments

'000 GEL	**2023**	**2022**	**2021**
Total Revenue for Reportable Segments	271,628	273,602	160,132
Income from Casino Tips	(11,065)	(11,829)	(4,886)
Customer promotions and bonuses for Casinos	(13,568)	(15,771)	(10,508)
Consolidated Revenue	**246,995**	**246,002**	**144,738**

Revenues of GEL 8,271 thousand (2022: GEL 7,028 thousand; 2021: GEL 2,966 thousand) included under "Revenue from Hotel and Complex Republic operations" in the revenue breakdown are mainly related to the operations of Complex Republic and are allocated to revenues from Other unallocated "Green Box" entities for segment reporting purposes. (for more information, please view the *operating results* subsection).

Revenue of GEL 3,721 thousand (2022: 3,399 GEL and 2021: 2,879) is attributable to operations of Park Hotel Tsinandali, which is allocated to revenues from other unallocated "yellow box" entities for segment reporting purposes.

Customer incentive costs and bonuses are included between revenues and operating expenses for IFRS accounting purposes.

Key financial ratios:

		31-Dec-2023	31-Dec-2022	31-Dec-2021
		Audited	**Audited**	**Audited**
	Financial Leverage Ratios			
1	Long-term debt / equity	0.48	0.41	0.49
2	Long-term debt / equity (w/o related party loan)	0.45	0.29	0.32
3	Total debt / EBITDA	4.07	3.29	8.27
4	Total debt / EBITDA (w/o related party loan)	3.90	2.65	6.41
5	Total debt ratio	33.41%	29.85%	34.12%
6	Total debt ratio (w/o related party loan)	32.02%	24.05%	26.42%
7	Total debt to equity	0.52	0.47	0.58
8	Total debt to equity (w/o related party loan)	0.49	0.35	0.40
	Profitability Ratios			
9	Return on assets	1.57%	5.01%	0.27%
10	Return on equity	2.48%	8.20%	0.46%
11	Return on capital employed	4.31%	6.66%	1.04%
12	EBITDA margin	22.62%	30.45%	24.79%
13	EBIT margin	12.12%	20.19%	5.51%
14	Operating profit margin	15.14%	22.05%	6.09%
15	Operating cashflow margin	13.02%	20.32%	5.07%
16	Net profit margin	4.82%	17.16%	1.61%
	Liquidity Ratios			
17	Liquid assets / current liabilities	1.75	1.51	1.32
18	Liquid assets / total assets	0.09	0.09	0.10
19	Current assets ratio	1.96	1.64	1.39
		31-Dec-2023	**31-Dec-2022**	**31-Dec-2021**
	Key Financial Covenants on specific group companies			
20	DSCR – Specific Group	1.21	1.70	1.67
21	DSCR – Hotels Tbilisi, Batumi	1.14	0.73	1.14
22	DSCR – Hotel Tsinandali	0.35	0.10	(0.69)
23	DSCR – Casinos	1.73	5.62	3.81
24	ICR – Specific Group	1.83	2.54	1.67
25	ICR – Hotels Tbilisi, Batumi	1.56	1.31	1.14
26	ICR – Hotel Tsinandali	0.47	0.12	(0.69)
27	ICR – Casino	3.52	6.11	3.81
28	Total debt / EBITDA – Specific Group	1.69	2.05	4.73
29	Total debt / EBITDA – Hotels	2.82	5.57	14.10
30	Total debt / EBITDA -Casinos	0.94	0.73	1.42
	Bonds Financial Covenants			
31	Net Debt / adjusted EBITDA (<3.5)	3.14	1.71	3.91

General notes:

1. The issuer plans to fully refinance the existing Libilities by issuing bonds. Therefore, according to the issuer's assessment, the transaction will not have a material impact on the leverage, profitability and liquidity ratios presented in the table above.
2. Profit and loss and cash flow statement indicators are calculated based on 12 months of 2023 in case of profit and loss and the balance sheet, or cash flow and balance sheet ratios, .
3. Financial ratios presented above are relevant indicators for the issuer's business activities and specifics.
4. The company will refinance its existing liabilities based on the Final Term Sheet document of the bonds issued. The company will provide detailed information on the bond issue date.
5. Unless otherwise specified,for the purposes of covenant calculation, these metrics have the following meaning:
    - EBITDA - Adjusted EBITDA for the group disclosed in audited segment report;
    - EBIT – EBITDA less depreciation and amortization.
6. Financial covenants on the borrowings are calculated based on standalone (managerial) financial statements agreed upon with the borrowers. For a few ratios that are given in the table of main financial ratios under the heading Key Financial Covenants, calculations will be made in the context of a specific group. These coefficients are recalculated quarterly.
7. The consolidated EBITDA of a group's specific member is calculated by subtracting each member's operating expenses and income, as well as the owner costs and overhead costs from revenues. These expenses are classified into G&A expenses (office expenses, vehicle repair, vehicle leasing, utility expenses, security, travel and communication), rent, insurance, consulting costs, property taxes, salaries, dividends, marketing and other sponsorship costs, as well as any other costs, except for interest, depreciation and amortization costs;
8. Hospitality EBITDA - hospitality company and restaurant revenues minus hospitality company expenses: hotel and restaurant operating expenses, as well as the share of group owner costs and overhead costs allocated to hospitality companies (see the definition of the mentioned expenses in the definition 6.).
9. Casino EBITDA - Gambling companies' revenueminus the gambling companies' expenses: casino operating expenses, as well as the share of specific group owner costs and overhead allocated to gambling companies (see the definition of the mentioned expenses in the definition 7.).
10. The group free cash flow is calculated according to the following principle: consolidated EBITDA of specific group members minus capital expenditures.
11. Cash flow after debt service (CFAD) – EBITDA minus furniture, fixtures and equipment reserve, profit tax, capital reduction, paid cash liabilities (except cash liabilities to financial institutions), CAPEX funded with the company's own funds and increases in working capital.
12. FFO - cash flow from operations plus paid interest, minus interest income and added preferred dividends;

For the purposes of calculating Bank covenants, a specific group means the following companies:

- Georgian Hotel Management LLC- 404385722;
- JSC New Hotel - 204487929;
- Medea Operating Company LLC - 445390817
- Argo Management LLC - 445391647;
- Limoni Real Estate LLC - 404536016;
- Limoni 2009 LLC - 204571490;
- Tsinandali Estate LLC- 204557372;
- Silk Hospitality LLC- 404613094.

Ratios calculation methodology:

1. **Long-term debt to equity ratio** - the company's long-term interest bearing liabilities divided by equity;
2. **Long-term debt to equity ratio (w/o related party loans)**- the company's long-term interest bearing liabilities (w/o related party loans) divided by equity (inc. related party loans);
3. **Total Debt / EBITDA** – Total debt divided by EBITDA
4. **Total Debt / EBITDA (w/o related party loans)** – Total debt (w/o related party loans) divided by EBITDA;
5. **Total debt ratio** – Interest bearing liabilities divided by total assets;
6. **Total debt ratio (w/o related party loans)** - Interest bearing liabilities (w/o related party loans) divided by total assets
7. **Total debt to equity** - Total interest bearing liabilities (excluding related party loans) divided by total equity.
8. **Total debt to equity (w/o related party loans)** - Total interest bearing liabilities (w/o related party loans) divided by total equity
9. **Return on assets** – Net income divided by the average of assets of the last two years
10. **Return on equity** – Net income divided by the average of equity of the last two years
11. **Return on Capital Employed** - EBIT divided by the sum of average of equity and average of long-term debt of the last two years
12. **EBITDA margin** - EBITDA divided by revenues;
13. **EBIT margin** - EBIT divided by revenues;
14. **Operating profit margin** – Operating profit devided by revenues;
15. **Operating cash flow margin** – Net operating cash flow divided by revenues;
16. **Net profit margin**- Net profit divided by revenues;
17. **Liquid assets / Current liabilities** - Current assets less inventories divided by current liabilities;
18. **Liquid assets / Total assets** – Current assets less inventories divided by total assets;
19. **Current assets/Current liabilities** – Current assets relative to current liabilities;

20-23 DSCR – Debt service coverage ratio - CFAD divided by debt service (principal plus interest);

24-27 ICR – Interest coverage ratio - CFAD divided by loan interest (DSCR calculation does not include principal prepayments);

28-30 Debt / EBITDA - debt liabilities divided by earnings before interest, income taxes, depreciation and amortization.

31 **Net Debt / Adjusted EBITDA** - total debt of the Issuer and its restricted subsidiaries (Green Box companies) less cash, divided by the adjusted EBITDA of the last reporting period (to view the adjustment methodology for calculating the ratio, please see the subsection Bond Terms and Conditions Chapter 5 (h)(i)).

Key financial ratios according to the methodologies of the credit rating agencies

As disclosed in the prospectus, the issuer does not have any company, nor bond rating assigned by credit rating agencies.

For illustrative purposes, information presented below on Fitch Ratings (one of rating agencies), showsdetails on the used ratios during rating assignment process for companies (only selected quantitative indicators).

It should be noted that the use of these ratios by rating agencies, such as Fitch Ratings, is just one aspect in the complex process of assigning a rating. The final rating is determined based on a number of important factors, both quantitative and qualitative, including the possible support of the parent company, the country's rating, the company's corporate structure, and the smoothness of business processes, among others. Additionally, according to the methodology of the rating agencies, the credit rating is determined mainly based on forecast data, while historical data plays an auxiliary role. Therefore, a credit rating obtained by the issuer might not necessarily coincide with the rating determined solely by these indicators.

In addition, according to the methodologies of credit agencies, the rating of the parent company and the quality of support received from the parent are of great importance.

Silk Real Estate has a diverse range of businesses that include management of the hotels, casinos and operations in other sectors. The issuer is a holding company, hence, for the purpose of calculating the rating coefficients a Generic navigator, not referring to a specific sector, is used. Therefore, this rating is not precise and does not reflect the actual credit profile of the company.

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

It should be noted that as Company operates in Georgia, its rating is subject to the upper limit of the country which is bb, despite the fact that some of the company's ratios fit into a category.

Additionally, Issuer does not take responsibility for presented sector, methodology or ratio calculation approach is in line with any credit rating methodology and/or specific business activities of the Issuer.

Source for used methodology and calculated ratios:

https://www.fitchratings.com/research/corporate-finance/corporate-rating-criteria-03-11-2023

https://www.fitchratings.com/research/corporate-finance/fitch-updates-sector-navigators-addendum-to-corporate-rating-criteria-03-11-2023

	Potential Credit Rating	**31 December 2023 (After Bonds Issuance) ***	**31 December 2023**	**31 December 2022**	**31 December 2021**
EBITDA margin	a	22.6%	22.6%	30.4%	24.8%
EBITDA leverage	b-bb	4.07	4.07	3.29	8.27
EBIT margin	bbb	12.1%	12.1%	20.2%	5.5%
EBITDA net leverage	b-bb	3.38	3.38	2.62	7.36
FFO margin	bbb	12.0%	12.0%	22.8%	-2.9%
FFO leverage	bb-bbb	3.88	3.88	3.14	8.27
FCF margin	ccc	-16.5%	-16.5%	12.6%	-9.8%
EBITDA interest coverage	b	1.84	1.84	3.27	0.88

(CFO-Capex)/Net Debt	ccc	-21.6%	-21.6%	15.8%	-5.4%
FFO interest coverage	b	1.93	1.93	3.44	0.88

*The received funds are used for the refinancing of existing liabilities, therefore the mentioned indicators are not subject to change.

1. **EBITDA margin** - EBITDA divided by revenues;
2. **EBITDA leverage** - EBITDA divided by total debt (excluding related party loans);
3. **EBIT margin** - EBIT divided by revenues;
4. **EBITDA Net Leverage** – EBTIDA divided by net debt (debt excluding cash and cash equivalents);
5. **FFO margin** - FFO divided by revenues;
6. **FFO leverage** - FFO divided by total debt (excluding related party loans);
7. **FCF margin** - FCF divided by revenues;
8. **EBITDA interest coverage** – EBITDA divided by interest paid;
9. **(CFO-Capex) / Net Debt (%)** - Cash flow from operations less capital expenditures divided by net borrowings (net of cash and cash equivalents).
10. **FFO interest coverage** - FFO (Funds from Operations) plus interest paid, minus interest received and plus preferred dividends divided by interest paid.

**** For the calculation of the above ratios, the Company's EBITDA refers to the Group's Adjusted EBITDA disclosed in audited segment report.***

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

Risks related to industry and economy

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

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

2. Risks related to neighboring countries and the region:

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

3. Risks Related to the Issuer's Business:

3.1 Risks related to the casino sector:
3.1.1 New entrants to the market;
3.1.2 The Group is subject to events that adversely affect the number of international visits;
3.1.3 Negative publicity surrounding the gaming industry;
3.1.4 Dependence on the continued popularity of games;

3.2 Risks related to the hospitality sector:
3.2.1 The Group is subject to events that adversely affect domestic or international travel;
3.2.2 The Group is exposed to risks related to the supply and demand cycle of the hotel industry;
3.2.3 The hotel industry is highly competitive and the Group's lack of effective competition could adversely affect its business, operating results and financial condition;

3.3 Risks related to the development (real estate) sector:
3.3.1 The Company may face risks related to the increase in costs, the quality of construction materials and contractors, during the construction process;
3.3.2 The development industry is becoming increasingly competitive;
3.3.3 An increase in the supply of newly built residential premises may expose the Company to price risk;

3.4 General risks related to the Issuer's business;
3.4.1 Unexpected events such as natural disasters, emergencies, pandemics, etc. may have a serious negative impact on the Company;

4. Operational risks related to the Issuer's activities:

4.1. Operational risks related to the casino activities:

4.1.1 Vulnerability to player fraud;

4.1.2 Progressive jackpots;

4.1.3 Suppliers' reliance on maintaining third-party certification approvals;

4.1.4 The possibility of major suppliers to request the withdrawal of products from certain markets;

4.1.5 Risks related to the third-party software suppliers;

4.1.6 Vulnerability to hacking, malicious viruses and other cybercrime attacks;

4.2. Operational risks related to the hospitality business (hotels):

4.2.1 Some hotel bookings are sourced from online travel agencies and intermediaries. If the proportion of these agencies' bookings increases compared to direct bookings, and if competitors offer more favorable conditions to customers, this could potentially have an adverse impact on the results of the Group's hotels, albeit indirectly;

4.2.2 The Company's hotel service revenues may be subject to seasonal fluctuations;

4.2.3 The Group is exposed to various risks related to the identification, provision and maintenance of franchise agreements;

4.3. Operational risks related to the development business (real estate):

4.3.1 Customers may not be able to make all payments to the Company;

4.3.2 There is risk associated with building permits and project approval;

4.3.3 The fair value of the buildings reflected in the appraisals may misrepresent their current market value;

4.4. Operational risks related to the general activities of the Company:

4.4.1 Company has granted loans to related parties, therefore the group is exposed to the risk of returning the granted loans;

4.4.2. The subscribed capital of the Company is not defined and, as such, will not be subject to the statutory restrictions, including those governing the distribution of dividends and the reduction of equity.

4.4.3 The shortage of qualified staff in the market may prevent the Company from working effectively;

4.4.4 Investment in real estate and hotel business is illiquid. The Company may face liquidity and default risk;

4.4.5 The Group depends on the reputation of its brands and the protection of its intellectual property rights;

4.4.6 There is a risk of lack of access to financing;

4.4.7 Incomplete insurance of Company-owned assets may have a significant negative impact on the Company's profits;

4.4.8 The Company's success in business depends on its ability to attract and retain senior management and key personnel;

4.4.9 Further expansion cannot be guaranteed;

4.4.10 The Company may breach the financial or non-financial provisions under its loan obligations;

4.4.11 The Group is exposed to certain risks related to technology and systems;

4.4.12 Due to complexity of the ownership structure, the group is exposed to certain risks

5. Risks related to legislative, judicial and regulatory environment

5.1. Regulatory risks related to the casinos:

5.1.1 Dependence on licenses and regulatory approvals to maintain gaming activities and tax structures;

5.1.2 Regulation regarding the use of the personal data of the user;

5.1.3 Current or future laws or regulations may prohibit, restrict or invalidate casino's activities;

5.2. General risks related to legislative and judicial systems:

5.2.1 Challenges related to the harmonization of Georgian legislation with EU legislation, as required by the deep and comprehensive free trade area agreement, may arise;

5.2.2 Uncertainties in the tax system of Georgia may result in tax adjustments or imposition of fines against the Company; there may be changes in the tax laws and policies of Georgia;
5.2.3 Uncertainties of the judicial system in Georgia, including any future arbitrary or inconsistent action by the state, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business of the Company;
5.2.4 Changes in or introduction of regulations in relation to the Company's activities may have a negative impact on the Company's business;
5.2.5 The Company may be subject to stricter environmental laws in the future;
5.2.6 The Company will become a reporting company upon the issuance of bonds and will be subject to additional legislative and reporting requirements;
5.2.7 New antitrust regulations may adversely affect the Company;
5.2.8 If the Company fails to comply with regulations related to money laundering or terrorism financing in the future, this may adversely affect the Company;
5.2.9 The Company is exposed to the risk of litigation from its customers, suppliers, employees and regulators;

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

6.1. The market price of the bonds may be volatile;

6.2. There may not be an active trading market for the bonds;

6.3. Investors whose financial activities and/or income are denominated in a currency or currency unit other than the bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls;

6.4. Bonds accrue interest at a fixed interest rate;

6.5. It is possible to redeem or repurchase the bonds before the redemption date;

7. Risks related to rights pertaining to the bonds:

7.1. In case of insolvency of the Company or the relevant Guarantor, the bonds will be deemed to be unsecured obligations;

7.2 Joint surety carries certain risks due to the absence of the relevant regulatory framework for bonds secured by joint surety;

7.3. The offering and disposal of the bonds is subject to certain territorial/foreign investor restrictions;

7.4. 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;

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

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

8.2. Investors must rely on the procedures of the Depository, the Bondholders' Representative and, where applicable, the Account Keepers; the Issuer has also established a capped amount subject to reimbursement by the Issuer in favour of the Bondholders' Representative;

8.3. An investment in the bonds involves certain legality of investment considerations;

8.4. Application for purchase of bonds may be satisfied partially.

Terms of the Offering and Main Characteristics Of Securities:

The main characteristics of the securities are defined in the "Term Sheet" document of the Bonds.

Possible costs imposed on the investors

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

Reasons of the Offering and Use of proceeds

Based on this Prospectus, the Isssuer plans to issue bonds with a nominal value of up to 20,000,000 (twenty million) USD in one or more issues. The net proceeds from the Bond issue will be at least 98.5% of the funds raised by the issues.

The net proceeds from the Bond issue will be fully used to refinance existing bank loans that were not originated with a related party. The specific loans that will be refinanced following the issue are unknown to the client at the date of the Prospectus. For more information on the Issuer's debt obligations, see the Capitalization and Indebtedness subsection.

Conflicts of interest associated with the offering

The Issuer and the Placement Agent 1 (JSC Galt & Taggart), the Issuer's auditors and third parties or experts involved in the preparation of the Prospectus are not related parties and there is no conflict of interest between them.

There is a possibility that part of the Bonds will be purchased by JSC Bank of Georgia, which is one of the largest commercial banks operating in Georgia and is affiliated with Placement Agent 1. Specifically, Placement Agent 1 and JSC Bank of Georgia are indirectly related as they are members of the same group - the ultimate controlling party of JSC Bank of Georgia and Placement Agent 1 is the Bank of Georgia Group PLC. At the same time, the management of JSC Bank of Georgia's corporate banking direction (which includes both corporate loan issuance and investment in bonds) has been authorized by the group (controlling party) to make decisions regarding Placement Agent 1 on behalf of the group. These circumstances may create a conflict of interest between, on the one hand, Placement Agent 1 and the issuer, and on the other hand, Placement Agent 1 and JSC Bank of Georgia. However, the issuer believes that the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 1 declares and confirms that JSC Bank of Georgia will be treated as one of the investors on an equal and equitable basis;

(b) If during the process of forming the final interest rate (Book-building), the interest expressed by potential investors through applications to purchase Bonds exceeds the amount provided for in this prospectus and the applications are satisfied partially, the decision regarding this will be made by the issuer itself and not by Placement Agent 1, proportional to the amounts specified in the submitted applications or otherwise.

There is a possibility that the portion of the Bonds will be purchased by one of the largest commercial banks, which is affiliated with Placement Agent 2 (Placement Agent 2 is a direct subsidiary of JSC TBC Bank). At the same time, the Placement Agent 2 and JSC TBC Bank's corporate lending division (responsible for issuing corporate loans and investing in bonds) share the same management team. The listed circumstances may give rise to a conflict of interests between Placement Agent 2 and the Issuer, between Placement Agent 2 and JSC TBC Bank, and between Placement Agent 2 and Investors. However, the Issuer believes the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 2 declares and confirms that it will treat JSC TBC Bank as one of the investors based on principles of equality and fairness.

(b) In the event that, during the determination of the final interest rate (book-building process), potential investors express an interest in purchasing a quantity of bonds exceeding what is available under this prospectus, and applications are only partially fulfilled, the allocation will be conducted on a proportional basis or as otherwise determined by the Issuer, not by the Placement Agent 2.

The Issuer and the Placement Agent 3 (JSC Silk Bank) are indirectly related entities. The parent company that indirectly holds 58.9853% of the Issuer's capital - Silk Road Group Holding (Malta) Limited (a company established and operating under the laws of Malta, company number C41770) - also holds 60.704% of shares in the Placement Agent 3. While such interrelation may be perceived by potential investors as carrying a certain level of risk in terms of conflict of interest, the Issuer believes that such risk is insignificant because the relation is indirect, does not threaten the independence and objectivity of the parties, and does not prevent them from fulfilling their duties. Furthermore, all agreements related to this transaction have been concluded on commercial grounds and in full compliance with existing laws.

It is important to note that Placement Agent 3 is a commercial bank established and operating in compliance with Georgian legislation and is licensed by the National Bank of Georgia. As an entity licensed by the National Bank of Georgia, JSC Silk Bank is subject to strict regulatory and supervisory oversight, including in terms of the management of risks and conflict of interests. As a result, the Placement Agent 3 has a management policy separate and independent from the Issuer, and an organizational and corporate structure that ensures adequate supervision and control over transactions with related parties. Both the current legal framework and the internal policy document of JSC Silk Bank support Placement Agent 3’s commitment to conduct transactions with related parties on an arm's-length basis and in accordance with the rules and conditions that are no more favorable than those applied to non-related parties in analogous transactions under similar circumstances. Based on the foregoing, the Issuer believes that the Placement Agent 3 has taken all measures to ensure the due identification, prevention and management of potential conflicts of interest in line with the principle of fairness.

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

Risk Factors

Investing in bonds carries certain risks. Potential investors should carefully read this Prospectus prior to making a decision on investment. In addition to the other information provided herein, potential investors must consider the risks described below, and they should take into account their own financial situation and investment objectives. Any of the risks described below could materially and adversely affect the Company's business, financial condition, and results of operations. If any of these risks materialize, they may adversely affect the market value of the bonds. Furthermore, the factors described below are significant for assessing the market risks related to the bonds. Although the Company believes that the risks described below are the main risks associated with investments in the bonds, there may be other additional risks and uncertainties that are currently considered insignificant or of which the Company is unaware. Any of these risks and uncertainties may have consequences similar to those described below. Therefore, the risks in relation to bondholding described below are not exhaustive.

Risks specific to industry and economy

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

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

Since restoration of its independence in 1991, Georgia has experienced substantial political transformation from being a "union republic" of the Soviet Union to an independent, sovereign democracy.

Georgia is currently facing several challenges, including a tense relationship with Russia and the need to implement further economic and political reforms. There can be no assurance that political and/or economic reforms favourable for business and investors will continue at the same pace or will be successful. Also, such reforms and economic growth may be hindered by the government changes and/or as a result of a rejection of reform policies by the President, the Parliament or other institutions.

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

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

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

In addition, international investors may react to events, disfavoring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 financial crisis in Russia and later global financial crisis and may be affected by similar events in the future.

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

As of the date of the Prospectus, the following ratings have been assigned to Georgia by international rating agencies:

- Fitch Ratings – BB (Stable Outlook), date of update – 12 January 2024;
- Moody's – Ba2 (Stable Outlook) – date of update – 26 March 2024;
- S&P Global Ratings – BB (Stable Outlook) – date of update – 10 February 2024.

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

As of December 31, 2023, the group's net exposure to currency risk was GEL (94,721) thousand (December 31, 2022: 77,554 thousand) due to a significant reduction in GEL loan requirements and the issuance of 40 million USD denominated bonds in the same year. Regarding currency risk, management has set limits on potential losses by currency and total amount. Positions will be revised every month. For detailed information, please refer to - "Company Currency Position".

Additionally, due to the nature of its activities, the Company has a certain natural protection against foreign exchange risk related to its loan obligations. This stems from two factors: 1) a portion of its revenues (specifically, part of the hotel business , as well asmost part of casino business, which represented more than half of the total revenues as of the 2023) is denominated in USD, similar to the large part of its loan obligations (for the currency provide of obligations, please refer to "Capitalization and Indebtedness"); and 2) the majority of visitors in the hotel business are foreign tourists and therefore the business has the opportunity to partially reflect the devaluation of GEL in the price of the room. Accordingly, the Company's income and expenses (on loans and bonds) are somewhat in line, thus the management insuring the foreign exchange position.

Despite this, the devaluation of GEL may have a negative impact on the Company's activities, due to the deterioration of fundamental economic factors (e.g. rising inflation) and impact on the purchasing power of the local population, as well as for other reasons.

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

Over the years, the exchange rate of GEL against USD saw notable changes due to both external shocks and seasonal factors. Among them, the following should be mentioned: the global shock of oil and industrial goods prices in 2015, Russia's ban on direct air flights in 2019, problems caused by the coronavirus pandemic (during which the exchange rate reached a historical maximum of 3.48 GEL per 1 US dollar), Russia's invasion of Ukraine in 2022. In the initial phase of the Russia-Ukraine war, GEL started to depreciate unexpectedly along with other currencies of the region. In the period between February 24 and March 10, 2022, GEL depreciated by 12.8% against USD, and the value of 1 USD amounted to 3.40 GEL. In the following months, the Georgian economy showed resilience to the regional shock and maintained the level of capital inflows and domestic activity, as a result of which GEL began to strengthen and its value, as of 31 December 2022, increased annually by 12.8% in relation to USD. The National Bank of Georgia also contributed to maintaining the strength of the local currency with a strict monetary policy, which was manifested by maintaining the refinancing rate at 11% during 2022. At the same time, against the background of sharply increased foreign exchange inflows, the National Bank of Georgia replenished its reserves - during 2022, the net foreign exchange purchase of the National Bank of Georgia amounted to 564.5 million USD. Replenishment of reserves in the conditions of high foreign inflows continued in 2023 - the National Bank of Georgia bought 1,474 million USD on the foreign exchange market and sold 194.9 million USD, as a result of which the international reserves of the National Bank of Georgia increased by 2.2% annually to 5.0 billion USD in 2023. In January-April of 2024, the National Bank of Georgia bought 286.6 million USD on the foreign exchange market, however, in May, due to one-time large transactions on the exchange rate of GEL, it had to sell 108.7 million USD at the foreign exchange auction. According to the data of the National Bank of Georgia, its official reserve amounted to 4.6 billion USD as of May 31, 2024, which has decreased by 8.0% annually. This level of reserves allows the country to cope with crisis situations in the short term. In addition, reserves can be used in the event that the exchange rate of GEL has significantly depreciated due to one-time factors, as currency depreciation can have a significant negative impact on the country's economy. Furthermore, any instability of GEL depends on several political and economic factors, including the ability of NBG to control the inflation. According to the Georgian National Statistics Office (hereinafter the "**Geostat**"), average annual consumer prices inflation in Georgia stood at 4.9% in 2019, at 5.2% in 2020, at 9.6% in 2021, at 11.9% in 2022, at 2,5% in 2023 and at 0.1% in January-February of 2024. While the global prices on food products and energy carriers increased, since the spring of 2021, inflation pressure has increased significantly as well, and in July 2021, annual inflation amounted to 11.9%. . From the beginning of 2022, inflation continued to rise amid the base effect of the previous year and further increased prices of food and energy due to the Russia-Ukraine war. From the spring of 2022, the rent increase was added to the mentioned factors, which was largely due to the increased demand for real estate from the migrants. In 2022, the average annual inflation amounted to 11.9%. In March 2022, the NBG raised the refinancing rate by another 50 basis points to 11.0% in response to persistently high inflation and kept it at that level until May 2023. There were periods when the high level of inflation was largely caused by external factors, although the tightening of monetary policy in those periods helped the NBG to some extent to manage the level of inflation. And then, when the contribution of domestic factors to inflation increased, the tightening of monetary policy significantly helped the NBG to return inflation to the target level. From March 2023, inflation began to slow down sharply, falling below the target level of 3.0% from May, and in December 2023, inflation amounted to 0.4%. The decrease in inflation was mainly influenced by the decrease in the prices of food and oil on the global markets, as well as the decrease in the cost of international transportation, the strengthening of GEL, the strict monetary policy and the reduction of the fiscal deficit. After inflation fell below its target level, the National Bank began to ease monetary policy and reduced the refinancing rate by a total of 2.00 percentage points to 8.00% in the period from May 2023 to May 2024. Maintaining inflation at the target level has an important role for the stable development of the economy. High inflation can lead to instability in currency and financial markets, lower consumer purchasing power and lower consumer confidence. All this can lead to the deterioration of Georgia's economic indicators and have a significant negative impact on the Company's clients, which, in turn, will have a negative impact on the company.

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

The Company's revenues are primarily dependent on Georgia. Therefore, the Company's performance is significantly affected by financial and economic developments taking place in or related to Georgia and these effects will continue in the future. Factors such as gross domestic product (GDP), inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on customer demand for products and services of the Company.

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

Furthermore, as a result of the gradual lifting of the restrictions imposed for the management of the coronavirus pandemic, the economy of Georgia began to recover from March 2021, and in 2021, the economy of Georgia increased by 10.5% compared to 2020, and by 3% compared to the level of 2019. In early 2022, the Russia-Ukraine war increased uncertainty, trade disruptions, and commodity prices, which had a particularly negative impact on the region. The expected negative consequences of the war on the Georgian economy led to the deterioration of expectations regarding the growth of the economy.

Nevertheless, after Georgia's economy showed resilience to regional shocks and maintained the level of capital inflows and economic activity, growth expectations began to improve. Tourism began to recover steadily in parallel with the growth of exports, which, in turn, was due to increased prices for raw materials and growing re-exports. Aggregate demand in the domestic market was solid, supported by healthy growth in the overall credit portfolio and fiscal spending. According to Geostat, annual real GDP growth in 2022 was 11.0%, driven mainly by record high foreign exchange inflows. A certain part of these inflows is related to the reallocation of capital by migrants in the region, including in Georgia, since the beginning of the Russia-Ukraine war. Against the backdrop of stable foreign inflows and rapidly decreasing inflation, high economic growth continued in 2023. In 2023, Georgia's economy grew by 7.5% annually, based on preliminary data from Geostat. On the other hand, the rapid recovery of tourism and high investment activity create opportunities for higher than expected economic growth. For information, the economy of Georgia grew by 5.4% in 2019, by 6.1% in 2018, by 5.2% in 2017, and by 3.4% in 2015 and 2016.

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

2. Risks related to neighboring countries and the region:

2.1. Regional tensions may have an adverse effect on the local economy and the Company's business

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, since gaining independence in 1991, Georgia has had conflicts with the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated. Georgian troops engaged with local militias and Russian forces, and Georgia declared a state of war. The tension regarding these regions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia and Russia recognized the independence of these regions The Government of Georgia has taken certain steps towards improving relations with Russia, but these steps have not resulted so far in any formal or legal changes in the relationship between the two countries.

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

In addition, the Armenia-Azerbaijan war should be noted in the period of September-October 2020, which had a negative effect on the economic situation of the region. On October 10, 2020, a ceasefire agreement was signed in Moscow, however, on October 11, Armenia and Azerbaijan reported shelling of cities from both sides. Azerbaijan has accused Armenia of attacking major cities at night, saying the country violated a ceasefire agreement reached in Moscow on October 10. Finally, on November 10, it became possible to reach a cease-fire agreement, which stabilized the situation easing the political tension in the region and, accordingly, neutralizing the negative expectations. Another escalation of the border conflict between Armenia and Azerbaijan was recorded on September 12, 2022. On September 14, at the request of the Council of Europe, the parties agreed on a ceasefire. As of now, the situation is stable and negotiations are open to define the borders. The possibility that the situation will become tense again in the future is reduced at this stage.

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

In addition, it should be noted that the Israeli-Palestinian conflict in the Middle East began in October 2023. There is a risk that this could turn into a full-scale war. The realization of this risk could lead to an increase in the prices of food, oil and other raw materials on the international markets, delays in cargo shipments, slow down the world trade turnover and put most of the world's economies into recession. The direct and indirect effects of these processes on the economy of Georgia may turn out to be essentially negative - they may lead to acceleration of inflation, devaluation of the GEL, deterioration of fiscal and financial indicators and finally reduction of economic growth.

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

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

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

The Georgian economy is closely connected with the economies of the countries in its region (Azerbaijan, Armenia, Russia, Turkey). Azerbaijan and Armenia have historically represented the two largest markets for Georgian exports and according to Geostat, their share in Georgia's total merchandise exports in 2019 was 13.4% and 11.4%, respectively. Post-pandemic, the share of Azerbaijan slightly decreased and the share of Armenia significantly decreased in the total export of goods of Georgia and in 2021 and amounted to 12.5% and 6.0% respectively. In 2022, the share of Azerbaijan decreased again, while the share of Armenia increased significantly to 12.0% and 10.5%, respectively. In 2023, the share of both countries increased - the share of Azerbaijan made 14.2% of the total export, and the share of Armenia made 12.9%. Russia is also one of the biggest markets for Georgian exports. According to Geostat, the share of Russia in the export of total goods in 2019 was 13.1%, in 2020 - 13.2%, in 2021 - 14.4%, in 2022 - 11.5%, and in 2023 - 10.8%. Turkey is the largest import market for Georgia, and according to Geostat, its share in total goods imports of Georgia was 17.0% in 2019, 17.5% in 2020, 18.1% in 2021, 17.5% in 2022, and 16.6% in 2023. Ukraine is also an important trade partner, whose share in exports in 2021 was 7.2%, and in imports - 4.5%. Since the beginning of the Russia-Ukraine war, the trade turnover of Georgia with Ukraine has decreased significantly, and Georgian exports to Ukraine amounted to 4.2% of total exports in 2022, which further decreased to 1.7% in 2023. Consequently, significant dependence on the countries of the region and possible political and economic challenges in these countries represent potential obstacles to further economic growth. During 2022, the dependence of the Georgian economy on Russia in terms of tourism and remittances increased significantly, which was largely due to the wave of Russian migrants after the start of the Russia-Ukraine war. If in 2021, tourism revenues and remittances from Russia amounted to 3.0% of GDP, this indicator increased to 11.8% in 2022, and slowed down to 8.1% in 2023, although it is still high. Such a high dependence on one country carries risks, because if the above flows are interrupted, the country's economy will be significantly damaged, which, in turn, will have a material adverse effect on the Company's business, financial condition and operating results. Any further economic failure or crisis in Georgia's neighboring countries may have a substantial negative impact on the country's economy.

3. Risk related to the Issuer's business:

3.1 Risks related to the casino sector:

3.1.1 New entrants to the market

The gaming industry is becoming increasingly more competitive, which puts Casino Iveria (Tbilisi/Batumi) at risk of new entrants entering the market and, by obtaining a license, purchasing the technology and real estate necessary to operate a gaming business. Therefore, new market players will be able to compete with existing companies. These new players can be existing companies from other areas of the industry or businesses who have not yet had any involvement in the gaming industry. Although the real estate, permits, and fees required for a casino business are generally available, successful entry into the market requires significant investment in marketing, establishment of necessary contractual relationships, and industry knowledge. If any new players manage to gain a foothold in the market and a significant market share, this may negatively impact the financial outlook of existing casinos – decrease income and/or decrease profit margins. The risk of new entrants to the market is mitigated by the fact that casino advertising is limited in Georgia and, thus, new players would face difficulties in popularization. It shall be mentioned that in 2023, compared to the year before, competition in land-based casinos increased. Two new casinos were added to similar establishments in Tbilisi which impacted the company's operating results.

				Difference	
000 GEL	**2023**	**2022**	**2021**	**23/22 %**	**22/21 %**
Casino income	172,705	183,536	97,811	-6%	88%
Casino EBITDA	39,810	61,807	33,087	-36%	87%
Casino *EBITDA margin*	*23%*	*34%*	*34%*		

3.1.2 The Group is subject to events that adversely affect the number of international visits

The casino business heavily relies on international visitors. On the one hand, the gambling industry in Georgia is rapidly developing and continually offers more sophisticated services to its visitors. However, on the other hand, gambling is prohibited in a number of Middle Eastern and neighboring countries of Georgia, including Muslim countries. This circumstance, in turn, makes the gaming market of Georgia more attractive to citizens of these countries.

Barriers to tourism traffic with neighboring countries may have a negative impact on the number of visits to the Group's casino. Such events may include actual or threatened acts of terrorism or hostilities, pandemics, air or ground accidents, increasing transportation and fuel costs, and natural disasters. These events can lead to reduced travel around the world. A decline in tourism, in turn, could have a negative impact on the Group's operations and financial results. For detailed information on the distribution of the Company's local and international visitors, please refer to the section "Primary Markets" – "Land gambling sector in Georgia".

3.1.3 Negative publicity surrounding the gaming industry

The reputation of a casino is impacted by the operations of the gaming industry as a whole and related issues. The attractiveness of gambling to minors and vulnerable players presents a challenge to the industry in which casinos operate. Therefore, the casinos may be negatively affected by the existing negative perceptions around the gaming industry.

The gaming industry may be subject to negative publicity from time to time, which can hurt casinos. Damage to the industry's reputation could also result in a lack of support for the industry from governments, legislative bodies, and the public, all of which could have a material adverse effect on the business.

Complying with advertising requirements, enshrined in the Law of Georgia on Advertising and the Law of Georgia on Broadcasting, and ensuring that advertising reaches only the appropriate age groups and target segments can be challenging.

On February 18, 2022, the Minister of Finance of Georgia issued Order #50 "On approval of the procedure for creating the list of dependents" which determines the issues related to creating the list of dependents provided for by the Law of Georgia „on Organizing Lotteries, Games of Chance and Other Prize Games".

Dependent person and list of dependent persons

Dependent person is a natural person who has an irresistible desire and addiction to gambling and/or winning games and whose data is included in the list of dependent persons. The list of dependent persons refers to the database of persons addicted to gambling and/or winning games (except promotional draws).

The creation of the list of dependent persons is provided by the legal entity of public law operating under the Ministry of Finance of Georgia - Revenue Service. It is allowed to enter data about Georgian citizens only in the list.

Data about a person shall be included in the list of dependent persons:

- Based on the applications of the person itself, who submits an application to the Revenue Service to include their data in the list of dependent persons; An application to the Revenue Service can be submitted through an authorized representative of the person wishing to be included in the list of dependent persons, which must be confirmed by a notarized document confirming such authority.

- On the basis of a judge's order to include data about a person in the list of dependent persons, in accordance with the Administrative Procedural Code of Georgia.

The list of dependent persons reflects the following information about dependent persons:

a) name, surname;

b) personal number.

Casino is obliged not to allow a person on the list of dependent persons to enter and/or participate in games at casino. Verification of presence in the list of dependent persons is done from the portal of the payer of the Revenue Service under the tab - "Gaming Business".

All of the above can have a negative impact on casinos and their reputation and lead to increased scrutiny and additional regulations from regulatory authorities.

3.1.4 Dependence on the continued popularity of games

Gambling is popular, and its success will depend on its continued popularity in the future. The gaming industry is highly competitive, and casinos must continue to invest significant resources in research and development to improve their technology, existing products, and services, as well as introduce new high-quality products and services that will appeal to customers. If casinos are unable to anticipate customer preferences or industry changes or are unable to change products and services in a timely manner, they may lose customers. Operating results will also suffer if their innovations do not respond to customer needs or are not properly timed or brought to market effectively. As technology evolves, competitors may offer products that are substantially similar or better than those offered by the Issuer. Consequently, this creates a threat that the demand for existing products and services will decrease.

3.2 Risks related to the hospitality sector:

3.2.1 The Group is subject to events that adversely affect domestic or international travel

The Group's room prices and occupancy levels may be adversely affected by events that reduce domestic or international travel, such as: actual or threatened acts of terrorism or war, pandemics, travel-related accidents, travel-related industrial action, increases in transportation and fuel costs, and natural disasters that may cause worldwide travel declines or other local factors affecting individual hotels. For detailed information on distribution of the Company's local and international visitors, please refer to the section "Primary Markets" – "Overview of the hospitality sector". A reduction in demand for hotel rooms as a result of such events could have a negative impact on the Group's operations and financial results.

3.2.2 The Group is exposed to risks related to the supply and demand cycle of the hotel industry

The hotel industry's cyclicality, as well as differences between planned and actual operating conditions, may adversely affect the Group's operating results due to capacity limitations (in terms of number of rooms) and low demand. A reduction in room rates and occupancy levels will adversely affect the Group's operating results.

3.2.3 The hotel industry is highly competitive and the Group's lack of effective competition could adversely affect its business, operating results and financial condition

The hospitality industry is characterized by intense competition, Georgian market is growing and number of players is also increasing, proved by statistics that in 2024-2028 opening of 22 international standard hotels is planned. Itshall be noted that opening of new hotels in 2024-2028 will have a relatively long-term impact on the Issuer after the new hotels are built and opened, However, there is a possibility that during the validity period of the bonds, due to the additional increased competition from the mentioned hotels, the operating indicators of the Issuer will deteriorate. With the increasing number of players in the market, there is a constant need for innovation to maintain a competitive edge and attract customers to the Group's hotels. However, the increased competition also means that competitors may increase their advertising and marketing expenses to promote their hotels, leading to a potential increase in marketing costs for the Group as well. Such an increase in costs could have a negative impact on the Company's financial and operational results. Therefore, the growing competition in the market poses a risk and threat to every company in the industry.

3.3 Risk related to the development (real estate) sector:

3.3.1 The Company may face risks related to the increase in costs, the quality of construction materials and contractors, during the construction process

Issues may arise with respect to the following components:

Exceeding budgeted costs: The prices of basic construction materials may increase and/or the estimates used during the preparation of the scope of work may be subjective and change, which could result in exceeding the budgeted costs;

Unfinished construction: The project may not be completed on time. In such a case, the Company will be forced to pay the fine specified in the contract to the buyers (no similar event has occurred with any projects in the past);

Quality: Construction materials and/or execution of construction works may not be of proper quality, which could increase the total cost of the project due to the need for correcting the defects;

Payment of advances: In case of payment of non-guaranteed advances, the main contractor may misuse the funds;

Risk related to subcontractors: Subcontractors may not be able to deliver the project on time and/or provide adequate quality.

The Company attempts to minimize the above-mentioned risks in scope of existing projects through contract conditions. For example, in the case of Hotel Telegraph, the contractor is charged a penalty of 0.1% of the total contractual amount for each delayed day, which insures the risk of completing the construction within the agreed timeframe. If the contractor fails to fulfill the terms of the contract and the Company is forced to terminate the contract, a penalty of 25% of the cost of the remaining work will be charged to the contractor.

While effective insurance mechanisms exist to mitigate risks related to construction in existing projects, there is no guarantee that the Company will be able to fully insure such risks in future projects, which may have a negative impact on its financial and operational results.

3.3.2 The development industry is becoming increasingly competitive

The real estate market is highly competitive. The Georgian residential apartment market is predominantly controlled by local developers, although there are some foreign investors as well. The most intense competition is in the cities of Tbilisi and Batumi, where prices per square meter, rent rates, utility bills, and real estate services are the key factors that drive competition.

3.3.3 An increase in the supply of newly built residential premises may expose the Company to price risk

The deterioration of economic situation and/or oversupply of newly constructed residential apartments in the cities where the Company's development projects are located could significantly harm the Company's sales. In such circumstances, the Company may be compelled to lower the selling price, which could negatively impact its financial situation.

3.4 General risks related to the Issuers activities:

3.4.1 Unexpected events such as natural disasters, emergencies, pandemics, etc. may have a serious negative impact on the Company

Unforeseen events such as natural disasters, states of emergency, pandemics, and other calamities can have a significant negative impact on the Company's operations, including property damage and other disruptions.

On March 11, 2020, the World Health Organization declared the Covid-19 outbreak a global pandemic. The resulting crisis caused a decrease in both demand and supply due to production shrinkage and supply chain disruptions. The pandemic also had an adverse effect on the tourism sector, which accounts for a significant portion of the Georgian economy, and consequently, the economy as a whole. According to Geostat, the Georgian economy shrank by 6.3% in 2020 compared to 2019, affecting the majority of economic sectors.

The Issuer's primary focus is on managing hotels and resorts, making the hospitality sector particularly vulnerable to the lockdowns and tourism disruptions caused by Covid-19 in the first half of 2020. Demand was severely affected by the deteriorating economic outlook and accompanying uncertainty. Hotel operations were halted for several months in 2020, which significantly impacted the Company's operating results.. From March 2021, restrictions were gradually lifted in the country and the economy began to revive. In 2021-22, a double-digit growth rate was recorded in the Georgian economy, however, despite this, the tourism sector was recovering slowlyand was lagging behind the pre-pandemic indicators. In the future, it is not excluded that a situation similar to the Covid pandemic will be created globally, which will definitely have a negative impact on the Company's activities and its financial position.

It is impossible to determine when a similar global crisis is expected to recur, which may have a negative impact on the Company's operations.

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

4. Operational risks related to the Issuer's activities:

4.1. Operational risks related to the casino activities:

4.1.1 Vulnerability to player fraud

Gambling is vulnerable to consumer conspiracies and fraud. As a result, casinos have implemented various detection and prevention controls to avoid any possibility of fraudulent play. However, constant monitoring is still necessary to ensure that risks are mitigated. If Casino Iveria fails to detect cases of collusion and other fraud, customers may be impacted, which could ultimately result in the casino losing customer confidence. This, in turn, could have a material adverse effect on the business, financial condition, and results of operations.

4.1.2 Progressive jackpots

1. Progressive jackpots pose a potential risk for casinos because it is up to the casinos to pay these amounts to the customers. If the casino does not have a dedicated fund to procure payment of such one-time winnings, the result will be directly reflected in the profit and loss statement, which could have a negative impact on the financial position of the casino. To mitigate this risk, slot game algorithms are designed so that the number of players who win the jackpot is low overall. However, since winnings are based on a random mechanism, it is impossible to predict with absolute certainty when a user will win the jackpot. In case of the Casino Iveria, upper limits are also in place to limit the payout of jackpots above a certain amount, and special funds are available for cases involving these jackpots.

The Company offers two types of jackpots in the casino: 1) jackpots generated by its own system and 2) jackpots generated by game suppliers. In both cases, the prize pool for the jackpots is collected from each bet placed by the player. Jackpots generated by the Company's own system have predetermined minimum and maximum profit limits:

- Gold – minimum 20,000 GEL, maximum 25,000 GEL. Minimum bet: 5 GEL. On average, it is distributed 7 times a month, with an average jackpot of 22,000 GEL;
- Silver – minimum 2,000 GEL, maximum 3,000 GEL. Minimum bet: 2 GEL. On average, it is distributed 70 times a month, with an average jackpot of 2,400 GEL;
- Midi – minimum 750 GEL, maximum 1,000 GEL. Minimum bet: 1 GEL. An average jackpot of 870 GEL is distributed 160 times on average per month;
- Mini – minimum 100 GEL, maximum 150 GEL. Minimum bet: 20 bet. An average jackpot of 125 GEL is distributed 1,300 times on average per month.

In the case of game provider jackpots, minimum and maximum limits may not be specified. However, in any case, since said jackpots are collected from the bet made, the casino's risks are fully insured - the bigger the jackpot, the bigger the casino's profit.

4.1.3 Suppliers' reliance on maintaining third-party certification

Casinos utilize third-party software products for some of their gaming services. In certain jurisdictions, these suppliers are dependent on local licenses. For instance, part of the casino's slot machines is leased by the Company, while another part is owned by the Company. For leased machines, the supplier of the machines possesses its own authorization certificate for both the machine and the games. In the case of Company-owned machines, the casino is responsible for submitting the authorization certificate itself. To pass certification on its own machines, the casino must request certification from the supplier of these machines. GLI, an independent laboratory, issues certificates based on which Random System Georgia then issues a certificate of authorization to the casino. If any of these license certificates is revoked or not maintained on favorable terms, this could have an adverse effect on third-party suppliers and, consequently, the continuity of supply to the casinos, which in turn could have a material adverse effect on financial condition.

4.1.4 The possibility of major suppliers to request the withdrawal of products from certain markets

Key suppliers, including payment processors, banks, and software vendors, may decide to restrict the use of their products and services, which could result in business interruption and financial loss. In such cases, the casino may need to quickly find alternative suppliers or temporarily suspend its business lines. The notice periods specified in contracts and/or the time required to find alternative suppliers are significant risks to the casino's operations.

4.1.5 Risks related to the third-party software suppliers

The casino industry, technology systems and platforms rely heavily on various third-party software. If the software and payment providers experience delays, scalability issues, or fail to provide new and improved products and services, or if there are problems with the updates of these products and services, these factors may adversely affect the casino business and the casinos may not be able to find adequate alternative services in a timely manner or at all and/or at a reasonable price. If the companies do not procure new and improved products on a regular basis, it could lead to a loss of market share. The casinos depend on technology and leading information systems, and there is a risk that such technology or system may not be successful. There is no guarantee that technologies will not require updates or that they will not fail due to human error, unauthorized access, natural disasters, or other unforeseen events. Any failure or damage to the technology or systems used in the casino business could have a significant negative impact on the casinos' financial and operating results.

4.1.6 Vulnerability to hacking, malicious viruses and other cybercrime attacks

Like all gaming companies, casinos are vulnerable to cybercrime, which can significantly harm their operations. Computer hackers may try to access casino systems and databases to manipulate results, leading to system failures, business interruptions, and a negative impact on the casinos' financial position. Given the technological sophistication of such attacks, detecting and/or preventing them can be challenging or even impossible. In case protective measures fail or are bypassed, casino's reputation could be at risk, resulting in a material adverse effect on its financial condition and prospects.

4.2 Operational risks related to the hospitality business (hotels):

4.2.1 Some hotel bookings are sourced from online travel agencies and intermediaries. If the proportion of these agencies' bookings increases compared to direct bookings, and if competitors offer more favorable conditions to customers, this could potentially have an adverse impact on the results of the Group's hotels, albeit indirectly

Part of the Group hotels' bookings is sourced from international, regional and local tourist agencies with which the Company has long-term contracts. Moreover, to mitigate the concentration risk, the Company has entered into such contracts with a number of agencies. These third parties offer diverse services to the hotels. Certain intermediaries have strong marketing budgets and intend to increase brand recognition and loyalty among customers. If these intermediaries continue to gain market share, they may affect the profitability of the Group hotels and undermine the direct booking channels. Thus, they may have more bargaining power to negotiate more favourable contract terms, including higher commission rates. Negative reviews and feedback on online travel portals can lead customers to choose competitors' services. Moreover, competitors may be able to negotiate better or more favorable terms with these online tourist agencies and intermediaries, which could affect the Group's hotel bookings through these channels, potentially leading to adverse effects on its business and operating results.

4.2.2 The Company's hotel service revenues may be subject to seasonal fluctuations

The hotel industry is subject to seasonal fluctuations. The fourth and especially the first quarters of each calendar year are generally below average in terms of occupancy rates and revenues.

In general, the seasonal fluctuations in revenues may have a material adverse effect on the Company's near-term operating income and cash flows, which may in turn have an adverse effect on its business, financial condition, and results of operations. (For additional information, please see "Financial Condition".)

Additionally, the hospitality industry is cyclical, and demand generally follows key macroeconomic indicators. Historically, under the influence of macroeconomic cycles, demand on hotel rooms has fluctuated which was reflected in the occupancy rates and room tariffs.

Economic conditions and changes in the supply of hotel rooms, including periods of oversupply, can cause significant variations in results for hotel property owners and managers. Since hotel operating costs are more fixed than variable, in a declining revenue environment, the rate of decline in profits may be higher than the rate of decline in revenues. Silk Real Estate may be less susceptible to the risks of seasonality due to its diversified portfolio of hotels in Tbilisi, Batumi, and Tsinandali. The Tbilisi Radisson is aimed at business visitors, while the Tsinandali and Batumi Radissons are more seasonal.

4.2.3 The Group is exposed to various risks related to the identification, provision and maintenance of franchise agreements

The success of the Group's growth strategy depends on its ability to identify, secure, and maintain franchise agreements. However, this business model poses inherent risks to the hotel industry. The Group may not be able to negotiate new franchise agreements with terms as favorable as current agreements, and it may not be able to renew existing agreements on the same terms. Additionally, changes in legislation or regulatory changes may affect the relationship between franchisees and brand owners, which could impact the Group's ability to maintain franchise agreements. The Group has obtained a 15-year franchise agreement for Radisson brand, according to which it is entitled to use the brand name. Even though 12 years are remaining for this agreement, there is a risk that the terms of the agreement may be breached, which could have a negative impact on the Group's operations. These risks are further detailed in the "Principal Activities" and "Financial Condition" subsections of the Prospectus.

4.3 Operational risks related to the development business (real estate):

4.3.1 Customers may not be able to make all payments to the Company

The Company may face the risk of buyer insolvency in the case of installment purchases of real estate. The customer may not be able to make all payments to the Company.

The Company does not assess the customer's credit rating before approving the installments. Therefore, there is a risk that the customer will not be able to repay the amount according to the schedule. Additionally, there is a risk that the bank will not approve the customer loan after the relevant period expires (which is typically within two years).

According to the terms of the contract, if the buyer fails to fulfill its obligations and is unable to make payments duly and within the stipulated timeframe, the Company can terminate the contract, thereby restoring the original state of affairs; in particular, the ownership of the apartment purchased by the buyer is returned to the Company.

4.3.2 There is risk associated with building permits and project approval

The Company may be at risk of delays in the process of approving the project and obtaining related permits, which could result in a delayed start to the project and/or partial or full postponement of its completion. In addition, state agencies may not permit the Company to implement the project as originally planned, thereby reducing the profitability of the project. For more information on this topic, please refer to "Regulatory Framework" – "Construction Permits".

4.3.3 The fair value of the buildings reflected in the appraisals may misrepresent their current market value

The Company hires independent international appraisal companies to estimate the market value range of its real estate properties. For more information about the appraisers, please refer to the "Registration Document". Generally, valuations represent only the analysis and opinions of qualified experts as of the specific date of the valuation, and may not accurately reflect current or future values. There can be no assurance that the assumptions used to determine the price of the buildings will be correct as of the date of this Prospectus, or that such estimates will actually reflect the amount that will be realized from the sale of any building now or in the future, or that the projections used in the valuations will be achieved. Furthermore, each estimate was made as of a specific date and, therefore, does not reflect a current estimate as of the date of publication of this Prospectus. As real estate market prices are subject to change over time due to various factors, the market value of the buildings as reflected in the appraisals may not accurately reflect their current market value. Additionally, evaluation activities are not regulated in Georgia, which may pose an additional risk factor in terms of the reliability of evaluations.

4.4 Operational risks related to the general activities of the Company:

4.4.1 Company has granted loans to related parties, therefore the group is exposed to the risk of returning the granted loans;

The Company has granted loans to related parties. During the last three audited years, loans to related parties represented 100% of total loan receivables. Nevertheless, it should be noted that these loans are not characterized by a high impairment loss reserve and as of December 31, 2023, represented only 0.18% of the gross value of issued loans (December 31, 2022: 1.11%).

The Company is faced to a risk that the loans given to related parties will not be repaid due to various reasons (including possible "debt forgiveness"), and the Company will be significantly affected by this, including in relation to the created account. It should be noted that after the issuance of bonds, the Company will have certain restrictions on lending, which reduces the risk that the Issuer will face financial problems from granting loans. For detailed information, please refer to "Terms and Conditions of the Bonds" under "Restricted Payments," as well as "Transactions with Affiliates."

For detailed information on loans receivables and related party loans, please refer to "*Related Party Transactions*" and "*Loan Receivables*."

4.4.2. The subscribed capital of the Company is not defined and, as such, will not be subject to the statutory restrictions, including those governing the distribution of dividends and the reduction of equity.

The subscribed capital of the Company is not defined and, therefore, will not be subject to the restrictions established by the Law of Georgia On Entrepreneurs and other legal mechanisms related to the protection of creditors, including bondholders, such as:

1. Limitation on the distribution of dividends in the amount of the reduced subscribed capital within six months from the date of such reduction;

2. Restriction on the distribution of dividends to partners if, as a result, the assets of the limited liability company no longer cover the liabilities and the amount of subscribed capital;

3. Permissibility of the reduction of subscribed capital only after six months from the publication of the decision to reduce subscribed capital, provided that the demands of creditors arising before the publication of the decision have been satisfied or secured by the company, or if the court did not satisfy their demands.

However, the Terms and Conditions of the Bonds contain several restrictions on both the Company and its Restricted Subsidiaries (excluding those Restricted Subsidiaries in which the Company owns 100% of the shares) from paying dividends in cash or otherwise, and from making any other distributions in respect of capital. For detailed information, see Sub-Clause 5(g) of the "Terms and Conditions of the Bonds" - "Restricted Payment".

Thus, while the Terms and Conditions of the Bonds set forth several restrictions to protect the interests of the bondholders, the absence of defined subscribed capital means that bondholders cannot benefit from the additional legal protections provided by the Law of Georgia "On Entrepreneurs" regarding the method of reducing subscribed capital and the distribution of dividends as a result of its reduction.

4.4.3 The shortage of qualified staff in the market may prevent the Company from working effectively

To ensure the success of the Company, it is crucial to have qualified staff both in top management and ordinary personnel. If there is a shortage of such personnel in the market, the Company may need to make significant financial investments to train or retrain its staff.

It is crucial for the Company to safeguard the rights of its employees and contractors and to comply with the relevant requirements of the Labor Code and the laws of Georgia. Failure to do so could result in employee/contractor protests and strikes, potentially tarnishing the Company's reputation and increasing its expenditure on human capital.

The main part of the Company's activities is directed by the top management. Their decisions on the dismissal and retention of employees, training, pricing, etc. can significantly affect the Company's day-to-day operations and financial results.

4.4.4 Investment in real estate and hotel business is illiquid. The Company may face the risk of liquidity and non-fulfillment of obligations

Investment in real estate and hotel business is illiquid, which can limit the Company's ability to quickly liquidate its portfolio to meet its debt obligations. There is also a risk that the Company may need to dispose of real estate at a significant discount to cover debt obligations. Furthermore, certain types of real estate can become more difficult to sell during recessions. All of the foregoing factors may put the Company at risk of default.

4.4.5 The Group depends on the reputation of its brands and the protection of its intellectual property rights

The Group's brand image and reputation are critical to both its casino and hotel and development businesses. Any event that materially damages the Group's brand reputation and/or the attractiveness of the Group's brands may have an adverse effect on the value of that brand and subsequently on the earnings of the relevant business. Additionally, the value of the Group's brands is affected by several other factors, some of which may be beyond the Group's control. These factors include customer preferences and perceptions, or any other factors that affect the willingness of consumers to purchase goods and services, including those that adversely affect the reputation of these brands. Since brand recognition is vital to the Group's business, it has made considerable efforts to protect its intellectual property, including trademark and domain name registration. However, regulations and controls are changing, and any widespread breach, misappropriation, or weakening of control could significantly harm the value of the Group's brands and its ability to grow its business.

4.4.6 There is a risk of lack of access to financing

The Company periodically requires financing for various purposes, including funding capital expenditures for casinos, operating, maintaining and repairing hotel buildings, and implementing development projects. There is a risk that the Company may not be able to raise the necessary capital and/or on terms that are acceptable to it and/or at the time when it is needed. These factors could increase the Company's cost of capital and negatively impact its financial results. For more information, please see – "*Operational and Financial Review*" – "*Capitalization and Indebtedness*".

4.4.7 Incomplete insurance of Company-owned assets can have a significant negative impact on the Company's profits

Management believes that the Company maintains adequate insurance coverage in its line of business. This coverage is consistent with local best practices and industry standards.

Nevertheless, the Issuer's operations may be affected by risks for which full insurance coverage is either unavailable or not available on commercially reasonable terms. In addition, various insurable events, such as accidents, business interruptions, or potential damage to facilities, property, and equipment caused by bad weather, human error, pollution, labor disputes, and natural disasters, may cause losses or incur liabilities that exceed what is covered by insurance. There is no assurance that the Company's insurance coverage will be sufficient to cover such losses, or that it will be able to renew its existing insurance coverage, including on commercially reasonable terms.

Additionally, the Company's insurance policies are subject to deductibles, exclusions, and limitations as stipulated by commercial agreements. The Issuer will only receive insurance proceeds if its insurers have sufficient funds to pay out. It is important to note that all of the Company's insurances are reinsured with highly reputable reinsurers.

However, there is a risk that the insurance policy may not cover all of the Company's losses, and there is no guarantee that the Company will not experience losses that fall outside of the insurance policy.

The Company currently has all of its property insured. However, if an event were to occur in the future for which the Company does not have insurance coverage or if such coverage is insufficient, the Issuer may face a loss of capital and expected income related to the damaged property. In some cases, the Issuer may also remain responsible for the financial obligations associated with the damaged property. Any such event could have a material adverse effect on the Company's business, operating results, and financial condition.

4.4.8 The Company's success in business depends on its ability to attract and retain senior management and key personnel

The success of the Company relies heavily on its key employees and qualified personnel. Therefore, the departure of these individuals from the Company, even for a short time, can have a negative impact on the Company's performance. The director and deputy directors are among the key decision-makers at the Company.

4.4.9 Further expansion cannot be guaranteed

The Company's business lines offer no guarantee that future marketing efforts will result in increased revenue, or that the services and offerings provided by the Group will maintain their current revenue levels or generate significant additional revenue. Limited expansion in the local market may hinder the ability to maintain stable revenue levels. Furthermore, increased competition could lead to a decrease in market share.

4.4.10 The Company may breach the financial or non-financial provisions under its loan obligations

The Company finances its activities through secured bank loans and capital (for more details, refer to the "Capitalization and Indebtedness" subsection of the registration document in the Prospectus). The loan agreements and the terms and conditions of the bonds contain various financial and non-financial covenants, violation of which may jeopardize the Group's solvency. During the historic period, the Issuer has breached financial covenants towards lenders, towards which wavers were received from respective banks. There is no guarantee that the Company will not violate the covenants of its debt obligations in the future and/or that it is able to obtain waivers with respect to such violations. For more information see "*Financial Covenants*" and "*Selected Key Financial Ratios*".

4.4.11 The Group is exposed to certain risks related to technology and systems

To varying degrees, the Group depends on certain technologies and systems (including IT systems) to conduct its business, particularly those that are highly integrated with business processes. Disruption of these technologies or systems can adversely affect business performance, regardless of business continuity or disaster recovery processes. The Group may have to make significant additional investments in new technologies or systems to remain competitive. Failure to keep pace with technology or systems development may impair the Group's competitive ability. The technologies or systems that the Group chooses may not be commercially successful, or the technology or system strategy used may not be sufficiently aligned with business needs or responsive to changes in business strategy. As a result, the Group may lose customers, fail to attract new customers or suffer significant costs or other losses.

4.4.12 Due to complexity of the founding structure, the group is exposed to certain risks

The Issuer has a multifaceted, multi-level, complex ownership structure. While the Issuer maintaines a three-level corporate governance system, which additionally includes audit and risk sub-committees, there remains a possibility that the potential divergent interests of owners and stakeholders may jeopardize the effective implementation of the corporate governance framework and impede the necessary decisions, which may have a negative impact on the operational results of the Company.

For detailed information about the founding structure of the issuer, see - "*Shareholders of the Issuer*", and about corporate management - "*Governing Body and Management*".

5. Risks related to legislative, judicial and regulatory environment

5.1 Regulatory risks related to the casinos:

5.1.1 Dependence on licenses and regulatory approvals to maintain gaming activities and tax structures

There is no guarantee that any license will be renewed and even if renewed, there is no assurance that such renewal will be on favorable terms. Likewise, there is no guarantee that licenses will not be prematurely terminated, or that current taxes payable on gambling activities will not be increased, or that onerous liabilities will not be imposed. Any of these events could significantly impact the casinos, business and profitability, and may result in business interruption.

In December 2023, amendments were made to the Tax Code of Georgia, according to which the objects of taxation with income tax were defined. Online casinos and slot clubs will have their profit tax increased from 10% to 15%, while slot machine parlors, which were not taxed before, will pay a 15% profit tax. The changes will affect users as well. Amounts withdrawn by a person participating in gambling and/or system-electronic games organized through gaming machines will be taxed at 5% instead of 2%. Amendments to the law were introduced from January 1, 2024. This change may negatively affect the operational results of the Issuer and reduce its profitability. (For more information, please refer to "*Regulatory Framework*", "*Legislative Environment*").

5.1.2 Regulation regarding the use of the personal data of the user

As part of their business, the casinos process sensitive customer data (including names, addresses, ages, banking details, and betting and gaming histories). Therefore, they are required to comply with strict data protection and privacy laws. Casinos are at the risk of data misappropriation, loss, or improper disclosure, or processing in violation of data protection regulations, by or on behalf of Casino Iveria. Any improper use of customer data may result in the loss of goodwill and deter new customers from using the Issuer's casino services, which, in turn, could have a material adverse effect on the Issuer's business, financial condition, and results of operations.

5.1.3 Current or future laws or regulations may prohibit, restrict or invalidate casino's activities

Legislation may in the future prohibit or restrict (or be interpreted or amended to prohibit or restrict) certain activities of the Casino Iveria, and this may pose a higher material risk. Furthermore, legislation may be implemented to regulate casinos and games with commercially undesirable consequences, such as: stringent compliance requirements, punitive tax regimes, significant liabilities, restrictions on product offerings, limited liquidity or restrictions on the number of licensees to the point where it is not commercially viable. (For more information, please refer to "Regulatory Framework", "Legislative Environment".)

5.2 General risks related to legislative and judicial systems:

5.2.1 Challenges related to the harmonization of Georgian legislation with EU legislation, as required by the deep and comprehensive free trade area agreement, may arise

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

- **Law of Georgia on Entrepreneurs:** On August 2, 2021, the Parliament of Georgia adopted a new edition of the Law of Georgia on Entrepreneurs, which came into effect on January 1, 2022. The updated legislation had a significant impact on the legal regulation of enterprise registration, founding documents, corporate governance and other issues. Regarding the management of enterprises, modern principles of corporate management are also significantly provided in the law. Within the framework of the updated law, the types of capital are separated, the concept of a business letter is introduced, the legal nature of the relationship between the director and the enterprise is clarified, etc.
- **Securities market legislation:** Within the framework of the AA, the legislation related to securities is being brought closer to the EU legislation. For example, in 2020, a number of legislative amendments came into effect, which served the purpose of harmonization with the EU legislation. Among others, the National Bank of Georgia adopted the rules on insider trading, market manipulation and improper disclosure of insider information; the transparency framework

of public issuers was also enhanced with requirements regarding the submission and publication of periodic and current reports.

Moreover, after joining the World Trade Organization (WTO) in 2000, Georgia has been gradually approximating its legislation in the sphere of trade with EU norms and practices. For instance, amendments to the Labor Code in 2013 required employers to compensate overtime, pay compensation upon dismissal (in the amount of one- to two-month salary), and also upheld the right of employees to challenge employers' decisions on dismissal without clear grounds in court, and created guaranteed basic working conditions.

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

For the purpose of harmonization with the EU legislation or as a result of other implemented or expected amendments, the Company may be required to change its policy and procedures in accordance with any amendment to laws and regulations that will be adopted. For example, the Company made changes to its labor agreements so as to comply with the above-mentioned amendments to the labor legislation. The Company expects that new changes will be adopted; however, it cannot predict the extent of impact of these changes or its ability to comply with any such changes.

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

Tax laws have not been in force in Georgia for as long as in more developed market economies. This creates challenges in complying with tax laws because these laws are unclear or subject to differing interpretations, which exposes companies to the risk that their attempted compliance could be challenged by the authorities.

Moreover, tax laws are subject to changes and amendments, which can result in unusual complexities for the Company and its business. The new Tax Code came into effect on 1 January 2011. Differing opinions regarding the interpretation of various provisions of the Tax Code exist among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. Moreover, the Tax Code provides for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the Company believes that it is currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Company could face fines or penalties as a result of regular tax audits.

In addition, tax laws and government tax policies may change in the future, including as a result of a change of government. Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Company or its customers, which may, in turn, have a material adverse effect on the Company's business.

Changes to corporate income tax rules came into effect as of May 2016, whereby only distributable profit (defined as cash or non-cash dividend distributed among owners – private persons or nonresident legal entities) is subject to taxation, while reinvested profit is no longer taxed. It is worth to note that the aforementioned changes do not apply to companies operating in the financial sector and their profits are taxed under the old method (20% of taxable profit). All the most important amendments to the Tax Code entered into force as of 1 January 2017.

5.2.3 Uncertainties of the judicial system in Georgia, including any future arbitrary or inconsistent action by the state, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business of the Company

Georgia is still developing an adequate legal framework and judicial system required for the proper functioning of a market economy. Over the last few years, fundamental civil, tax, administrative and other rudimentary laws either came into effect or were significantly amended. The recent nature of such legislation and the rapid evolution of the Georgian legal system has introduced doubts as to the quality and enforceability of laws, as well as ambiguity and inconsistencies in their application.

In addition, the court system of Georgia experiences shortage of professionals and serious reforms are underway in this system. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in other countries, particularly in Europe and the United States. The difficulties in and uncertainties of the Georgian judicial system could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company's business, financial condition and results of operations.

5.2.4 Changes in or introduction of regulations in relation to the Company's activities may have a negative impact on the Company's business

The Company is subject to laws and regulations governing casino and hotel operations, real estate ownership and leasing, employment standards, environmental protection, taxes and other matters. It is possible that future changes in applicable regional, territorial, local laws and regulations, or changes in their enforcement and interpretation, will lead to changes in the legal requirements that apply to the Company (including retroactively). Moreover, new reforms are continuously underway in Georgia in line with the EU harmonization objective which may adversely affect the Company's business operations. Any new regulation and/or amendment to the applicable regulatory norms may burden the Company and have a negative impact on its business, profitability and future development prospects. Furthermore, changes to statutory and/or regulatory norms are frequently unpredictable and beyond the Company's control. It is also difficult to foresee how such changes may affect the Company's investments.

It is also possible that future increases in taxes and fees related to the Company's businesses may have a material adverse effect on its net income and financial condition. Any change in legislation affecting the Company may adversely affect the Company's rights and ownership of premises. It is impossible to predict whether the regulatory regimes applicable to the Company will change in the future or what effect such changes will have on the Company's investments.

Over the past years, the National Bank of Georgia has gradually introduced several new regulations against the over-indebtedness of the population. This included, among others, the limits to be taken into account by credit organizations when lending to individuals in relation to payment-to-income ratio (PTI) and loan-to-value ratio (LTV), as well as limits on the maximum term of mortgage loans for individuals. It should be noted that the mortgage loans taken from the bank for the purchase of the Company's property may become subject to additional regulation by the National Bank of Georgia in the future. Any regulation that would restrict the granting of mortgage loans by commercial banks to the Company's customers could have a negative impact on the Company's financial condition.

In 2022, amendments were made to the Law of Georgia on Gaming Business Fees, as a result of which the casino business quarterly fee in Batumi increased from GEL 24,000 to GEL 40,000 for each table, and from GEL 2,600 to GEL 4,000 for each gaming machine. It is impossible to predict whether the said fee will be increased in the future. An increase in fees may have a significant negative impact on the Company's financial condition.

5.2.5 The Company may be subject to stricter environmental laws in the future

Over the past years, the environmental protection laws and regulations are gaining increasing significance globally. As the owner of real estate in Georgia, the Company may in the future become subject to various environmental laws and regulations if adopted in Georgia.

Environmental protection laws may change, and the Company may become subject to stricter environmental laws and more stringent governmental enforcement efforts. The enactment of stricter environmental protection laws and more stringent enforcement, the identification of currently unknown environmental problems or the increase in costs required to address them could also have a material adverse effect on the Company's business, financial condition and results of operations.

5.2.6 The Company will become a reporting company upon the issuance of bonds and will be subject to additional legislative and reporting requirements

The Company is a "reporting company" for the purposes of the Law of Georgia on Securities Market. As a result, the Company will become subject to statutory requirements related to transparency, periodic reporting and insider information disclosure, as well as corporate governance and other matters. Meeting the requirements set for reporting companies may be an additional burden for the Company and in certain cases, the Company may not be able to fully comply with such requirements.

5.2.7 New antitrust regulations may adversely affect the Company

In March 2014, significant amendments were made to the Law of Georgia on Competition (the "**Competition Law**"). Concerted actions restricting competition and abuse of dominant position were prohibited, advance control of concentration between economic agents was introduced for non-regulated sectors of economy, restrictions were imposed on state subsidy, etc. An executive body was established for the enforcement of antitrust legislation – Georgian Competition Agency. The main function of the Competition Agency is exercising control over the performance of requirements set forth under the Competition Law. The Competition Agency is authorized to monitor the compliance by private entities with antitrust legislation, and its scope of authorities includes, among others, imposing sanctions on economic agents in breach of such legislation. The authority of the Competition Agency, as the body enforcing the requirements of the Competition Law, does not extend to certain regulated fields (such as, for instance, the banking sector (JSC Silk Bank), electronic communications (JSC Silknet), energy sector (Bakhvi Hydro Power LLC)) wherein the enforcement functions are vested with the regulatory bodies of the specific fields. The antitrust regulations and the unpredictability of enforcement of such regulations may adversely affect the Company's expansion plans.

5.2.8 If the Company fails to comply with regulations related to money laundering or terrorism financing in the future, this may adversely affect the Company

Although the Company complies with all statutory requirements in relation to anti-money laundering and counter-terrorism financing, there can be no assurance that these measures will be fully effective. If the Company fails, in the future, to meet the requirements of the anti-money laundering and counter-terrorism financing regulations, or if it appears to be associated with money laundering or terrorism financing, this may have a material adverse effect on the Company, including criminal liability.

5.2.9 The Company is exposed to the risk of litigation from its customers, suppliers, employees and regulators

Although, as of 31 December 2023, the Company has not been involved in litigation which would have had material effect on its financial standing or reputation (for information on pending litigation, please refer to "Litigation and other proceedings"), there can be no guarantee that such litigation may not be initiated in the future. As a result of litigation, the Company may incur financial or other liability, fines and penalties, which may have a material adverse effect on the Company's financial condition. It should also be noted that certain litigation may affect the reputation of the Group even though the monetary consequences may not be significant.

Risks related to the securities to be offered

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

6.1. The market price of the bonds may be volatile

The market price of the bonds may be subject to significant fluctuations in response to actual or anticipated changes, such as: 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; actual or expected sales of a large number of bonds; and many 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 and/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, market for similar securities, general economic and financial conditions of the Company or other factors, some of which may be beyond the control of the Company.

6.2. There may not be an active trading market for the bonds

There can be no assurance that an active trading market for the bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for the bonds does not develop or is not maintained, the market or trading price and liquidity of the bonds may be adversely affected by a number of factors, some of which may be beyond the control of the Company. If the bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, market for similar securities, general economic conditions and the financial condition of the Company.

Although the secondary market index of the foreign currency denominated bond segment significantly exceeds that of the GEL denominated bond segment, an active trading market for bond trading may not exist, especially in such developing economies as Georgia. During 2021, taking into account a number of unforeseen circumstances, the index of secondary market activity increased to 16%, as compared to 8% for the previous year (ratio of the volume of secondary market transactions during the year to the average annual remainder balances of securities). Despite the increase of 8 percentage points, the index of 2021 is still lower than that of the pre-pandemic period, namely, 25% index of 2019.

6.3. Investors whose financial activities and/or income are denominated in a currency or currency unit other than the bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls

The Company will pay the principal amount of and the interest on bonds in national GEL, USD or EUR. This carries certain risks related to currency conversions if an investor's financial activities and/or income are denominated principally in a currency or currency unit (the "**investor's currency**") other than respective issuance currency. This implies the risk that exchange rates may significantly change (including changes due to devaluation of USD or revaluation of the investor's currency) and the risk that the authorities within the jurisdiction of which the Company's or the investor's currencies are located may impose or modify exchange controls. An appreciation of the investor's currency relative to respective issuance currency would decrease (i) the investor's currency-equivalent yield on the bonds, (ii) the investor's currency-equivalent of the principal payable on the bonds and (iii) the investor's currency-equivalent market value of the bonds.

Governmental authorities and bodies responsible for fiscal/monetary credit policy may impose (as some have done in the past in other countries) exchange controls that could adversely affect a relevant exchange rate. As a result, investors may receive less interest or principal than expected on the bonds.

6.4. Bonds accrue interest at a fixed interest rate

The bonds specified in this Prospectus are debt securities with fixed interest rate. If the bonds are not redeemed or repurchased by the Company prior to the redemption date in accordance with the terms and conditions set forth in this Prospectus, each bond will accrue interest semi-annually from the issue date to the redemption date at a fixed annual rate based on the nominal value of bonds and gross of all applicable taxes. Due to the fixed nature of the interest rate of the bonds, in the event of an increase in market interest rates, the bondholder may receive less income/profit than in case of purchase of securities with variable interest rates.

6.5. It is possible to redeem or repurchase the bonds before the redemption date

In accordance with the terms and conditions set forth in the Prospectus, the Company may redeem and/or repurchase the bonds, in full or in part, prior to the redemption date. The bonds may be redeemed from the issue date to the redemption date due to, among others, taxation (see "Terms and Conditions of the Bonds" – Condition 7 (*Redemption and Purchase*)). In the event the bonds are redeemed prior to the redemption date, the bondholders may not be able to reinvest their money at a similar rate of interest, exposing them to the risk of receiving less income/profit. At the same time, the opportunity of reinvesting free funds in other financial instruments of similar type may be limited.

7. Risks related to rights pertaining to the bonds:

7.1. In case of insolvency of the Company or the relevant Guarantor, the bonds will be deemed to be unsecured obligations

The bonds are secured by the joint and several surety issued by the Guarantors (as defined under the "Terms and Conditions of the Bonds"). Any claim against the Company in respect of the bonds shall not be secured by specific immovable or movable property/assets. It should be noted that as of the date of preparation of this Prospectus, 64% of the company's total assets are encumbered with mortgages or pledges in favor of existing creditors who are secured creditors for the purposes of Georgian legislation (see the chapter "Operational and Financial Review" - Subchapter: "Financial Overview" - "Investment property"). On the other hand, at the end of 2023, the ratio of non-subordinated loans of the Company's green box to the fair value of green box assets will be 44%. Despite the fact that the bonds are secured by the joint and several surety issued by the Guarantors, which grants the bondholders the right to bring a claim against one, several or all Guarantor(s), in accordance with the applicable insolvency legislation, only the creditors whose claims are secured by mortgage or pledge perfected in accordance with the Civil Code of Georgia shall be regarded as secured creditors. Accordingly, the existence of a joint surety agreement and a joint surety issued by the Guarantors does not grant the bondholder the status of a secured creditor, and in case of the Issuer's insolvency, the bondholders will be satisfied from the insolvency estate as unsecured creditors. This means that the secured creditors (i.e. creditors whose claims are secured by mortgage or pledge, including those creditors in whose favor 64% of the Company's total assets are encumbered with pledges or mortgages) shall be given priority over unsecured creditors, including Bondholders (in relation to the collateral provided/existing in favor of such secured creditors). Therefore, in the event of insolvency, any claims brought against the Company or one, several or all Guarantor(s) in respect of the bonds shall be satisfied at law after preferential claims, preferential tax claims and secured creditors.

Accordingly, the ability of the Company or the relevant Guarantor to satisfy the bondholders' claims in the event of the Issuer's insolvency will depend on, among other factors, its/their liquidity, general financial standing and ability to raise assets.

7.2. Joint surety carries certain risks due to the absence of the relevant regulatory framework for bonds secured by joint surety

The bonds are secured by the joint and several surety issued by the Guarantors, on the basis of which the Guarantors shall act as the joint and several guarantors of the Issuer for the fulfillment of the latter's obligations before the bondholders and shall be jointly and severally responsible for the performance by the Issuer of the obligations related to and/or arising out of the bonds in accordance with this Prospectus and the joint surety agreement. Georgian legislation does not provide for the relevant regulatory framework for bonds secured by joint and several surety, and the requirements related thereto are set forth, to the maximum extent possible, by the Prospectus and the relevant contractual provisions. However, the enforcement of the joint and several surety may be hampered in practice due to the less flexible format of the established processes, the performance of appropriate actions by the parties to the transaction or other existing investors, or other factors.

7.3. The offering and disposal of the bonds is subject to certain territorial/foreign investor restrictions

The bonds are being offered and sold solely in Georgia in accordance with the rules set forth under Georgian legislation. The distribution of this Prospectus and the offering of the bonds in certain jurisdictions or the sale of the bonds to individuals residing in such jurisdictions may be prohibited or restricted by the applicable laws. Therefore, this Prospectus must not be used to offer bonds in such jurisdictions or to such persons. The persons in whose possession this Prospectus will be and the potential investors are required to obtain information about such prohibitions themselves and ensure that the offering and disposal of bonds by them outside of Georgia complies with the requirements of the securities laws in the relevant jurisdiction.

The bonds have not been and will not be registered under the US Securities Act of 1933 (the "**US Securities Act**") or any US state laws. As a result, prospective investors will not be able to offer or sell the bonds except in cases exempted from the registration requirements under the US Securities Act or the securities laws of any state and/or in transactions that are not subject to such requirements. Potential investors are responsible for ensuring that the offering and sale of the bonds by them in the United States or other countries complies with the requirements of the applicable securities laws.

7.4. 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 Bondholders' Representative may agree with the Company, without the consent of the bondholders, to certain modifications of the terms and conditions of the bonds (and/or the provisions of the agreement between the Company and the Bondholders' Representative) or authorize any breach or proposed breach thereof that is, in the opinion of the Bondholders' Representative, not materially prejudicial to the interests of the bondholders. Any such decision shall be binding on the bondholders.

"Terms and Conditions of the Bonds" and the agreement with the Bondholders' Representative contain provisions for convening the meetings of bondholders to consider matters affecting their interests. Resolutions duly passed by the meeting of bondholders shall be binding upon bondholders whether or not they were present at the meeting at which the relevant resolution was passed. The Company does not assume any responsibility for the validity of any resolution adopted at the meeting of bondholders and it may rely on any such resolution (see "Terms and Conditions of the Bonds" – Condition 11 (*Meetings of Bondholders, Modification and Waiver*)).

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

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

The terms and conditions of the bonds are based on the legislation of Georgia in effect on the date of approval of this Prospectus. There is no guarantee that changes will not be introduced/implemented in the legislation, existing administrative or judicial practice of Georgia in the future, which will have a materially adverse effect on, among others, future issues of bonds, their registration, placement, admission to trading on the stock exchange, conclusion of transactions and settlement procedures both on the stock exchange and on the non-exchange secondary market. In addition, in the future, changes in the regime of taxation of interest received by bondholders may have a negative impact on the amount of net income received by bondholders.

8.2. Investors must rely on the procedures of the Depository, the Bondholders' Representative and, where applicable, the account keeper; the Issuer has also established a capped amount subject to reimbursement by the Issuer in favour of the Bondholders' Representative

The Company will make any payments related to the bonds in favor of the bondholders and/or account keepers through bank transfer to brokerage account of the Placement Agent (see "Terms and Conditions of the Bonds" – Condition 8 (*Payments*)). In order to receive payments related to bonds, the bondholder must rely on the procedures established by the Depository, Bondholder Representative and, where applicable, the account keeper or "Calculation and Paying Agent". The Company does not assume any responsibility for the correctness or accuracy of records of such persons. It is also worth noting that the Issuer does not take responsibility for mistakes made by other persons during the settlement.

By purchasing the bond(s), each bondholder (and, where applicable, the account keeper) agrees that it is entitled to enforce the terms and conditions of the bonds against the Company only through the Bondholders' Representative and in accordance with the Prospectus (except as provided in the "Terms and Conditions of the Bonds" – Condition 12 (*Enforcement*)). In addition, 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 when acting on behalf of the bondholders, the Bondholders' Representative shall be indemnified and pre-funded in accordance with this Prospectus (see "Terms and Conditions of the Bonds" – Condition 13 (*Indemnification of the Bondholders' Representative*)).

The bondholders should also note that the agreement between the Issuer and the Bondholders' Representative sets forth the capped amount which is subject to reimbursement by the Issuer in favour of the Bondholders' Representative. Once the cap is reached, the Issuer shall have no obligation to pay any costs, charges, liabilities and expenses incurred by the Bondholders' Representative, and such amounts shall be funded/covered by the bondholders (see "Terms and Conditions of the Bonds" – Condition 13 (*Indemnification of the Bondholders' Representative*)). In the event that (after reaching the capped amount of expenses subject to reimbursement by the Issuer) the bondholders do not procure the reimbursement of the relevant expenses in favour of the Bondholders' Representative, the Bondholders' Representative shall cease to perform its duties arising out of this Prospectus, the agreement with the Bondholders' Representative and/or the agreement on joint surety.

In addition, the structure of the Bonds assumes the existence of a Bondholder Representative, whose full legal or regulatory framework does not exist at this stage, and in relation to this, the rights of the Bondholders are fully defined in the contractual conditions agreed with the Bondholder Representative and in “Terms and Conditions”.

8.3. An investment in the bonds involves certain legality of investment considerations

The investment activities of certain investors are subject to the laws and regulations governing the legality of investments, or to the supervision or regulation of certain agencies. All potential investors must consult with their own legal advisors to determine whether and to what extent (i) the bonds are a legal investment for them, (ii) the bonds may be used as collateral to secure various types of credit, and (iii) other restrictions apply to the purchase or pledge of bonds. Financial institutions must consult their own legal advisors or the relevant regulatory authorities to determine the classification of bonds for purposes of minimum reserve requirements or similar regulations.

8.4. Application for purchase of bonds may be satisfied partially

If in the process of book-building the potential investors express interest for purchase of more bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined at the Issuer's discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to either refuse or continue to participate in the process of purchasing the bonds. For detailed information, please see chapter: "Terms and Conditions of the Bonds".

Reasons of the Offering and Use of Proceeds

Based on this Prospectus, the Issuer plans to issue Bonds with a nominal value of up to 20,000,000 (twenty million) USD in one or more issues. The net proceeds from the Bond issue will be at least 98.5% of the funds raised by the issues.

The net proceeds from the issue of Bonds will be fully used to refinance existing bank loans that are not originated with a related party. The specific loans that will be refinanced after the issue are unknown to the Company at the date of the Prospectus. For more information on the Issuer's debt obligations, see the “Capitalization and Indebtedness” subsection.

Registration Document

Persons responsible for preparation of the document:

Silk Real Estate LLC, ID 404535240

Representation of responsible person

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

Financial auditor of the Issuer

Issuer's financial auditor is KPMG Georgia LLC,. ID No: 404437695.. Address: 4 Liberty Square, Old Tbilisi, 0105, E-mail: general@kpmg.ge

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

Credit rating:

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

External evaluator:

The Company's real estate has been appraised by Colliers Georgia LLC. Identification code: 405029810. Legal address: Floor II, 2 Leonidze (former Kirovi) street / 1 G. Tabidze street, Tbilisi, Georgia. Tel: +995 32 2 22 44 77. Website: colliers.com. The appraisal is performed in accordance with the requirements of International Appraisal Standards (IVS 2013). The appraisal report includes key facilities and investment property.

Information about the material agreements

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

Key Information about the Issuer

The issuer is "Silk Real Estate" (Former "SRG Real Estate"). ID 404535240. Address: Republic Square N1, Tbilisi 0108, Georgia. Country of registration: Georgia. Regulatory legislation: legislation of Georgia. Contact number: +(995 32 2) 373 000. Website: www.silkdevelopment.ge

Overview & History

Silk Real Estate LLC (Company, Issuer, Silk Real Estate) is a real estate management company within the Silk Road Group (hereinafter SRG, Silk Road Group), a private investment group founded by George Ramishvili in Georgia in 1997. George Ramishvili is currently the chairman of the company's supervisory board.

Silk Road Group is a diversified holding company whose activities (through its respective subsidiaries) cover the fields of energy, banking, transportation, hotel and entertainment industries, real estate and telecommunications.

The Silk Road Group started its activities in Central Asia and the Caucasus region, primarly through transportation and the trade of consumer goods. Soon after, the Silk Road Group emerged as a leader in rail transportation of both dry and liquid cargoes. The group's rapid ascent was greatly aided by the the use and improvement of the transport infrastructure connecting Georgian Black Sea ports and the energy resources of Central Asia.

Real estate/hotel business - the primary activity of "Silk Real Estate" LLC is to act as a holding company for the group's various subsidiaries. The main activities of the group companies are: ownership and management of hotels under the brand of Radisson Blu, located in Tbilisi and Batumi; Management of the hotel located in Tsinandali under the brand of Radisson Collection, as well as "Park Hotel Tsinandli"; Management of casinos in Tbilisi and Batumi (located at respective Radisson Blu branded hotels); Ownership and management of the "Republic" complex; Development and management of various real estate projects located in different regions of Georgia.

Silk Real Estate is the parent company for hotels, restaurants and entertainment establishments, and cooperates with leading organizations in the hospitality sector. Today, the group employs approximately 2,000 people and owns assets in the most prestigious districts of Tbilisi, as well as in other regions of Georgia.

The real estate and hospitality business is managed by two divisions:

- **Silk Real Estate through its subsidiary "SRG Investments" LLC (under Silk Development brand)** - manages the development of new real estate projects;
- **Silk Hospitality LLC (under Silk Hospitality brand) -** is an operating company responsible for the management of the group's developed properties as well as the properties of third parties.

Silk Hospitality operates the following facilities of the group:

- Radisson Blu Iveria Hotel, Tbilisi;
- Radisson Blu Hotel, Batumi;
- Radisson Collection Hotel, Tsinandali Estate;
- Park Hotel, Tsinandali Estate;
- Casino Iveria, Tbilisi;
- Casino Iveria, Batumi;
- Republic Event Hall, Tbilisi;
- Republic Rooftop-Bar-Terrace, Tbilisi;
- Restaurant Republic 24, Tbilisi;

- Iveria Beach Club, Batumi;
- Iveria Café, Tbilisi
- Club Nobel Savage

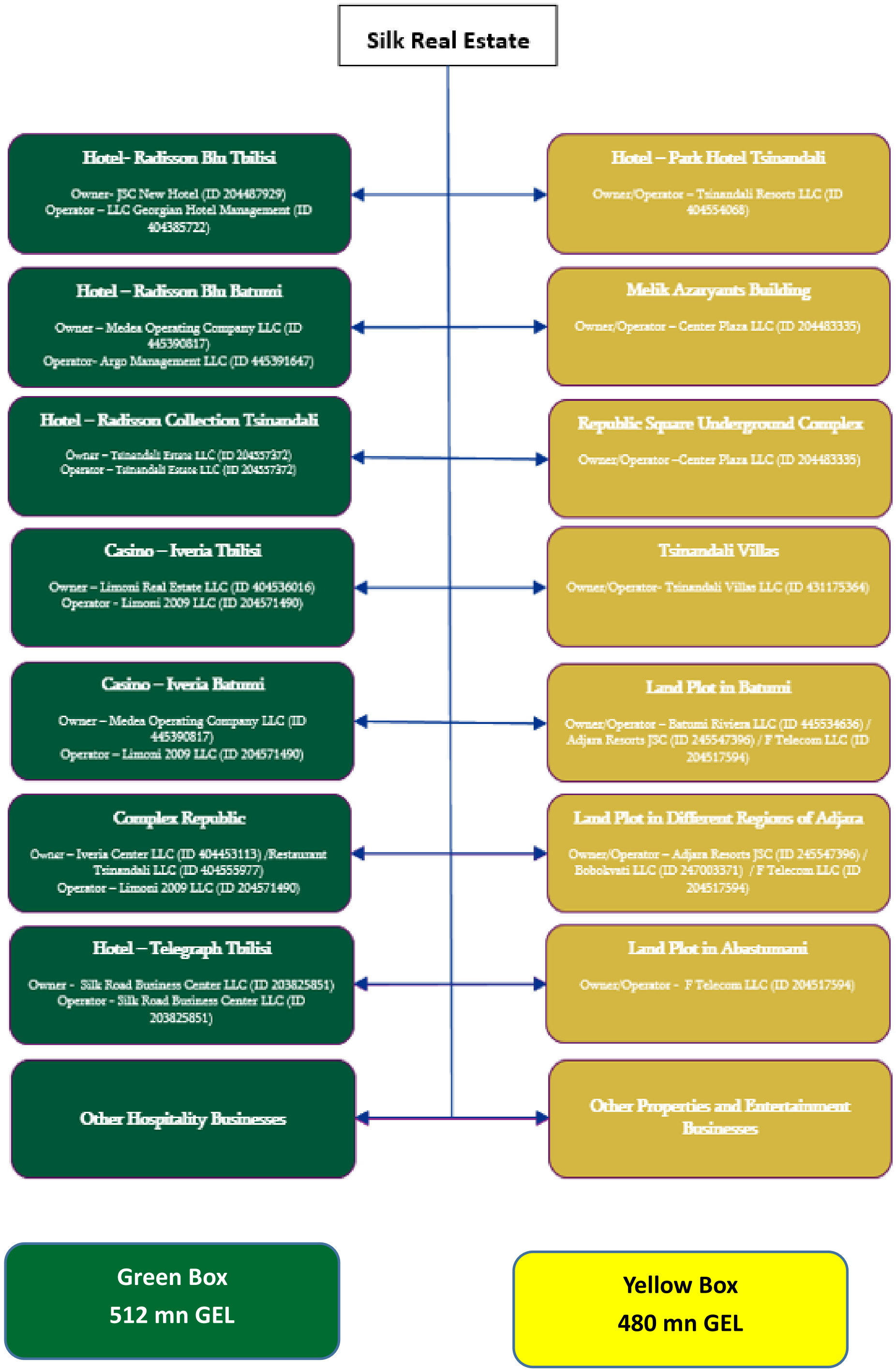
In the first half of 2025, it is planned to open another 5-star "Telegraph" hotel in the center of the capital and in the near future several large-scale projects in Tbilisi and various regions of Georgia.

Since 2005, Silk Road Group has invested approximately 1,3 billion US dollars in the economy of Georgia.

The "Green Box" includes all operating segments and group enterprises that either a) already generate significant income from their core activities or b) are currently at a development stage and will generate significant income for the group in the future, or c) the entity whose main source of income is provision of management or consulting services to third parties or group enterprises. Group enterprises, whose main activity is to hold investments in "Green Box" enterprises, also belong to the same category. All reportable segments belong to the "Green Box" category. An operating segment or a group of enterprises with material non-controlling interest is not included in the "Green Box".

The "Yellow Box" category includes those operating segments and group enterprises that a) own assets for future development; and b) do not generate significant income from their core activities (although they may generate some incidental income from non-core activities). c) any other enterprise or operating segment that does not belong to the "Green Box".

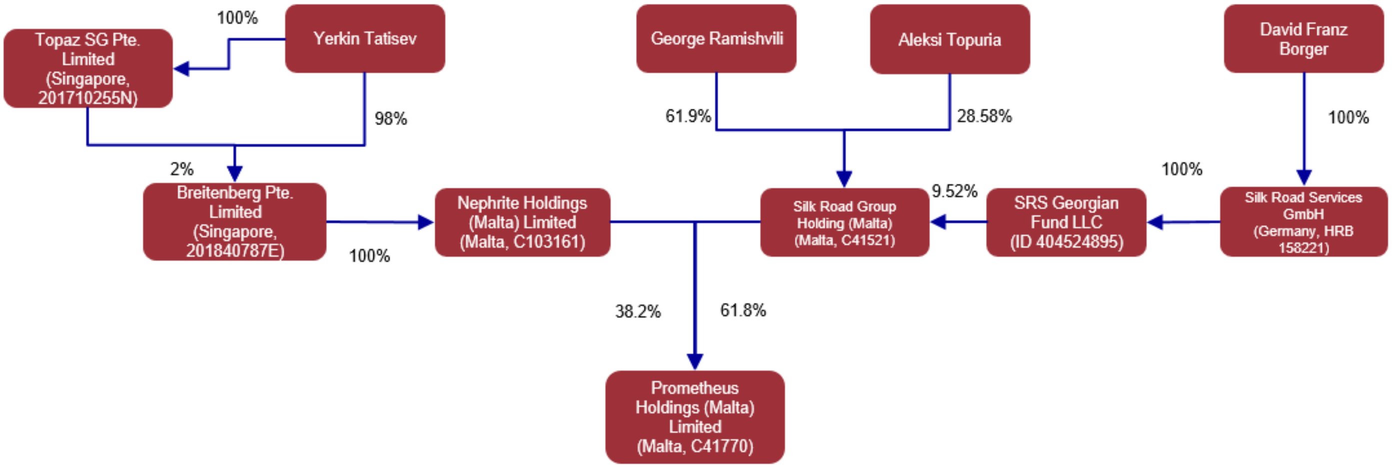
The company indirectly owns real estate in Georgia, which is estimated at 966 million GEL. The said valuation was made by Colliers, an international real estate appraiser, as of December 31, 2023.
The distribution of the company's assets between "Green" and "Yellow" boxes is given below:

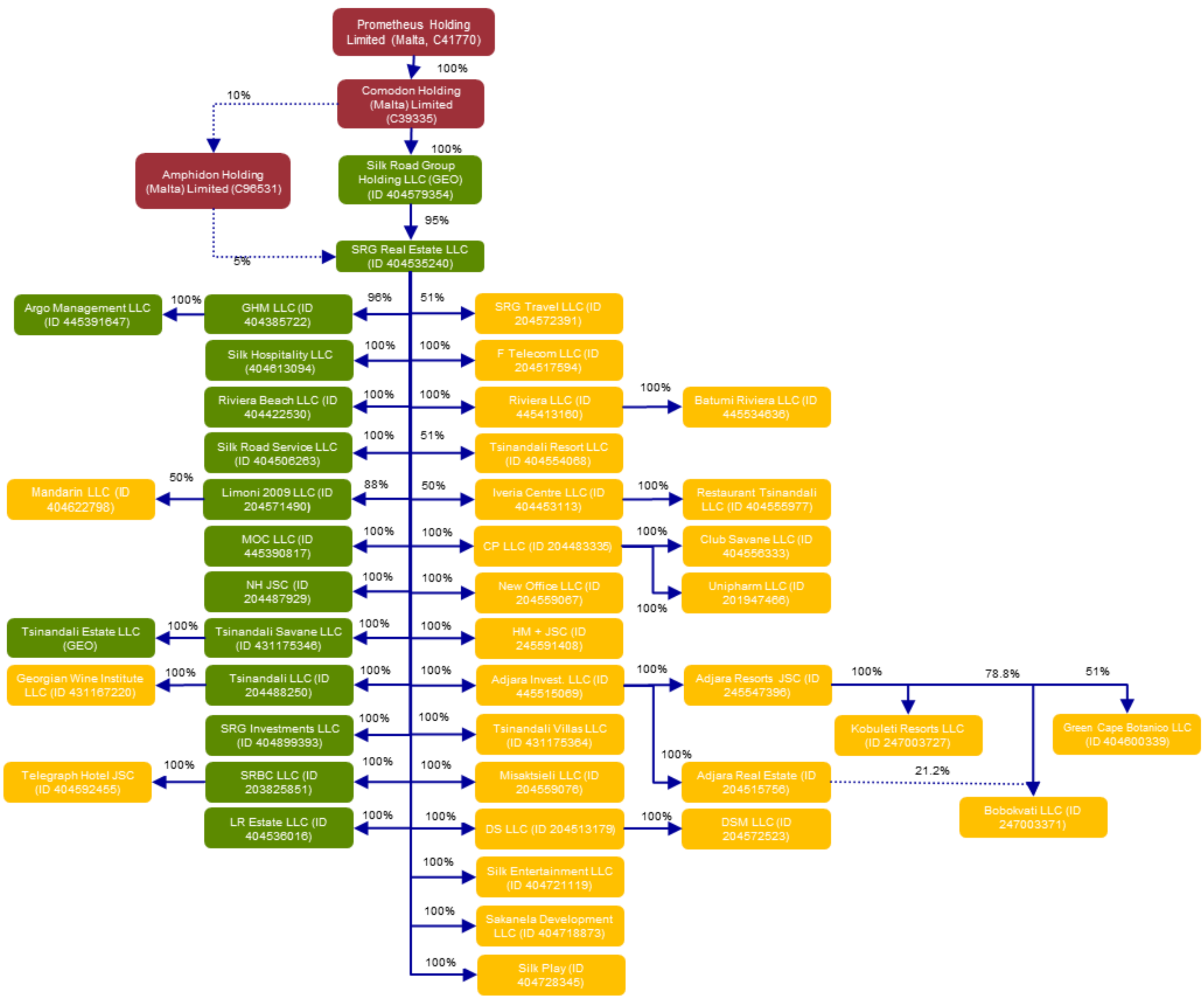


** The said asset valuation is made by Colliers, an international real estate appraiser, as of Decemver 31, 2023. Evalutaed assets include immovable and investment prooperties.*

The structure of the Issuer group as of 15th July 2024 is as follows:

** The chart shows the issuer's main business areas and subsidiaries*





Description of Green Box objects:

Casino Iveria Tbilisi

"Casino Iveria Tbilisi" was opened in 2009 and is one of the first casinos in Georgia. Located in the center of Tbilisi, the casino is distinguished by its classic European interior, world-class service standards, and a wide array of games.

Casino Iveria offers guests several varieties of poker, blackjack, American roulette - a total of 22 tables and more than 210 modern slot machines. The casino also features several types of jackpots and high-stakes slots. In terms of amenities,the casino has a restaurant service that offers customers a broad range of Georgian, European and Mediterranean dishes. There are also 3 bars and a VIP area with its own dedicated staff. The casino's recent success was aided by the fact that it was one of the first to resume operations during the pandemic.

Casino Iveria Batumi

Located in the center of Batumi in the Radisson Blu Hotel Batumi, the Casino Iveria Batumi has been in operation since 2011. The casino features a variety of slots and table games, includingblackjack, poker (Cash Games such as No Limit Texas Hold'em and Pot Limit Omaha) , American roulette and baccarat - a total of 17 tables and more than 160 slot machines.

In addition to the main space, the Casino Iveria has a buffet and an à la carte restaurant with Georgian and foreign dishes, as well as a fully-serviced premium area.

Hotel Radisson Blu Iveria - Tbilisi

The Radisson Blu Iveria first opened in 2009. This top-class 236-room hotel is located in the capital of Georgia - Tbilisi, overlooking the Mtkvari River. The hotel is conveniently located on the city's main avenue – Rustaveli -making it a major tourist attraction and destination. Guests at Radisson Blu Iveria can enjoy 2 top-of-the-range restaurants and a world-class Anne Semonin spa salon. The hotel also offers its visitors a fully equipped business center, 9 meeting rooms, a large hall and a buffet, and can even be rented for major events

Radisson Blu Tbilisi is a high-class hotel with its own casino and event hall. As of 2023, Radisson Blu Tbilisi is one of the highest-grossing hotels in its class across Tbilisi.

- Number of rooms - 236;
- Indoor and outdoor pool;
- Anne Semonin SPA;
- Gym and beauty treatment;
- Two restaurants and one cafe;
- Office space;
- Conference and events space.

Hotel Radisson Blu - Batumi

Radisson Blu is a high-class hotel located on the Black Sea coast. It has been operating since 2011, along with a casino and a beach club. The hotel has 168 rooms and 2 restaurants. It has an attractive location for vacationers, as it is located a few minutes' walk from Batumi Beach and Boulevard. For events, parties and conferences, the hotel has 7 meeting rooms, including 2 for small gatherings and one large hall that can accommodate up to 350 people.

On average, 20% of hotel revenues are generated from the casino, the casino's share is higher in the off-season.

- Number of rooms - 168;
- Indoor and outdoor pool ;
- SPA ;
- Ball room and meeting facilities;
- Two restaurants.

Hotel Radisson Collection Tsinandali

The Radisson Collection Tsinandali,first opened in 2019, is a five-star Luxury class hotel in the wine region of Georgia. Located in Kakheti and adjacent to the 19th century historical park where the Tsinandali House-Museum of Aleksandre Chavachavadze is housed, the 124-room hotel was desgined by internationally recognized architects such as Christian Gabas and Damien Figuras, Ingo Meurer and John Fotiadis . The Radisson Collection Tsinandali also features a world-class amphitheater that can accommodate up to 1,200 spectators for concerts, weddings, gala dinners, plays and fashion shows. Concert hall, which is distinguished by acoustics and has capacity of up to 500 visitors is also part of the hotel.

- Number of rooms - 124;
- Anne Semonin SPA ;
- Indoor and outdoor pool ;
- Outdoor concert location for 1,000 visitors ;
- Ballroom and meeting facilities ;
- Two restaurants;
- Location adjacent to historical garden of Prince Chavchavadze .

Iveria Beach Club

Iveria Beach Club is situated between Batumi Boulevard and the seacoast and covers a beach area of up to 3,000 sq.m... The club's concept incorporates a bar, restaurant, and various types of entertainment, including music. Vacationers can access beach and services on the territory of the club, during the season.

Restaurant Republic

The Republic is a multi-functional building of up to 1,500 square meters and designed for 1,000 guests, that includes two restaurants and a two-story event space used for both concerts and conferences. It is located in the center of Tbilisi, on Republic Square. Rooftop terrace offers its guests gorgeous city views, a cozy atmosphere and a sophisticated menu of European cuisine. Bar serves cocktails and wines to visitors. With respect to first floor, the guests enjoy 24-hour modern concept diner “Republic 24” that serves Georgian food.

It should be noted that "Restaurant Republic" and “Republic 24” belongs to Yellow Box projects but are managed by a Green Box entity.

Iveria Café

Iveria Café is located next to Radisson Blu Iveria in Tbilisi. Nestled in the city center, Iveria Cafe offers a wide range of lunch options, wine bar and store.

Yellow Box Property

Silk Real Estate LLC owns several large real estate properties throughout Georgia, with plans for future development. The majority of these assets fall under the "Yellow Box" category. Notably, the company owns a 72-room active hotel, Park Hotel Tsinandali, which is also classified as a "Yellow Box" property due to an minority shareholding of 49% in the hotel. For more information on the businesses included in the "Green Box" and "Yellow Box," please see the subsection on Financial Condition.

Overview of these assets is given below.

In Tbilisi, the group owns the underground space of Republic Square (up to 9000 square meters) and the historical building of Melik Azariants.

The remaining assets are distributed throughout various regions, including a plot of land (up to 6 hectares in size) and an operating yacht club located along the Batumi coastline. The company also owns 15 hectares of land in the Bobokvati area of the Adjara region. In addition, relatively small land plots are located in Makhinjauri (1.5 hectares) and the Green Cape sea resort (1.5 hectares). The group has long-term plans to develop profitable projects on all of these assets.

Bobokvati

On the 540-meter-long coast of the Black Sea in Bobokvati, a mixed-use complex of the highest standards is planned to be built on 15 hectares of land. The complex will include residential buildings, villas, a hotel, numerous bars and restaurants, as well as indoor and outdoor pools. Guests of the complex will have the opportunity to engage in various sports activities, such as football, basketball, tennis, and more. All buildings and structures in the area will be surrounded by nature. Construction is planned to commence in 2025.

"Silk Towers"

According to the already agreed construction plan, in the heart of Batumi, between the historical city and the yacht club, the Company plans to build a multifunctional complex that will combine: residential, hotel, commercial, sports-refreshing and entertainment functions. Also, the construction of a conference/concert hall is planned. Also, within the framework of the project, the Company will arrange a 2-hectare park and bring the yacht club into compliance with modern standards.

The studio of the famous Japanese architect - Kengo Kuma, who is the world's leading specialist in sustainable architecture. The mentioned project will focus on and respond to security and energy efficiency challenges. LEED acquisition is planned.

Green Cape Botanico is the first residential project of Silk Real Estate (or Silk Development), located on a 1.5 hectare green area adjacent to the historic Botanic Garden and was finished in 2024.

The complex comprises of two residential blocks and one sports-health and recreation block. Blocks A and B have 80 apartments designed and built with high standards, each offering a sea view and renovated with kitchen appliances. The third block features large and children's pools, a gym, and a restaurant serving residents and their guests.

Apart from this project, the company also owns four different plots of land adjacent to the botanical garden, with a total area of 2 hectares. Similar to Botanico project, plans for this territory also involves the construction of holiday homes and hotels in these areas. According to the approved Masterplan, all new buildings will be located at the places, perviously occupied by old buildings, ensuring a harmonious combination of design spaces and the environment.

The group owns another operating business in Tsinandali. Park Hotel, a 72-room non-branded hotel, is located adjacent to the Radisson Collection Hotel. The hotel is designed for the low-budget segment, which allows the group to meet the demands of all market segments. Adjacent to the mentioned two properties, the group owns up to 7 hectares of land, where it is planned to develop the concept of villas (two villas have already been created) and also sell the mentioned lands.

The total area of the company's "Yellow Box" assets is more than 25 hectares.

Operational activity

Silk Real Etate is the owner and operator of hotels, restaurants, casinos and other entertainment establishments. Company also owns property for development in both Tbilisi and the Black Sea seaside. The company's revenues are mainly generated from casinos and hotel room sales. Silk Real Estate has subsidiary companies through which it operates in the market.

Subsidiaries of the Issuer

All subsidiaries of the Issuer are based in Georgia. Information about all subsidiaries as of the date of the Prospectus is presented below:

Entity	ID Code	Groups ownership as of the date of Prospectur	Date of Incorporation	Ownership type	Principal Activity	Box
Georgian Hotel Management LLC	404385722	96%	9 August 2010	Direct	Operation of Tbilisi Radisson Blu Iveria Hotel	Green
Argo Management LLC	445391647	96%	30 November 2010	Indirect, through Georgian Hotel Management	Operation of Batumi Radisson Blu Hotel	Green
Riviera Beach LLC	404422530	100%	18 May, 2012	Direct	Club Operation	Green
Silk Road Service LLC	404506263	100%	31 December, 2015	Direct	Pooling of procurement for the group companies	Green
Development Solutions LLC	204513179	100%	10 July, 2006	Direct	Real Estate development service	Yellow
Development solutions Medea LLC	204572523	100%	7 September, 2009	Indirect, through Development Solution LLC	Dormant entity	Yellow
Tsinandali Savane LLC	431175346	100%	17 February, 2016	Direct	Holding entity	Green
Tsinandali Estate LLC	204557372	100%	27 June, 2008	Indirect, through Tsinandali Savane LLC	Operation of Tsinandali Radisson Collection Hotel	Green
Tsinandali LLC	204488250	100%	3 October, 2005	Direct	Museum Operation	Green
Georgian Wine Institute LLC	431167220	100%	26 December, 2011	Indirect, through Tsinandali Savane	Wine tasting and training service	Yellow
SRG Investments LLC	404899393	100%	27 May, 2011	Direct	Corporate service provider to the Group	Green
Limoni 2009 LLC	204571490	88%	11 August, 2009	Direct	Operation of Casinos	Green
Mandarini LLC	404622798	50.44%	26 October, 2021	Indirect, through Limoni 2009	Inactive company	Yellow
Medea Operating company LLC	445390817	100%	5 November, 2010	Direct	Ownership of Batumi Radisson Blu Hotel and related casino	Green
F Telecom LLC	204517594	100%	2 October, 2006	Direct	Real estate development	Yellow
Riviera LLC	445413160	100%	12 July, 2012	Direct	Holding Entity	Yellow
Batumi Riviera LLC	445534636	100%	30 May, 2018	Indirect, through Riviera LLC	Real estate development	Yellow
Center Plaza LLC	204483335	100%	14 July, 2005	Direct	Real estate development	Yellow
Club Savane LLC	404556333	100%	11 April, 2018	Indirect, through Centre Plaza LLC	Night club operation	Yellow
Tsinandali Villas LLC	431175364	100%	19 February, 2016	Direct	Real estate development	Yellow
New Hotel JSC	204487929	100%	30 September, 2005	Direct	Ownership of Tbilisi Radisson Blu Hotel	Green
Silk Road Business Centre LLC	203825851	100%	27 August, 1997	Direct	Real estate development	Green
Misaktsieli + LLC	204559076	100%	7 August, 2008	Direct	Real estate development	Yellow
New Office LLC	204559067	100%	7 August, 2008	Direct	Real estate development	Yellow

Iveria Center LLC	404453113	50%	6 August, 2013	Direct	Real estate development	Yellow
Restaurant Tsinandali LLC	404555977	50%	2 April, 2018	Indirect, through Iveria Centre LLC	Hospitality Sect6or	Yellow
Hotel Medea + JSC	245591408	100%	17 April, 2007	Direct	Real estate development	Yellow
Adjara Investment LLC	445515069	100%	30 August, 2017	Direct	Holding Entity	Yellow
Adjara Resorts JSC	245547396	100%	3 January, 2006	Indirect, through Adjara Investments LLC	Real estate development	Yellow
Adjara Real Estate LLC	204515756	100%	23 August, 2006	Indirect, through Adjara Investments LLC	Real estate development	Yellow
Bobokvati LLC	247003371	100%	23 March, 2007	Indirect, through Adjara Resorts JSC and Adjara Real Estate LLC	Real estate development	Yellow
Kobuleti Resort LLC	247003727	100%	17 April, 2007	Indirect, through Adjara Resorts JSC	Real estate development	Yellow
Silk Road Group Travel LLC	204572391	51%	4 September, 2009	Direct	Hospitality	Yellow
Telegraph Hotel JSC	404592455	100%	5 February, 2020	Indirect, through Silk Road Business Centre LLC	Hospitality	Yellow
Limoni Real Estate LLC	404536016	100%	21 April, 2017	Direct	Real estate development	Green
Green-cape Botanico LLC	404600339	51%	18 August, 2020	Indirect, through Adjara Resorts JSC	Real estate development	Yellow
Silk Hospitality LLC	404613094	100%	26 March, 2021	Direct	Hotel management service provider to the Group	Green
Silk Entertainment LLC	404721119	100%	15 April, 2024	Direct	Inactive Company	Yellow
Silk Play LLC	404728345	100%	19 June, 2024	Direct	Inactive Company	Yellow
Sakanela Development LLC	404718873	100%	27 March, 2024	Direct	Inactive Company	Yellow
Unipharm LLC	201947466	100%	10 July 1996	Indirect, through Centre Plaza LLC	Real estate development	Yellow
Tsinandali Resort LLC	404554068	51%	1 March 2018	Direct	Operation of Park Hotel Tsinandali	Yellow

As of the date of preparation of this Prospectus, there has been no insolvency, bankruptcy or suspension of operations of the Company or any of its subsidiaries.

Description of the company's marketing programs

Casino Marketing

The company owns a casino management system that processes and stores customer information. This system has loyalty and marketing modules that the company uses to retain customers who have played at least once in the group's casinos. SRG is able to do this through e-mails, SMS and telephone. This marketing strategy helps the company to retain existing customers and create loyalty among them. The loyalty module includes the so-called Club Iveria. This is a loyalty club that is not connected to the casino, but gives the company the opportunity to have ongoing engagement with players and people who want to receive entertainment. Club Iveria often holds concerts and parties or sponsors events organized by others, which additionally deepens relations with customers. Famous artists visit these events and casino's loyal players are invited, as well. The offer to attend the concert varies depending on the player's status. Players are awarded both points and statuses in the loyalty program. There are different statuses - silver, gold and platinum. High-status players get expense-covered hotel stays as part of their party invites.

The budget allocated to marketing in Tbilisi is USD 1.5 million. In Batumi the budget is USD 900 thousand. According to the company's vision, casino should create all the necessary conditions to provide comfort to the customers. To ensure this, the group visits Las Vegas every year to offer the latest generation of slot machines to their customers. Significant part of marketing budget is allocated to outdoor advertising, concerts organized by Club Iveria, as well as directly to casino locations, where new customers are acquired. As far as that casino business is regulated, there are also restrictions on marketing (restriction of logo placement, television coverage, etc., for more information, please see the Regulatory Framework subsection). The synergy with the hotel also helps the company to retain customers.

Another important aspect is direct marketing specifically aimed at foreign groups that visit Georgia for gaming. In the future, the company plans to develop new loyalty systems, which will be utilized to better analyze customer behavior and offer more personalized services.

Hotel Marketing

Hotel marketing budget covers the hotels, as well as its bars and restaurants. Hotel marketing is divided into two parts: international and local markets. The Radisson brand, which has a loyalty program called Radisson Rewards, helps hotels with their international marketing. Customers who are part of Radisson Rewards receive notifications that their points can be used at Radisson branded hotels in Georgia. The group actively uses this benefit to attract international visitors.

To attract tourists, the company also uses Google banners, social media, and location-based YouTube ads (such as those posted for Batumi Radisson). The company also gradually brings famous people, or "influencers”, to its hotels, offering them to stay and use other services of the hotel. This approach plays a big role in the company's marketing because many foreign tourists search for hotels online and look for reviews from reliable and recognizable media platforms or people. Maintaining a good reputation on official sites like Google Reviews and TripAdvisor is also crucial because these platforms play a significant role in customers' decisions.

The company also uses intermediary marketing to attract tourists in the international market. For instance, it coorporates with international travel agencies that try to sell the company's services in their countries. Participation in tourist exhibitions, in which SRG Hospitality actively participates, is also essential. In 2023, Georgia will host the largest tourism exhibition, ITP Berlin, and Silk Hospitality facilitated the catering for 3,000 VIP delegates in Germany.

The second aspect of hotel marketing is to reinforce the brand's position in the local market. Local marketing aims to make Radisson branded hotels and restaurants the preferred choice for Georgian customers. The group collaborates actively with companies such as TBC Bank, Bank of Georgia, Visa, and Mastercard. In return, these companies provide their clients with discounts on Silk Hospitality services. The group mainly finances events through sponsors. In addition to hotels, developing catering facilities is also crucial for Silk Hospitality. The group's hotels have leading Georgian chefs who continuously innovate and offer new experiences to customers. The company actively uses social media marketing and poster advertising to reach out to food establishments and attract customers to their venues. After the pandemic, the restaurants under Silk Hospitality actively started collaborating with Delivery service apps, which has become a significant source of income in Tbilisi and Batumi. This service is gradually being expanded to Tsinandali as well. In restaurants, the marketing team organizes events, collects email/SMS databases, and conducts media tours during exhibitions or similar events held at hotels or restaurants. It is also worth noting that Silk Hospitality organized TBC's 2022 corporate event, which hosted 10,000 people and received positive feedback from guests, as well as the customers.

Development Marketing

The target audience for Silk Development's communication is high-income consumers in both local and international markets. The current development projects are: "Silk Towers", "Telegraph", etc. Despite the fact that the construction of the Green Cape Botanico residential complex has been completed and the complex has been opened, marketing activities continue until the apartments are fully sold.

Botanico

At this stage, there is active communication of Botanico project both in digital channels (social channels, search engines, online media, website, e-mail, SMS) as well as in traditional media (billboards, print media, television). Due to the fact that the project is already completed and put into operation, a large part of the content is aimed at sales and lead generation, however, at the same time, the Company is also actively producing communication material about the Botanico lifestyle, unique subtropical nature, infrastructure, etc.

To create content, photo and video shoots are periodically planned. Also, the Company constantly cooperates with a local content manager who collects materials daily to be posted on social media.

To generate leads and interest potential customers, weekly/monthly promo campaigns are planned. The Company also cooperates with banks and real estate agents, who offer special conditions to their high-income customers. It periodically participates in various exhibitions (both in local and international markets). In the near future, it is planned to collaborate with various premium brands.

Along with all of the above, very active, direct communication with the customer is carried out with the help of the sales manager who if desired, offers the customer a physical meeting and direct viewing of the Botanico residential complex and showroom.

Silk Towers

Silk Development will start the construction of another large-scale project, "Silk Towers" in Batumi, from 2024. The design studio founded by Kengo Kuma, one of the most famous Japanese architects in the world, will work on the design and concept of the first phase of the project. The Company considers Towers as an investment product, thereforem the greatest emphasis in communication will be placed on international markets, and in the main case on actively utilizing digital channels. Along with this, it is planned to utilize active media channels specific to each country.

Telegraph

In Tbilisi, in the building of the former central Post Office, another project, Hotel "Telegraph", is being reconstructed. "Telegraph" will be a high-class hotel of the Radisson Collection brand, which will combine 239 rooms of eight different categories. Neri&Hu, one of the outstanding modern architectural companies, is working on its design.

In the case of Telegraph, the Company's task is, in parallel with the progress of the project, to inform users of important news about the visit of the architect to Tbilisi, environmentally friendly materials used in the project, high standards and the progress of the reconstruction.

Primary Markets

Overview of the hospitality sector

Before the pandemic, Georgia's tourism sector underwent a rapid development, which was attributable to several factors: including visa-free travel to more than 100 countries; rich culture; improved service quality and government support of the sector.

Georgia includes a wide variety of destinations including - sea resorts; medical and wellness resorts; winter ski resorts; four-season resorts; wine resorts; historical/cultural attractions. All of which have contributed to making tourism a key sector in the country.

Georgia's tourism sector experienced significant growth between 2015 and 2019, with the number of international visitors steadily increasing until the industry faced unprecedented challenges after the pandemic began in 2020, due to border closures and an almost complete suspension of international traffic. As a result, Georgia's tourism industry suffered significant losses: in 2020, the number of international visitors decreased by 80.4%[5] , and tourism revenues decreased by 83.4%.

Following Russia's invasion of Ukraine in February 2022, geopolitical circumstances were also a significant factor affecting the number of international tourists arriving in Georgia, as regional tensions rose alongside the ongoing conflict.

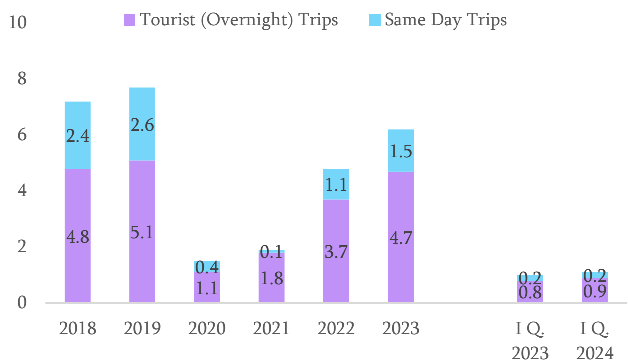
Geographical proximity and ease of travel are important factors that tourists consider. The majority of visitors to Georgia are neighbors. From 2015 to 2020, the number of international visitors from Armenia and Turkey increased steadily, while the growth rate of visitors from Russia was comparatively higher. The flow of visitors from Azerbaijan was hindered by the pandemic, and then by the closure of the land border between Georgia and Azerbaijan, which is still closed. The number of international visitors increased at particularly high rates in the case of Israel, Kazakhstan and Saudi Arabia. Both the European Union and Great Britain have had high growth rates, which means that Georgia can attract more tourists from more diversified countries.

World tourism has recovered to 88% of pre-pandemic levels by the end of 2023. The strong recovery trajectory is expected to continue in 2024. The recovery of Georgia's tourist indicators lags behind the world indicator and in 2023, compared to 2019, an 80% recovery was recorded. However, in the first quarter of 2024, the number of international visitors reached more than 1.2 million, which is 8.6% higher than in 2023, and the recovery of international visitor travel reached 87% compared to 2019.

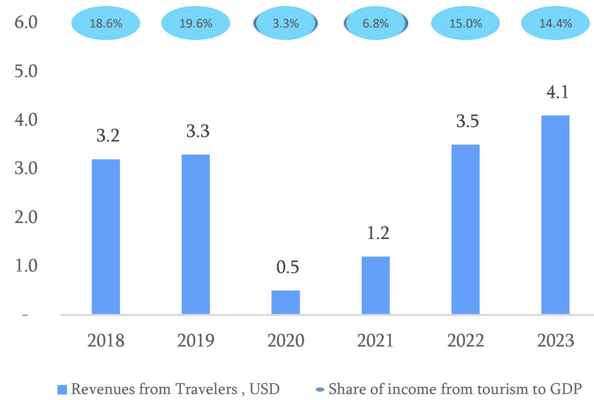
Figure 1: Number of international visitors, million people

Figure 2: Revenues from tourism

[5] Source: National Tourism Administration.



Source: GNTA

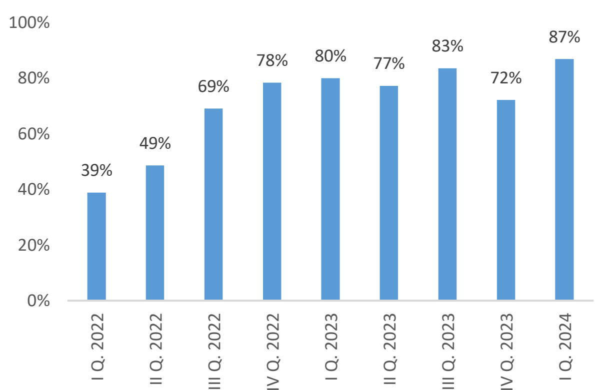


Source: NBG

A full recovery of international travel from several countries is still delayed, including Azerbaijan, which had the lowest recovery rate of 18%. In the first quarter of 2024, the rate of international visits from Russia rose by 85% compared to 2019. At the same time, Armenia is still lagging behind the 2019 figure, with a slightly reduced recovery rate of 83%.

The number of one-day visits is still small, at 51.5% of the 2019 level in the first quarter of 2024, due to the continued border regulations from neighboring countries. The largest number of visitors came from Turkey (22% of the total), followed by Russia (19%) and Armenia (17%)..

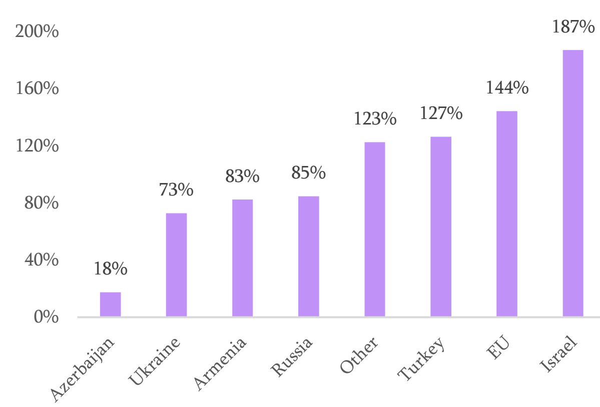
Figure 3: Recovery of tourist visits compared to 2019



Source: GNTA

Note: Tourist visits include persons who leave Georgia in the reporting month and do not include migrants.

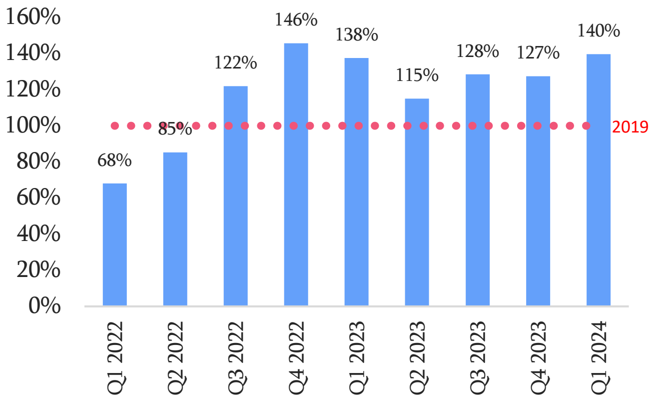
Figure 4: Recovery of tourist visits per country



Source: GNTA

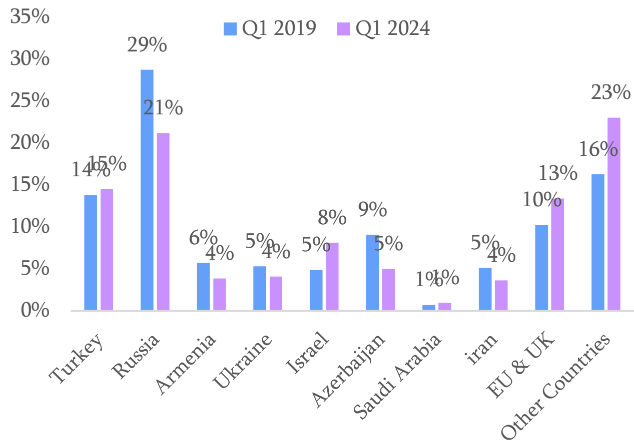
Revenues from international travel have increased. In the first quarter of 2024, international travel revenues exceeded 2019 levels by 40%. The overall share of neighboring countries in international travel revenues decreased to 45%, which is 13 percentage points lower than the pre-pandemic level. In the first quarter of 2024, the total income received from Armenian visitors amounted to 31.3 million USD. It should be noted that this indicator exceeded the total revenues received from Armenia in the first quarter of 2023 by 35%. However, it was still 5% below the 2019 level.

Figure 5: Recovery of tourism revenues compared to 2019



Source: NBG
Note: Data includes expenditures of migrants (Russia, Belarus, Ukraine) from March 2022.

Figure 6: Share of countries in revenues generated by international travelers



Source: GNTA

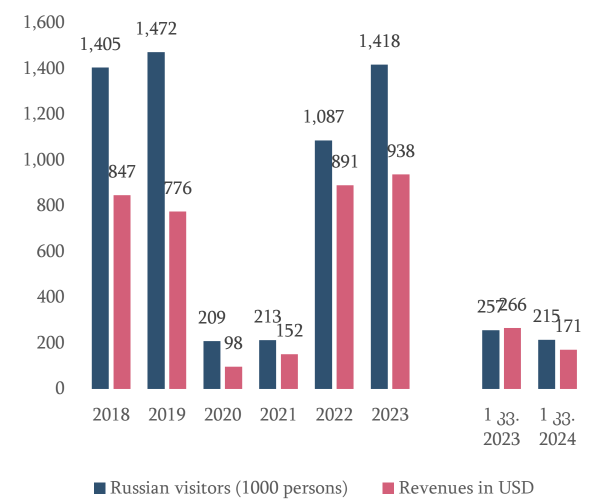
The share of international travel revenues from Ukraine is slightly below the pre-pandemic level. As for Israel, the share of income from tourists exceeds the level of 2019.

In the last quarter of 2023, the Israeli-Palestinian conflict slightly reduced revenue from Israel, however, travel revenue in the first quarter of 2024 exceeded 2019 levels by 131%.

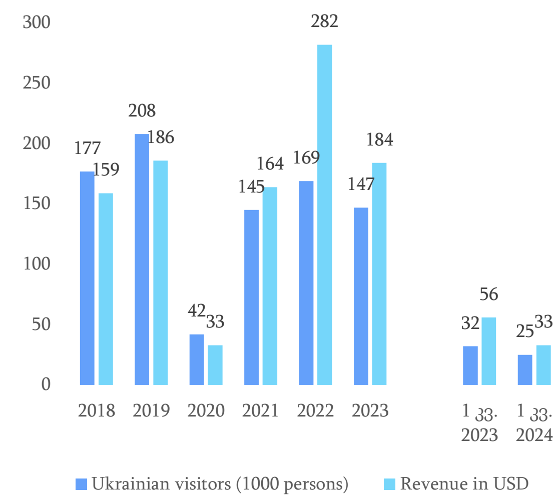
Compared to the level of 2019, the share of the EU in international travel revenues increased to 13%, while the figure for 2019 was 10%. The total amount of travel income from the European Union exceeded the figure of 2019 by 82%.

Figure 7: Visits from Russia and tourism receipts, 1,000 USD

Figure 8: Visits from Ukraine and tourism receipts, 1,000 USD

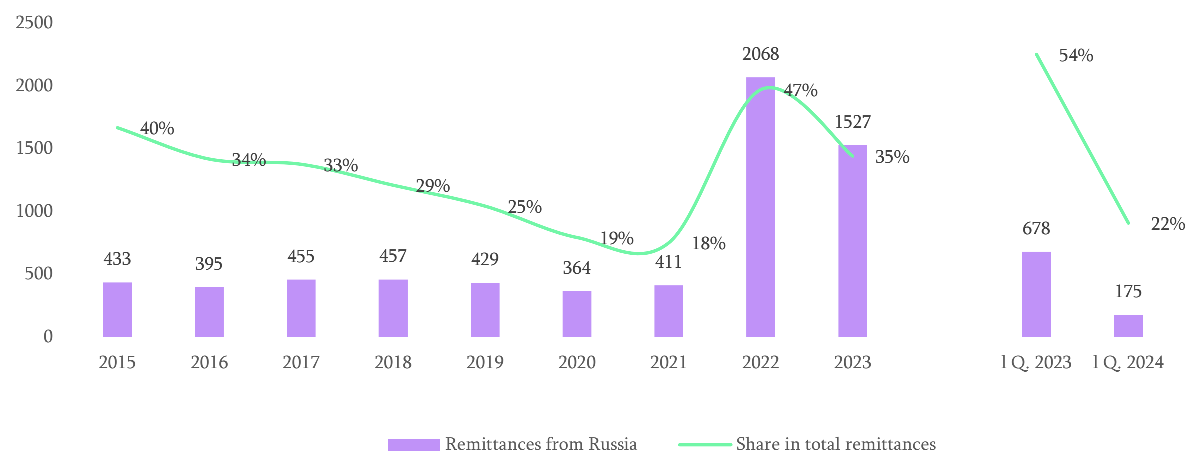


Source: NBG, GNTA



Source: NBG, GNTA

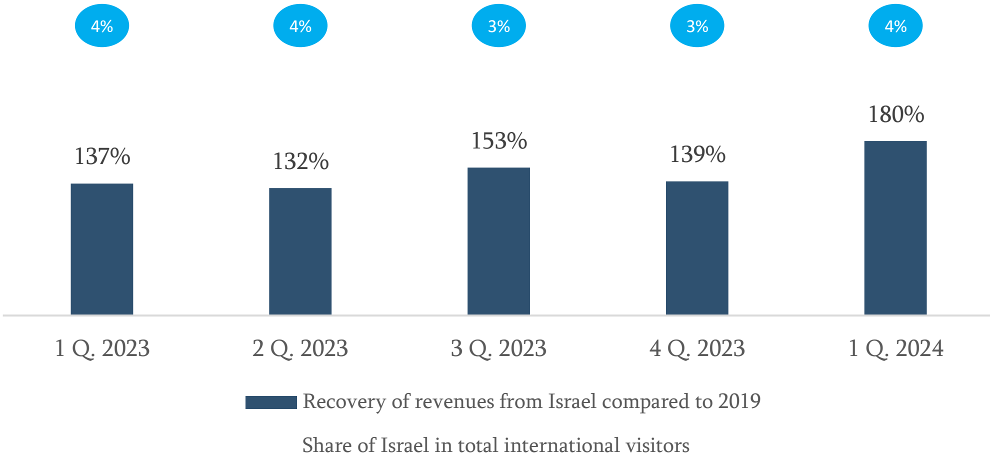
Figure 9: Remittances from Russia



Source: NBG, GNTA

Remittances from Russia decreased during the pandemic years, and accounted for 19%, 18% of total remittances in 2020, 2021, respectively. However, remittances from Russia fully recovered in 2022 and increased by 400% compared to the previous year, and the share in total remittances reached 47%. In the first quarter of 2024, compared to the corresponding period of the previous year, shipments from Russia decreased by 74%.

Figure 10: Visitors from Israel and share in tourism incomes



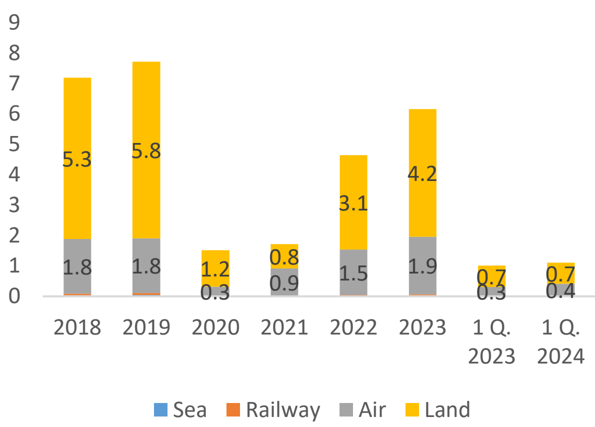
It is important to assess the impact of the current Israeli-Palestinian conflict on the tourism sector of Georgia. One of the expected consequences of the Israeli-Palestinian conflict was a decrease in the flow of tourists from Israel and tourism revenues. In the third quarter of 2023, the recovery rate of international travelers from Israel fell below the level of previous quarters and amounted to 103%. In the last quarter of 2023, Israel's recovery rate for the first time fell behind that of 2019, recording a recovery of 88%. However, in the first quarter of 2024, visitors showed a full recovery, exceeding 2019 levels by 187% and 2023 levels by 104%.

Another important indicator to consider is the income from international travel, in which Israel has a significant share. In the third quarter of 2023, travel revenue from Israel recorded a 153% recovery from 2019 levels. In the last quarter of 2023, for obvious reasons, the recovery slightly decreased to 139%. However, in the fourth quarter of 2024, the rate of recovery of travel revenues from Israel increased to 180%, which is the highest rate compared to previous periods.

Until 2022, visitors arriving by road mostly prevailed in Georgia, and the number of visitors arriving by air did not exceed 25%. However, in the post-pandemic period, this trend changed, and the share of air arrivals equaled 34.7% (car - 64.3%), while the share of sea (0.4% of visitors) and rail (0.7% of visitors) transport was still very small. In 2023, both land and air border crossings are increased.

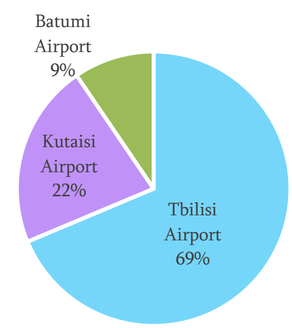
In the first quarter of 2024, the number of visitors to Tbilisi International Airport increased by 27% compared to the same period of 2023. Among the airports, Kutaisi Airport stands out with the highest growth rate, where the passenger flow amounted to 97,560 in the first quarter of 2024, which is 47% higher than the same period of 2023.

Figure 11: Visitors by vehicle, million



Source: GNTA

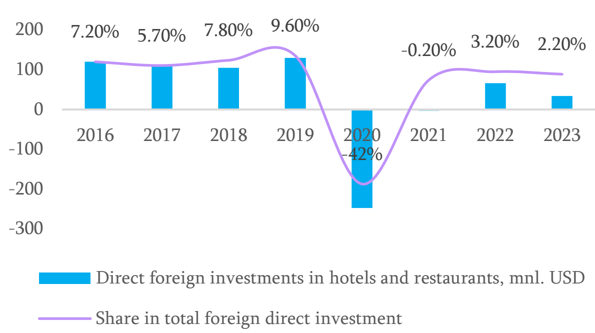
Figure 12: Distribution of visitors arriving by air by airport, 2023



Source: GNTA

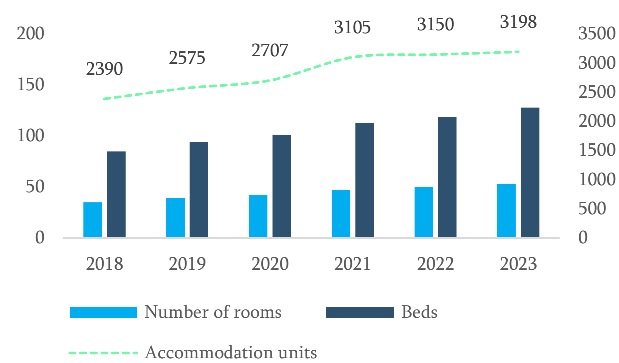
Foreign direct investment in hotels and restaurants amounted to USD 34 million in 2023, which is 2.2% of total foreign direct investment. For comparison, in 2019, the volume of foreign direct investments amounted to 130 million USD and 9.6% of total investments. Successive investments have led to an increase in the supply of accommodation facilities.

Figure 13: Foreign direct investment in hotels and restaurants



Source: Geostat

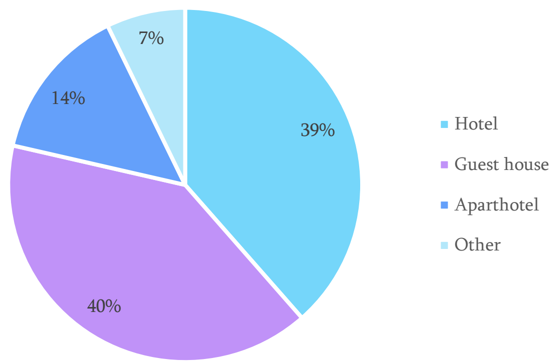
Figure 14: Provision of accommodation facilities in 2014-2022



Source: GNTA

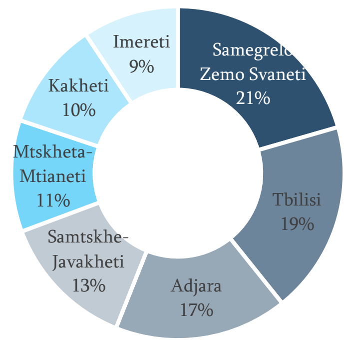
In 2023, the majority of accommodation facility rooms will be found in hotels (37,788 rooms or 70% of total rooms). Other forms of accommodation facilities include: family hotels (8,164 rooms or 15% of total rooms), guesthouses (3,239 rooms or 6% of total rooms) and other forms (4,568 rooms or 8% of total rooms). Tbilisi and Adjara are one of the most active places for investments in accommodation facilities in recent years. Tbilisi has the largest share of rooms in accommodation facilities (27.2% of total rooms), followed by Adjara region (26.6% of total rooms). Samtskhe-Javakheti also has a large number of accommodation facilities (14% of total rooms).

Figure 15: Accommodation facility rooms by type, full year 2023



Source: GNTA

Figure 16: Accommodation facility rooms by region, full year 2023

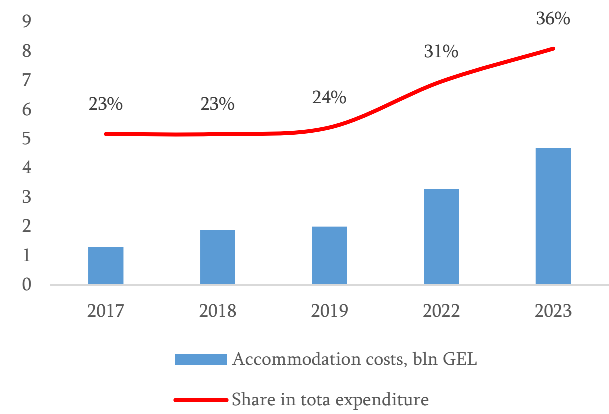


Source: GNTA

International brand hotels dominate the hotel market. Currently, there are 40 international branded hotels operating in Georgia, most of which are located in Tbilisi and Batumi. The number of international branded hotels will increase further, as 22 more hotels are planned to open between 2025-28, with a total of 2,865 rooms.

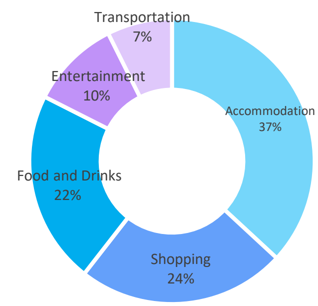
After competition intensified in Tbilisi, investors shifted their attention partially to the development of regional hotels. Accordingly, out of the planned hotels, only 6 hotels will be built by 2025-26. Out of the planned 22 hotels, 5 are planned to be built in Adjara, while 4 in Samtskhe-Javakheti and 2 in Samegrelo-Zemo Svaneti.

Figure 17: Visitor spending on accommodation



Source: GNTA

Figure 18: Distribution of visitor spending by category, 2023

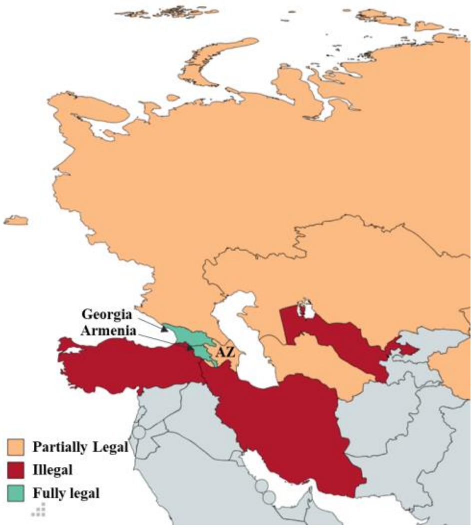


Source:GNTA

Visitor spending on accommodation reached 4.7 billion GEL in 2023, which accounted for 36% of total spending. Spending on accommodation in 2023 increased 1.4 times compared to the previous year. After placement, the largest category is shopping, accounting for 23% of total spending, followed by food and beverage with a 22% share.

In 2023, total visitor spending reached 13 billion GEL, which is 52% higher than spending in the full period of 2019. As for the first quarter of 2024, mountain expenses amounted to 2.1 billion GEL, which is 7% higher than the figure of the same period of 2023.

Land based gambling sector in Georgia



Source: Galt&Taggart

Gambling sector is fully or partially prohibited in most countries of the region.

Gambling in Georgia is fully legalized and regulated by the Ministry of Finance. Both online gambling activities and so-called land based gambling activities are allowed in Georgia.

In Georgia, the activities of the following types of "Land" gambling establishments are allowed: casino, gaming machine salon, sportsbook, lotto and bingo.

As of March 2024, up to 127 permits for the establishment of gambling facilities at physical locations are active in different regions of Georgia. More than half of these are held by slot machine parlors, and there are currently 24 active Casino licenses, most of which are located in Batumi.

Active Gambling Permits, January 20203

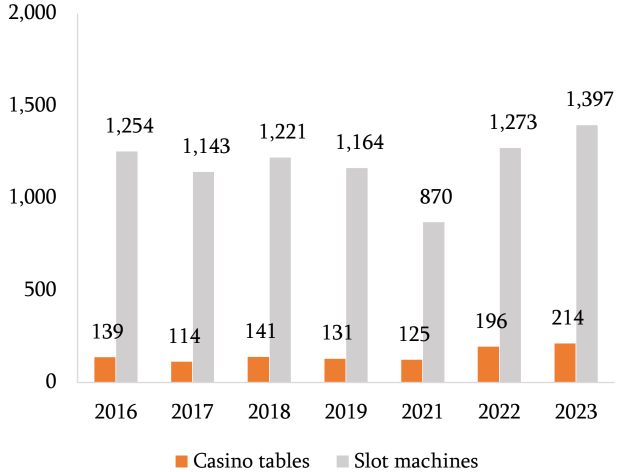
	Tbilisi	Batumi	Others	Total
Casinos	8	13	3	**24**
Slot machine salon	20	28	25	**73**
Sportsbook	5	3	17	**25**
Lotto	1	0	0	**1**
Bingo	1	3	0	**4**

Source: Revenue Service

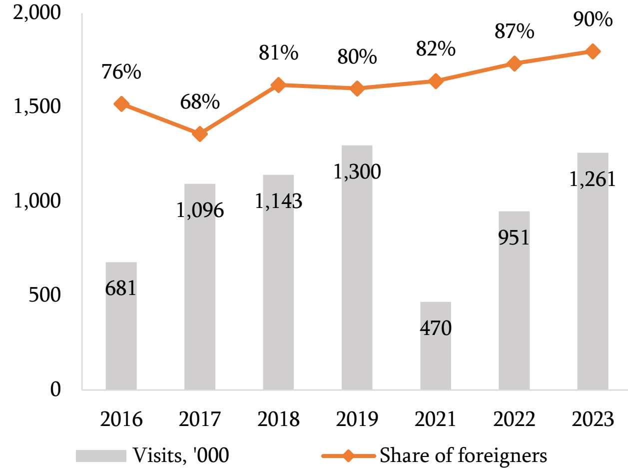
As of 2024, the total number of casino tables in Batumi was 214, and the number of slot machines was 1,397. In Adjara, the total number of casino visitors in 2023 was 1,261,279 and 90% of them were foreign nationals.

Figure 19: Casino tables and gaming machines in Batumi casino

Figure 20: Number of visits to Adjara Casino, thousand



Source: Ministry of Finance of Adjara



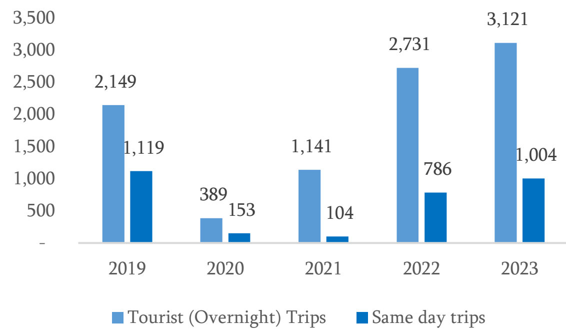
Source: Ministry of Finance of Adjara

It is interesting that as of 2023, specifically in the case of visitors to the Issuer's casinos, the share of foreign visitors in the total number of visitors is large - 79% of the total visitors come from foreign visitors. (Tbilisi - 70%, Batumi - 90%). Similar trends can be observed in terms of revenues, with a large portion being generated from foreign visitors.

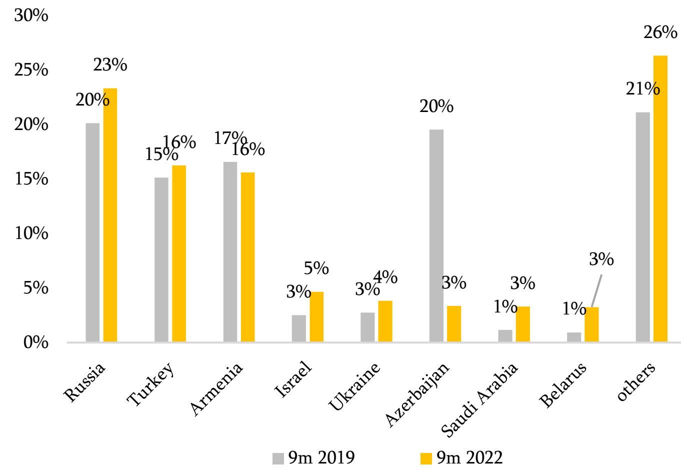
Tourism plays a major role in the income of the Samorinian sector. 2023 international visitor numbers totaled 6.1 million, an 80% recovery from pre-pandemic levels. In the first quarter of 2024, the number of international visitors reached more than 1.2 million, which is 8.6% higher than in 2023, and the recovery of international visitor travel reached 87% compared to 2019. The distribution of the top 5 countries by number of visitors in 2023 is as follows: Russia (23.0%), Turkey (22.6%), Armenia (16%), EU and United Kingdom (7%), Israel (4%) and other countries (26%)).

As for the revenues received from tourism, in the first quarter of 2024 it exceeded the pre-pandemic level by 40%.

Figure 21: Income from tourism, billion GEL



Source: NBG



Source:GNTA

Tax and permit system on Casinos

The Revenue Service issues gambling permits for a period of 5 years to arrange casinos. A minimum of seven casino tables must be installed and operated, with one table dedicated to roulette on a gaming wheel.

The minimum age for players in casinos and other gambling establishments is set at 25 years for Georgian citizens and 18 years for foreign citizens.

Gambling taxation involves annual license fees, quarterly fees, and central taxes. The central government sets the annual permit fees and central taxes, while local governments set the quarterly fees. Similar types of fees go to the local municipality's budget, with the quarterly fee tied to the number of casino tables and slot machines.

Per amendments introduced in the Tax Code of Georgia in December 2023, the objects of taxation with income tax were determined, namely:

- The object of income taxation of a natural person, who receives income from the organisation of a slot machine salon and/or the organisation of games of chance in a systemic and electronic form, in a part of the said activity, shall be the difference between the bets accepted from players and the winnings paid out to players.
- The object of income taxation of a person participating in games of chance organised using the slot machines and/or games of chance and/or prize-winning games organised in a systemic and electronic form (except for a promotional draw organised in a systemic and electronic form shall be the sum withdrawn by him/her from an organiser of a slot machine salon or the systemic and electronic gambling account

According to amendments, taxable income received by a natural person from the organisation of a slot machine salon and/or the organisation of games of chance in the systemic and electronic form shall be taxed at 15%.

In gambling and/or winning games arranged through gaming machines and/or organized in a system-electronic form (except for incentive draws arranged in a system-electronic form), the object of taxation of the person participating is the income tax from the person organizing the game, including from the system-electronic gaming account, The amount withdrawn is taxed at 5%. The obligation to withhold the funds withdrawn by the player from the gaming operator at the source of payment is assigned to the operator of the gaming machine salon, which issues the amount to the player.

The object of profit taxation of a person, in case of the organisation of a slot machine salon and/or the organisation of games of chance in a systemic and electronic form, with regard to the said activity, shall be the difference between the bets accepted from players and the winnings paid out to players. The profit tax rate is 15 percent.

Annual permit fees and quarterly fees vary based on location. The Government of Georgia provides incentives for the opening of gaming facilities in tourist areas. Casinos located in the special regulation territories of Gudauri, Bakuriani township, Tskaltubo, and Sighnaghi municipalities are exempt from paying the permit fee.

In addition, newly established casinos in hotels with at least 100 rooms in the city of Batumi, as well as in the municipalities of Kobuleti and Khelvachauri, and hotels with at least 80 rooms in the villages of Anaklia and Ganmukhur of the Zugdidi municipality within 10 years of receiving the permit are exempt from paying the permit fee.

The rate of annual and quarterly fees varies by region in Georgia. The maximum annual license fee for casinos is 5,000,000 GEL, and the quarterly fee for one casino table ranges from 20,000 to 40,000 GEL. The quarterly fee for gaming machines is set at 2,000-4,000 GEL per machine per quarter.

The annual fee for a casino license in Tbilisi is 5,000,000 GEL, while in Batumi, the fee is set at 250,000 GEL per year. Regarding the quarterly fee, the maximum limit for the casino table is 40,000 GEL for both cities, and the maximum limit for gaming machines is set at 4,000 GEL.

Casino's annual and quarterly fees, GEL

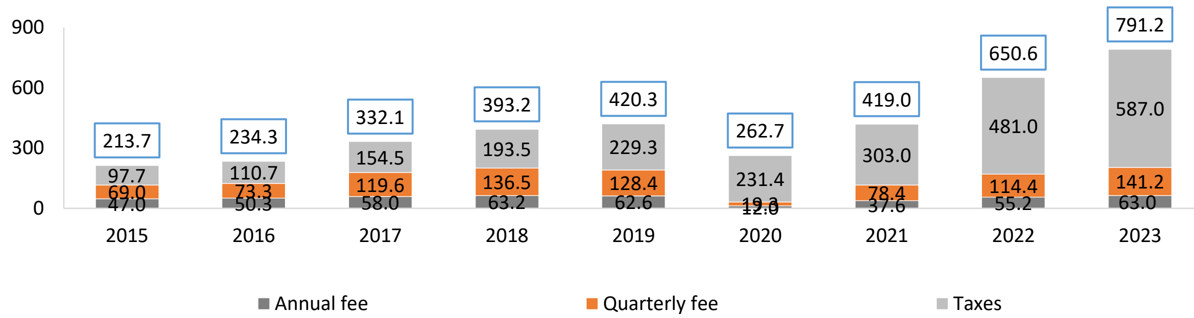
	Casino's annual permit fee	Quarterly fee of the Casino's table	Quarterly fee of the Slots
Tbilisi	5,000,000	40,000	4,000
Batumi	250,000	40,000	4,000

Source Legislative Herald of Georgia

In 2023, the gambling sector contributed a total of GEL 791.2 million in taxes and fees to the budget, representing a 21.6% increase compared to the previous year and representing 88.2% increase compared to 2019, before pandemic. The surge is mainly attributed to the new tax scheme for the electronic gambling sector implemented in 2022.

Annual and quarterly fee revenues in the budget exceeded pre-pandemic levels in 2023, indicating that the number of physical gambling establishments, as well as the number of casino tables and slot machines, surpassed 2019 levels.

Figure 22. Budget revenues from gambling sector, million GEL



Source: State Treasury, Revenue Service

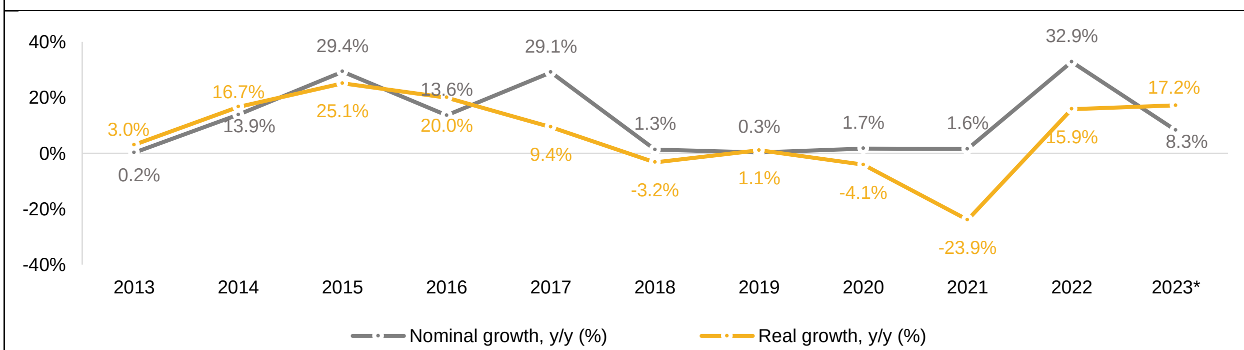
Construction sector

The construction sector continues to be the backbone of the economy, as realizing investment opportunities in the tourism industry, energy, residential and commercial real estate and infrastructure works requires direct involvement of the sector.

According to preliminary data from Geostat, the construction sector grew by 17.2% in real terms in 2023, which was preceded by a 15.9% real growth in 2022. This is partially explained by the low base effect of previous periods, as the sector has actually been decreasing every year since 2018 in real terms (exception of 1.1% growth in 2019). The pandemic and related restrictions had a very large negative impact, both on the economy as a whole and on the construction sector. On the other hand, the increased demand for real estate and construction caused the sector to grow in both nominal and real terms from 2022 to the present. In 2021, the construction sector in real terms decreased by 23.9%, despite a nominal 1.6% increase, which was due to a significant increase in the prices of construction materials. High prices for construction materials were caused by the increase in prices on global commodity markets and the disruption of supply chains (one of the effects of the pandemic). However, in light of the increased demand for real estate from 2022 and the stabilization of construction materials prices from 2023, the sector's real growth for the same year amounted to 17.2%.

Figure 23: Nominal and real growth of the construction sector

Nominal and real growth of the construction sector



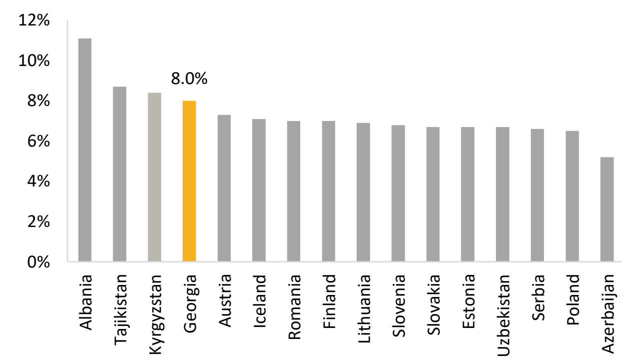
Source: Geostat

*preliminary data; Final data will be published on November 15, 2024

Construction continues to be one of the largest sectors of the economy, and its share of the economy is the fourth highest among the 16 countries shown in Figure #2. Albania is on the first place with a share of 11.1%, Tajikistan is on the second place - with 8.7%, and Kyrgyzstan is on the third place with a share of 8.4%.

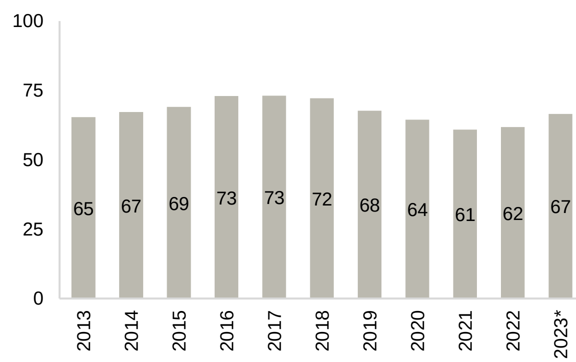
Construction is a rather labor-intensive sector. The number of people employed in the construction sector in 2023 amounted to 66,551. In general, the number of people employed in the construction sector showed a downward trend from 2018 to 2022 (the BP pipeline construction project was completed in 2017). According to the preliminary data of 2023, the average monthly wages of the construction sector increased to 2,710 GEL (+32.9% y/y). An increasing trend can be observed in the business sector in general, as the average monthly wages increased to 1,858 GEL (+20.4% y/y) in 2023. The reason for the rapid increase in wages is the lack of skilled labor and high inflation, which usually affects the increase in wages after some time.

Figure 24: Share of construction in nominal GDP, 2022



Source: UNECE

Figure 25: Employment in the construction sector, '000 people



Source: Geostat

*Preliminary data

The growth of the construction sector depends on the construction of residential complexes as well as roads and railways, the growth of the hotel industry, the construction of hydroelectric power plants, gas pipelines, and infrastructure works.

Residential real estate

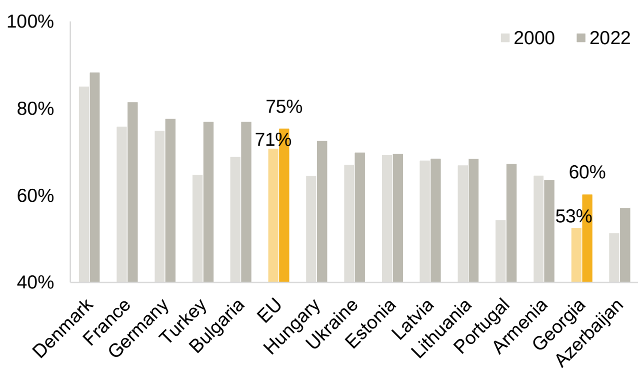
Since the mid-2000s, the residential real estate sector has been a major driving force behind Georgia's economy. Between 2010 and 2023, GDP per capita in USD increased by an average of 7.7% annually, which had a positive impact on the purchasing power of the Georgian population. As a result, the combination of rising average incomes and the availability of real estate has led to a surge in demand for residential properties, particularly in Tbilisi and Batumi. It should be noted that the effect of migration was added to all this, which significantly increased the investment attractiveness of residential real estate from 2022.

There are several factors positively influencing the demand. Of these, the need-based demand drivers are: increasing urbanization, shrinking family size, income growth, mortgage affordability, housing improvements, migration, etc., while the investment attractiveness-based factors are: rental yields, capital gains, and lack of investment alternatives.

The residential real estate market in Georgia has experienced additional demand due to population migration from rural to urban areas. Urbanization in the country has increased to 60.3% in 2021, compared to 52.6% in 2000. Despite the growth, the urbanization rate in Georgia is still lower than the EU average (75.5%). The trend towards urbanization is expected to continue due to the population shift from less productive agricultural sectors to more productive ones.

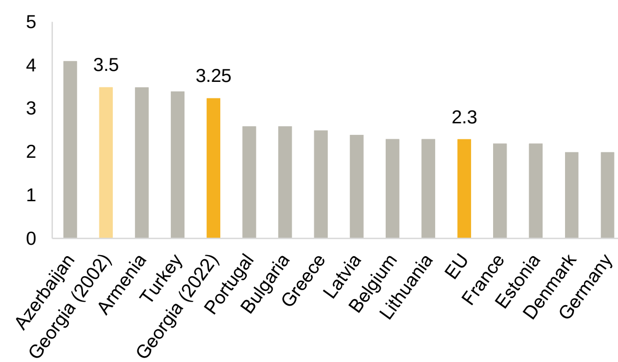
Increasing incomes have also contributed to the demand for residential real estate, as Georgians now have the means to live independently. In recent years, young people in particular have started to separate from their families, leading to increased demand for housing. This trend is not unique to Georgia, as it has also been observed in European countries. The average household size in Georgia has decreased to 3.2 people in 2021, compared to 3.8 in 2002. This figure is also significantly higher than the EU average, which stood at 2.3 in 2022.

Figure 26: Urbanization in comparable countries



Source: World Bank

Figure 27: Household size in comparable countries, 2022

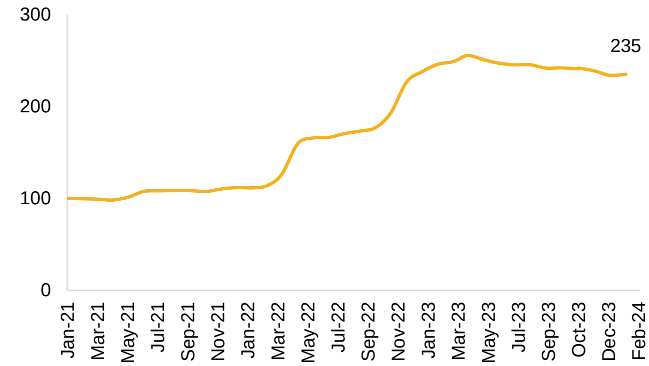


Source: Eurostat, Geostat

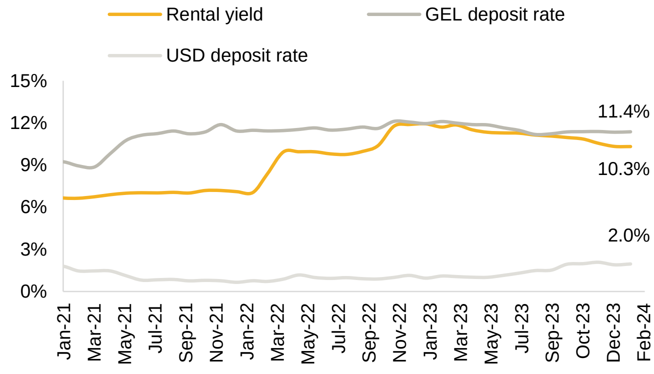
Migration and investment opportunities are one of the main drivers of demand. As a result of the Russia-Ukraine war that started in February 2022, migrants entered Georgia in large numbers, which had a direct effect on the rental markets in Tbilisi and Batumi, and the increased rental yield, in turn, made the residential real estate market even more attractive for investment. From the beginning of 2021 to February 2024, rents have increased by 135%, however, since March 2023, rent prices have been on a downward trend and have decreased by 6.3%. Despite this, the rental yield remains attractive to investors and is almost equal to the deposit yield of GEL.

Figure 28: Rent index in Tbilisi USD, Jan-21=100

Figure 29: Income from rent and alternative investments,%



Source: National Bank of Georgia, Galt & Taggart



Source: National Bank of Georgia, Galt & Taggart

After record high sales in 2018, the pace slowed in 2019. In 2020, the real estate market took a big hit amid the pandemic. However, thanks to the government-initiated interest subsidy scheme, sales have been relatively steady. Within the framework of the scheme, the state subsidized 4 percentage points of the interest rate on mortgage loans denominated in GEL taken in 2020. After the recovery in 2021, real estate sales in 2022 reached a record high of 42,974 apartments sold (+15.9% y/y), a result of pent-up demand and migrant inflows.

39,949 apartments were sold in 2023, which is a 7.0% decrease compared to the same period last year, but still a high figure given the high base of the previous period. It is worth noting that 46.9% of sales (18,734 apartments) come from primary market transactions.

It should be noted that the space sold in the real estate market of Tbilisi increased by 5.7% from 2018 to 2023, and the sales of apartments increased by 9.6% in the same period. This reflects a slight decrease in the average area of apartments. The average apartment size in 2023 was 68 square meters compared to 71 square meters in 2018.

Figure 30: Real estate purchases in Tbilisi, '000

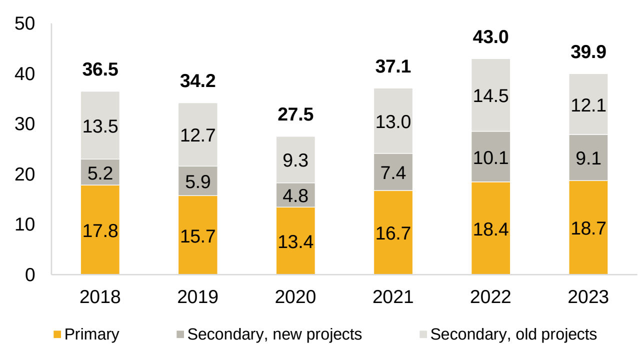
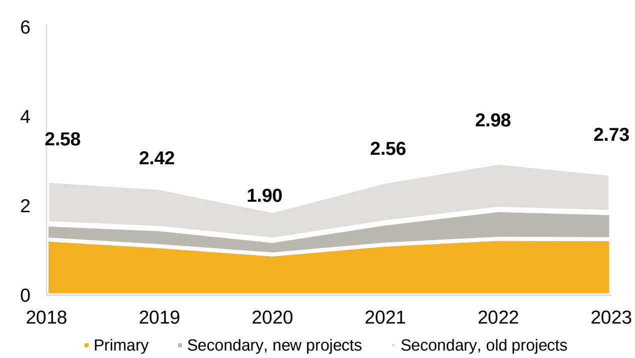


Figure 31: Real estate purchases in Tbilisi, mln sq.m

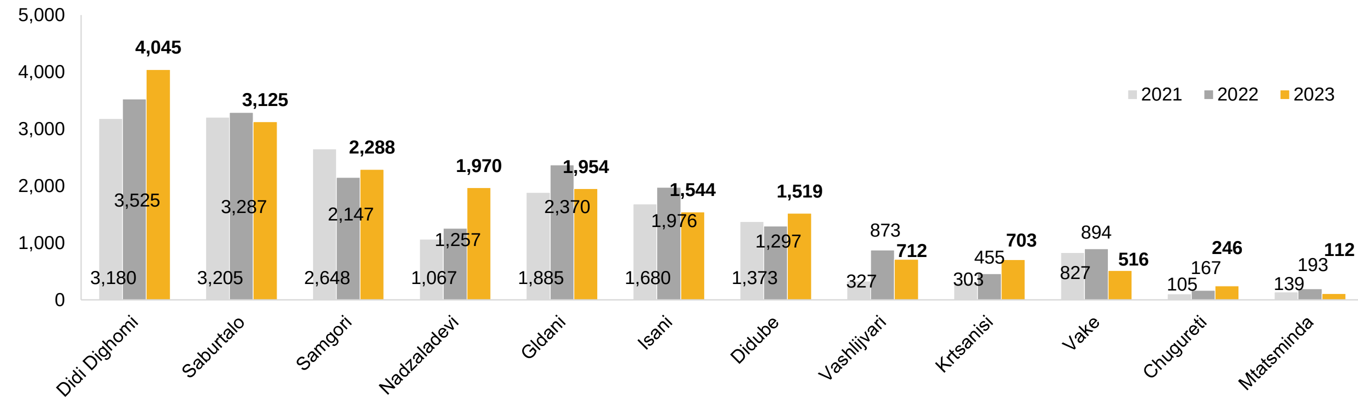


Source: NAPR, Galt & Taggart

The largest part of real estate in the primary market was sold in Didi Digomi and Saburtalo districts in 2023 (38.3% of total sales), as in previous years. They are followed by sales in other suburbs (Samgori and Gldani) due to affordability. The share of sales is still small in the central regions (Vake, Mtatsminda), because the supply of real estate is limited here.

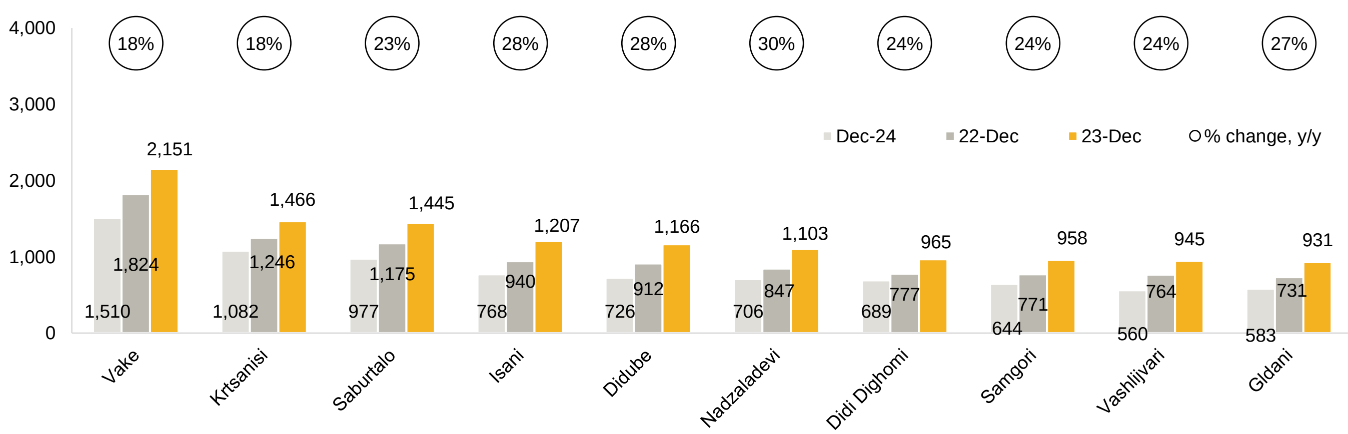
Real estate prices in all districts of Tbilisi increased significantly in 2021-23, and according to the data of 2023, the annual price increase in each district was double-digit. The most expensive districts remain the central districts (Mtatsminda, Vake and Saburtalo). It is important that the price increase started in 2021 in parallel with the increase in the prices of construction materials, which was accompanied by excess demand in the real estate market in 2022, which was caused by the influx of migrants.

Figure 32: Sales of new apartments (from developers) by districts in Tbilisi.



Source: NAPR, Galt & Taggart

Figure 33: Prices of white frame immovable properties on primary markets by districts in Tbilisi.



Source: Galt & Taggart

The largest number of small and medium-sized apartments (35-80 sq m) are sold due to affordability, high liquidity and ease of renting, and they will account for 77.1% of total sales in 2023. It is worth noting that every year there is a slight decrease in large-sized apartments, and this share shifts to medium-sized and small-sized apartments.

The share of middle/high class segments in apartment sales is increasing every year and it is noticeable that the demand is shifting from budget apartments to more premium residences. The reason is both the increase in average prices and the improved infrastructural provision of new projects. In 2023, the share of middle/high class ($801 – 1,800) apartments in total sales was 51.4%, which is 9.1 percentage points higher than the previous year 2022.

Figure 34: Sales of apartments by size in Tbilisi, (% of total sales)

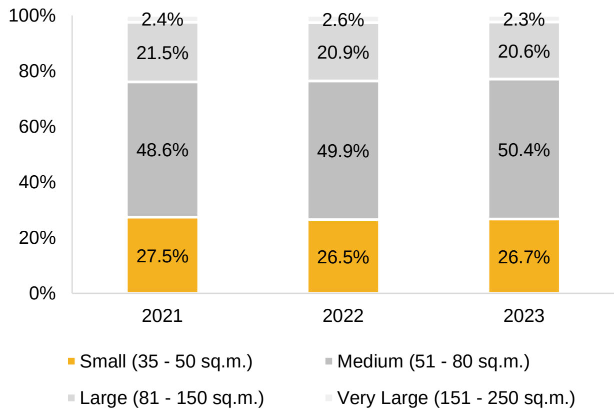
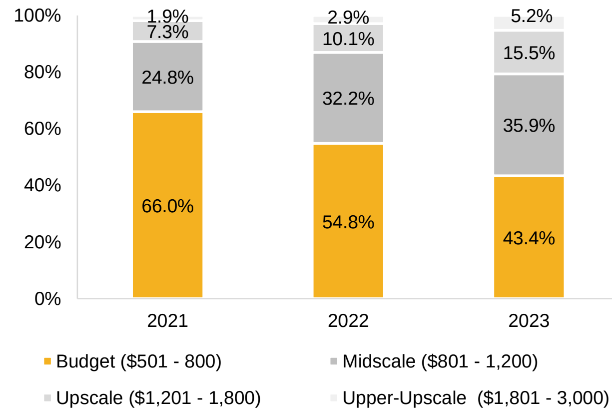


Figure 35: Sales of apartments by segment in Tbilisi, (% of total sales)



Source: NAPR, Galt & Taggart

In 2023, the volume of residential space of the issued permits was 1.91 million sq.m. amounted to (+36.8% y/y), which is a record mark. Interestingly, the number of permits issued increased by 15.9% year-on-year, indicating an increase in the average size of new projects.

Figure 36: Area of building permits issued for residential real estate in Tbilisi, million sq.m.

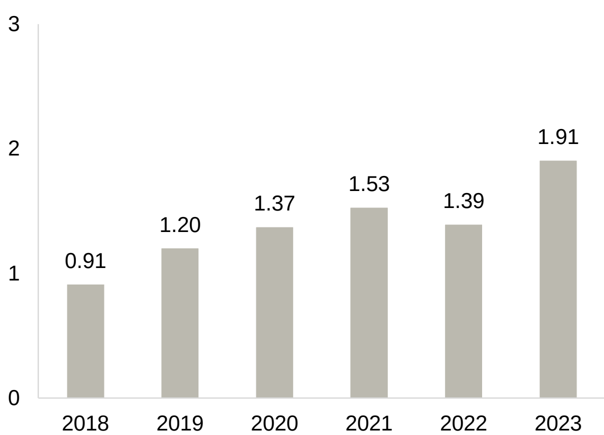
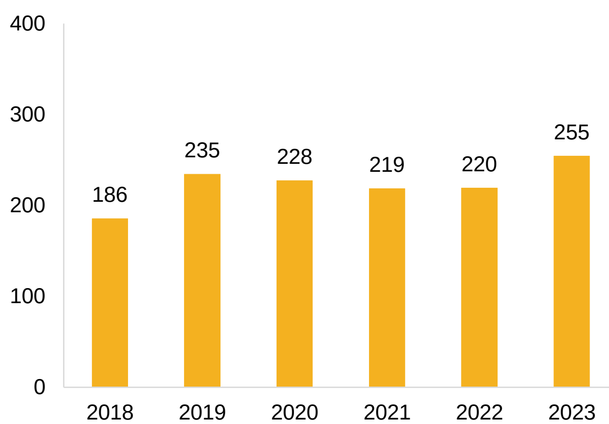


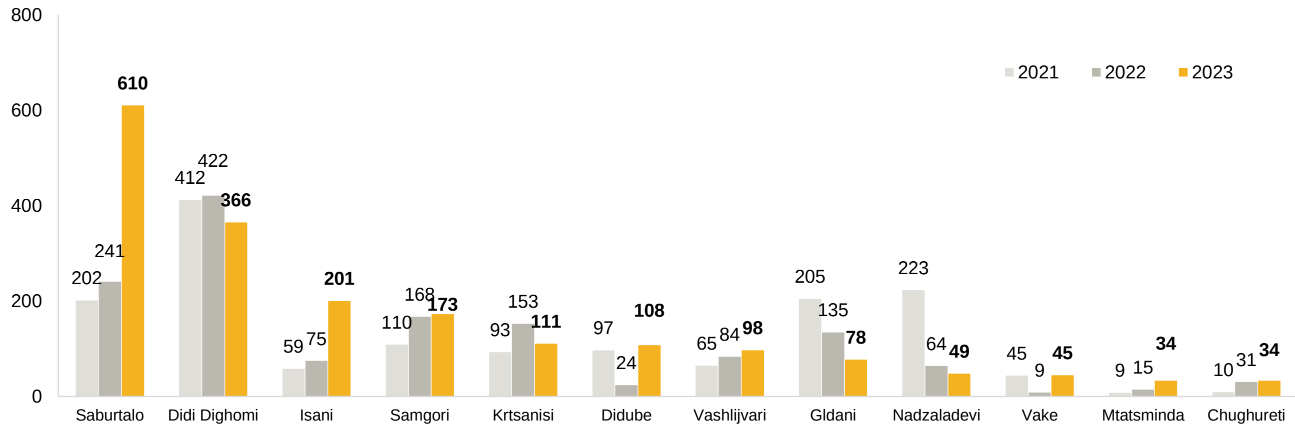
Figure 37: Number of building permits issued for residential real estate in Tbilisi



Source: Tbilisi Architecture Service, Galt & Taggart

51.2% of the permitted sales area is occupied by Saburtalo and Didi Dighomi. Significant growth in Saburtalo district is related to increased development activity in University/Mindel Streets and Lisi area. Also, in the central districts of Tbilisi, Vake and Mtatsminda, there is a noticeable increase in permits in 2023, which is related to several projects planned in Bagebi and Okrokana.

Figure 38: The area of construction permits issued for residential real estate in Tbilisi by districts, '000 sq.m..



Source: Tbilisi Architecture Service, Galt & Taggart

Note: Class III and IV multi-apartment/multi-functional projects. Includes residential and summer spaces.

Description of important events in the development of the issuer's business activities

2009
- Radisson Blu Iveria Hotel with 249 rooms was opened in Tbilisi, the hotel started its operations under management contract with Rezidor

2009
- Casino Iveria was opened next to Radisson Hotel in Tbilisi

2011
- Radisson Blu Iveria Hotel with 168 rooms was opened in Batumi, the hotel started its operations under management contract with Rezidor

2011
- Casino Iveria was opened in Batumi

2017
- An agreement was signed with JSC TBC Bank and JSC Partnership Fund regarding the financing of the construction of a new hotel in Tsinandal, in total, about 40 million dollars were invested in the project.

2019
- In January of of 2019, Radisson Collection Hotel with 124 rooms was opened in Tsinandali. The hotel operates under franchise contract signed with Rezidor.

2019
- The group made a legal restructuring, operating assets as well as developing greenfield and brownfield projects under were consolidated under Silk Real Estate LLC.

2020
- The management contracts signed with the Rezidor have been replaced with franchise agreements for all three Radisson hotels. As a result - 1. costs were optimized 2. the group became more flexible in decision-making and combined a strong team under its own management.

2021
- Silk Hospitality Ltd. was founded, this company became the operating company of the group's hotels and restaurants.

2022
- The group signed a financing agreement with JSC TBC Bank and JSC Bank of Georgia for the Telegraph Hotel. A total of 48 million euros was raised from local banks, and 15 million euros will be contributed to the project under a subordinated loan from the Shareholder. Telegraph will be a high-class, 241-room hotel in the center of Tbilisi, which is scheduled to open in the first half of 2025.

2023
- The Group issued 40,000 USD Bonds

2024
- Building of first residential real estate on Black Sea beach in the company history was finished
- In Batumi, the group created city planning document for more that 9 hectares and agreed the construction plan including approximately 450,000 sq.m. building area.

Strategy and tasks

The company unifies two primary strategic divisions:

- Silk Hospitality - this division provides management to the group's existing businesses, hotels, casinos, restaurants and cafes.

- Silk Development - manages a portfolio of development assets, manages new construction process and relations with investors.

The strategy is developed considering each of these divisions accordingly.

Silk Hospitality:

The group currently manages 3 branded and one non-branded hotels, 2 casinos, and several restaurants. The group's primary focus for room sales strategy is to maintain and increase the existing occupancy rate in the hotels. The hotels have had a very high occupancy rate both in the pre-pandemic period and in 2022-2023. Therefore, the priority at this stage is to maintain and increase the occupancy rate. The group also aims to maintain a high average daily rate of rooms (ADR) for hotels that have been operating for more than 3 years. The average daily rates of these hotels is quite high and in line with the international class of hotels. The only exception to this is Tsinandali Radisson. It opened at the beginning of 2019 and has not yet reached its normalized rate due to the Covid lockdowns. The plan is for the hotel to reach its maximum capacity in 2024 and 2025. The group's strategy for the Tsinandali Radisson is not only to increase occupancy on the weekends but also to increase the number of rooms sold throughout the week.

SRG Investments LLC (represented by the Silk Development brand):

SRG Investments is responsible for developing real estate projects of Silk Real Estate, which includes presenting new business concepts, coordinating with external companies for designs, hiring contractors for construction, and monitoring the construction process.
In 2024 and 2025, the company will focus on developing several projects, with the largest one being the Telegraph project, which involves building a 239-room hotel in the former post office building in Tbilisi. The funding for this project has already been secured by the founders and local banks, and active construction works have started. The company also plans to build a restaurant in Abastumani, but the project is still in the preparation phase. In addition, the company aims to complete the design works for the renovation and expansion of the yacht club in Batumi in the current year. More information on these projects can be found in the investment section. In addition to the mentioned projects, the company's portfolio includes a number of real estates, the development of which is constantly ongoing. These works involve several directions 1. Development of the future concept and business model 2. Identification of current necessary capital expenditures and resource mobilization 3. Fundraising for future projects from local and foreign financial institutions. The Silk Development team is actively working on all these directions..

Licenses

An important part of the group's licenses and material agreements are the permits for the operation of Tbilisi and Batumi casinos and the slot machines software. The license required for casino operation is issued once every 12 months and its cost is determined by Georgian legislation and location.

In addition, group companies have received a 15-year franchise agreement for the Radisson brand. The remaining term of the aforementioned contract is 12 years.

For detailed information, please see - "Operational and Financial Review" - "Intangible Assets".

Investments

Green Box[6] investments of Silk Real Estate every year mainly come to casinos, hotels, Republic complex and other assets included in the group. As of 2023, the company's total investments amounted to 55,285 thousand GEL, of which a large part of 28,274 thousand GEL is the amount spent on the reconstruction of Telegraph. The total amount of investments made in 2022 on Green Box and Yellow Box was 21,551 thousand GEL. 33% of the total expenses come from casino Tbilisi Iveria. Also, the second expenditure in 2022 was the investments made on designing Telegraph.

Green Box ('000 GEL) Investments in property and equipment/investment properties	31-Dec-2023 Unaudited	31-Dec-2022 Unaudited	31-Dec-2021 Unaudited
Limoni 2009 LLC (Tbilisi Casino)	8,621	7,189	4,586
Limoni 2009 LLC (Batumi Casino)	3,289	1,130	2,274
Georgian Hotel Management LLC (Radisson Tbilisi)	2,607	1,864	624
Argo Management LLC (Radisson Batumi)	2,760	1,245	1,147
Tsinandali Estate LLC (Radisson Tsinandali)	973	712	1,991
Riviera Beach LLC	412	52	0
Tsinandali LLC	126	10	0
SRG Investments LLC	154	259	121
Development Solutions LLC	0	0	32
Limoni Real Estate LLC	3	3	0
Silk Road Business Center LLC (Hotel Telegraph)	28,274	5,357	894
Other	587	330	0
Total Green Box Investments	**47,806**	**18,151**	**11,669**

Yellow Box ('000 GEL)			
Iveria Center LLC	192	127	0
Tsinandali Resorts LLC	50	102	241
Club Savane LLC	192	0	0
Center Plaza LLC	3,738	571	492
Batumi Riviera LLC	2,523	1,105	1,901
Tsinandali Villas LLC	681	1,486	7,095
Adjara Resorts JSC	1	1	20
Silk Road Group Travel LLC	1	3	0
Riviera LLC	5	5	0
Bobokvati LLC	0	0	0
F Telecom LLC	96	0	0
Other	0	0	32
Total Yellow Box Investments	**7,479**	**3,400**	**9,781**
Total Investments	**55,285**	**21,551**	**21,450**

Future Projects

[6] Allocation of assets between Green Box and Yellow Box is provided in the subsection Information on Issuer.

Radisson Collection Telegraph

The company is planning to build a 5-star high-class hotel in the former Post building in the central part of Tbilisi. The hotel will operate under the Radisson Collection brand, but will retain the historical name Telegraph. It should be noted that the Radisson Collection brand will benefit from the synergy with the existing Radisson Blu Tbilisi hotel. The hotel will have 239 rooms and 8 restaurants. The main entrance to the hotel will be from Rustaveli Avenue. The first and second floors will be dedicated to the lobby, restaurant, bars, conference spaces and banquet hall. The hotel will offer standard, high-class and presidential rooms. Telegraph repesents the first project to be certified by LEED.

Up to EUR 60 million will be invested in this project. The company has been approved for investment by two local banks and has also mobilized its own capital. Active works on the project are already underway. The hotel is planned to open in the first half of 2025. As of May 31, 2024, up to 20 million euros of the raised funds have already been invested.

Silk Towers

According to the already agreed construction plan, in the heart of Batumi, between the historical city and the yacht club, the Company plans to build a multifunctional complex that will combine: residential, hotel, commercial, sports-refreshing and entertainment functions. Also, the construction of a conference/concert hall is planned. Also, within the framework of the project, the Company will arrange a 2-hectare park and bring the yacht club into compliance with modern standards.

The studio of the famous Japanese architect - Kengo Kuma, who is the world's leading specialist in sustainable architecture. The mentioned project will focus on and respond to security and energy efficiency challenges. LEED acquisition is planned

Yacht Club

The yacht club is situated at the beginning of the historic boulevard in Batumi's city center, on an area of over one hectare leased from the state for a long term(Up to 12 December 2037). The company has committed to invest USD 3 million to the state by 2026 in to improve the yacht club's facilities and services. The investment will enable the group to provide modern yacht services with new standards. In addition, a modern restaurant will be built on the premises, with construction set to begin in 2024. Once completed, the upgraded yacht club will be able to serve up to 50 yachts and accommodate up to 150 guests at the same time.

Abastumani

In recent years, Abastumani has become increasingly attractive for both local and foreign tourists. The unique environment, fresh air possessing healing properties, century-old buildings and historical observatory provide a continuous flow of vacationers during the summer. Tourist season is planned to be extended, which has led to the opening of a number of economy-class hotels. The construction of several high-class hotels has also started. However, there is a shortage of food facilities in the area.

Minimum USD 1 million will be invested in the project. Company’s land plot is located in the historical center of Abastumani (a former police building) and is 2,122 sq.m. in area. Based on the current situation, it was decided to build a restaurant that will serve more than 150 guests. Currently, the design process has been completed and the foundation works have started. It should be possible to host the first guest in the summer of 2025

Narinji

This is a cozy, green area of Batumi with a total area of 1.5 hectares. In the territory stands the so-called Sibiryakov's country house, which is partially destroyed. It is planned to rehabilitate this historic building, for which the company is conducting a historical survey, which will be completed in June, and its results will form the basis of its rehabilitation project.

In addition to the historical building, the construction of a recreation complex is planned. Noa Studio is working on the architectural project.

Entertainment mall on Republic Square

In Tbilisi, under Republic Square, the company owns a 3-story underground complex. The total area of the building is about 20,000 sq.m. Based on the popularization of gaming and e-sports, which are the most growing and trendy trends in the world, the company decided to organize the largest entertainment space in the region in the underground space, where the leading activity will be "gaming". Together with a number of food establishments, the company intends to develop the concept of "social competition", which includes activities such as: simulators, bar games, virtual and augmented reality.

Flagman Populus is working on the project architecture, with more than 3,500 successful projects in its portfolio. The estimated investment exceeds 20 million USD and based on the research, the space will be able to serve 3,500 visitors per day. The opening date is the first half of 2026.

Competitive positioning in the market

The issuer engages in various business activities, including operating hotels, casinos, and entertainment facilities. The company's hotels are situated in Tbilisi, Batumi, and Tsinandali. In the casino sector, the issuer faces competition from other operators in both Tbilisi and Batumi. Financial information of the competitors is publicly available for both industries.

The Georgian hotel market is highly competitive, particularly in Tbilisi, Adjara, and Kakheti. As a result, the issuer faces rivals in all segments of its operations. Large hotels that compete directly with the issuer's hotel in Tbilisi include - Biltmore Tbilisi, Tbilisi Marriott, Holiday Inn Tbilisi/Rooms Tbilisi, and Sheraton Tbilisi; Wyndham Batumi, Sheraton Batumi, Divan Suite Batumi, and Hilton Batumi for Radisson Blu Batumi; and Lopota Resort and Paragraph Hotel for Radisson Collection Tsinandali.

** The financial indicators of the companies have been obtained from the Service for Accounting, Reporting and Audit Supervision (SARAS) database and reporting portal. These indicators may not reflect the reality in case of specific companies, due to being consolidated to various holding companies (similarly to Silk Real Estate).*

Please note that the information presented in the competitors' review is not exhaustive and is limited due to the availability of information.

Key Indictors '000 GEL	2022 Iveria Tbilisi	2022 Georgian Casino Group LLC
Profit-Loss Statement	Audited	
Revenues	116,896	60,290
EBITDA	55,161	9,586
EBITDA margin	47.2%	15.9%
Balance Sheet	Managerial	
Total Assets	101,655	21,901

Total Liabilities	31,616	3,302
Total Equity	70,039	18,598

Key Indictors '000 GEL	2022 Iveria Batumi	2022 Golden Lion LLC	2022 Peace LLC	2022 Grand Casino Batumi	2022 Empire LLC
Profit-Loss Statement	Audited				
Revenues	65,810	56,606	61,204	20,540	39,817
EBITDA	6,646	27,411	18,287	7,889	-1,431
EBITDA margin	10.1%	48.4%	29.9%	38.4%	-3.6%
Balance Sheet	Managerial				
Total Assets	15,985	37,384	10,527	19,489	14,817
Total Liabilities	10,520	7,707	2,185	26,169	4,904
Total Equity	5,465	29,678	8,341	-6,680	9,912

Key Indictors '000 GEL	2022 Radisson Blu Tbilisi	2022 Biltmore Tbilisi	2022 Marriot Tbilisi
Profit-Loss Statement	Audited		
Revenues	42,228	28,407	43,106
EBITDA	13,615	9,602	7,009
EBITDA margin	32.2%	33.8%	16.3%
Balance Sheet	Managerial		
Total Assets	114,139	227,944	158,757
Total Liabilities	9,253	261,329	253,932
Total Equity	104,886	-33,385	-95,175
Total Loans	194	252,507	247,820

Source: SARAS, „reportal“

Key Indictors '000 GEL	2022 Radisson Blu Batumi	2022 Sheraton Batumi	2022 Windham Batumi	2022 Divan Suites Batumi
Profit-Loss Statement				
Revenues	19,731	28,554	9,291	3,910
EBITDA	6,852	10,128	3,513	497
EBITDA margin	34.7%	35.5%	37.81%	12.7%
Balance Sheet				

Total Assets	75,317	74,323	71,009	12,693
Total Liabilities	45,522	24,596	136,304	862
Total Equity	29,795	49,727	(65,296)	11,832
Total Debt	36,628	23,027	132,533	0

Source: SARAS, „reportal"

Key Indictors '000 GEL	2022 Radisson Collection Tsinandali	2022 Lopota Resort	2022 Paragraph Hotel
Profit-Loss Statement			
Revenues	19,876	32,298	37,694
EBITDA	2,652	12,684	6,886
EBITDA margin	13.3%	39.3%	18.3%
Balance Sheet			
Total Assets	81,531	91,138	18,372
Total Liabilities	36,133	58,006	20,748
Total Equity	45,398	33,132	-2,376
Total Debt	29,275	54,466	0

Source: SARAS, „reportal"

Operational and Financial Review

This subsection summarizes the company's main financial indicators, which are based on the issuer's audited IFRS financial statements for the years 2023, 2022 and 2021.

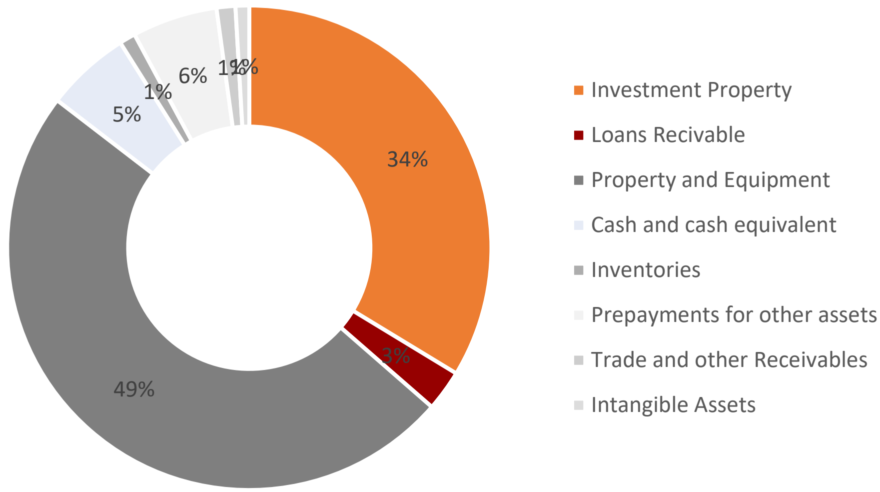
The auditor's opinion on issude IFRS financial statements for the year 2023 is unqualified. The basis for the preparation of the report and additional details are accordingly indicated in the attached report.

Financial Overview

Consolidated Statement of Financial Position (000' GEL)	31-Dec-2023	31-Dec-2022	31-De-2021
	Audited	**Audited**	**Audited**
Assets			
Non-current assets			
Property and equipment	354,339	331,151	267,193
Investment property	242,890	238,930	309,771
Intangible assets	6,607	6,700	5,619
Prepayments for non-current assets	29,630	1,592	308
Investments in equity accounted investees	642	-	-
Loans receivable	14,537	222,123	237,275
Non-current assets	**648,645**	**800,496**	**820,166**
Current assets			
Inventories	7,802	6,483	4,873
Loans receivable	5,198	1,886	40,710
Trade and other receivables	9,106	11,523	8,966
Cash and cash equivalents	40,779	53,912	34,413
Prepayments and other assets	11,499	9,062	7,747
Current assets	**74,384**	**82,866**	**96,709**
Total assets	**723,029**	**883,362**	**916,875**
Equity			
Capital*	492,242	671,140	671,140
Accumulated losses	(48,205)	(122,875)	(137,860)
Equity attributable to owners of the Company	**444,037**	**548,265**	**533,280**
Non-controlling interests	17,304	12,091	7,529
Total equity	**461,341**	**560,356**	**540,809**
Non-current liabilities			
Loans and borrowings	223,130	230,374	263,497
Trade and other payables	599	-	504
Put option liability	-	42,138	42,436
Non-current liabilities	**223,729**	**272,512**	**306,437**
Current liabilities			
Loans and borrowings	18,413	33,287	49,296
Trade and other payables	19,546	17,207	20,333
Current liabilities	**37,959**	**50,494**	**69,629**
Total liabilities	**261,688**	**323,006**	**376,066**
Total equity and liabilities	**723,029**	**883,362**	**916,875**

**The Company has not subscribed capital according to the new legislation of Georgia. For more details, please refer to the ""Key financial indicators".*

Total Assets

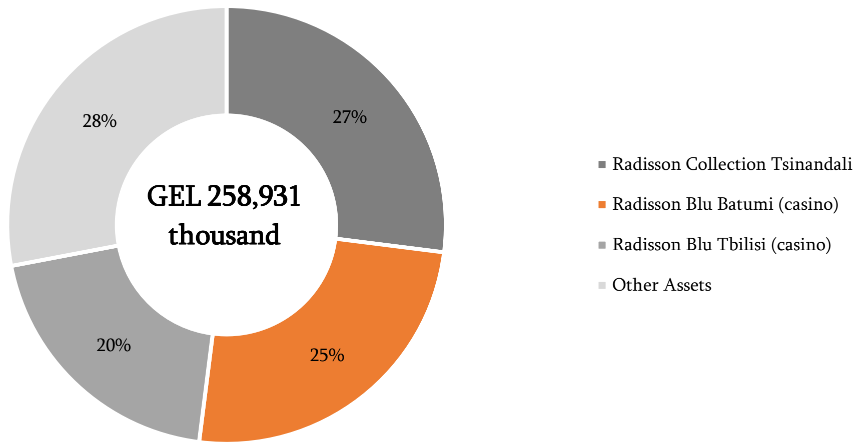


The company's total assets as of December 31, 2023 amount to GEL 723,029 thousand, which represents a 18% decrease compared to December 31, 2022 (31/12/2022: GEL 883,362 thousand). The mentioned change in assets in 2023 is mainly attributable to 91% decrease in loan receivables. As of 2023, the current and non-current portions of total assets are 10% and 90%, respectively (31/12/2022: 9% and 91%).

Property and equipmentვ

Property and equipment consist of the consolidated assets of 38 companies. The main portion of existing properties are hotels, casinos, and Republic complex. The historical cost of fixed assets is determined by the acquisition cost of the property and equipment, along with any additional expenses that are directly attributable to putting the asset into a operation. The lands primarily represent the part of the aforementioned buildings. Additionally, the value of hotels owned by the company, (including Radisson Blu Tbilisi, Radisson Blu Batumi, and Radisson Tsinandali Collection), account for 31% of the total assets. (31/12/2022: 28%).

The management has identified 5 largest cash generating units in the company. These are:



- Radisson Blu Iveria Hotel, Tbilisi;
- Radisson Blue Hotel, Batumi;
- Tsinandali Estate, A Radisson Collection Hotel;
- Casino Tbilisi;
- Casino Batumi.

Intangible Assets

Intangible assets ('000 GEL)	31-Dec-2023	31-Dec-2022	31-Dec-2021
Casino permit	3,141	3,210	1,897
Software for slot machines (licensing and others)	3,466	3,490	3,722
Total Intangible Assets	**6,607**	**6,700**	**5,619**

An important component of the intangible assets is the license for operating the Tbilisi casino and the software of slot machines. The casino license is annually renewed and costs GEL 5.25 million, granting casino operators ability to conduct business for a period of 12 months after issuance of license. The company obtains a new license each year after the expiration of the old one. The permit to operate a casino in Batumi costs GEL 250 thousand. The difference in the permit costs is determined by the Georgian legislation and depends on the location of casino.

As of 2023, intangible assets have decreased by 1% compared to the year of 2022 (31/12/2022: GEL 6,700 thousand).

Investment Property

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Investment property	242,890	238,930	309,771

The group holds investment property in various locations across Georgia, including several plots of land in Tbilisi, Adjara (Batumi and its surrounding areas), Tsinandali, Misaktsieli, and Abastumani.

Investment property refers to property that generates rental income or is held for appreciation or future development. If the group intends to use a property for an indefinite period, it is reclassified as property, plant, and equipment after development and commencement of its utilization. Some properties held by the group for its own use are classified as investment property based on their immaterial value.

As of 2023, the total value of investment property was 242,890 thousand GEL, which is an increase of 1.7% compared to 2022 (31/12/2022: 238,930 thousand GEL). Investment property accounts for 34% of total assets (31/12/2022: 27%).

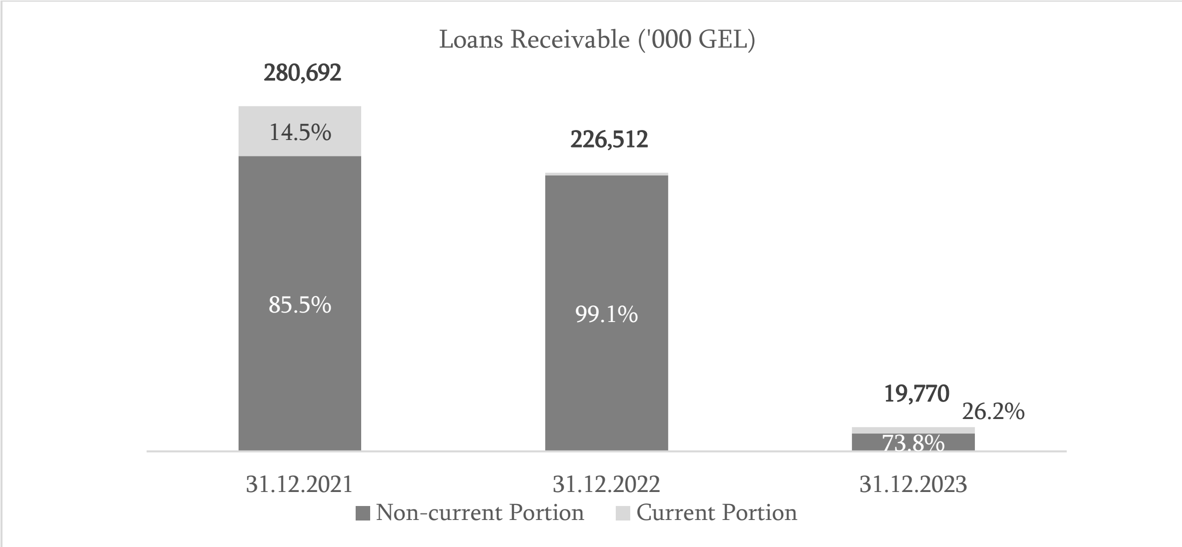
The management team regularly monitors changes in the fair value of investment property and, in case of existence of impairment indicators, performs an impairment test on the property. Investment property is evaluated once a year, at the end of the year. As of 2023, no valuation has been done for the company's investment property. It should be noted that 64% of the company's investment and immovable property assets are pledged, in particular:

1. Real estate belonging to "Green box" companies - 100%
2. "Green box" operator/manager and immovable property companies shares, existing and future movable property - 100%
3. Part of the real estate of "Yellow box" companies, namely the underground complex on Republic Square, Park Hotel Tsinandali and the "Melik Azariantsi" building, 26% of the total cost of "Yellow box"

All related party loans as of the prospectus date are subordinated unsecured loans, with the exception of loans received from JSC Silk Bank.

Loans Receivable

Loan receivables are unsecured related party loans. Loans are mainly denominated in GEL and the company issuing them is primarily Silk Reasl Estate LLC. The table below represents the distribution of current and non-current portions of the loans receivable:



In June 2023, related party loans with a book value of 206,846 thousand GEL were transferred by the respective counterparties to the company's parent company, Silk Road Group Holding LLC. As a result, Silk Road Group Holding LLC reduced the Company's capital by 206,846 thousand GEL (see note 15) and covered the obligation to the company arising from the above-mentioned transaction, as a counterbalance to the existing demand for the company, arising from the reduction of capital.

On December 31, 2022, an agreement was signed between the group and a related party to forgive total outstanding loans in the amount of USD 11,632 thousand and GEL 1,003 thousand. The transaction was considered as a transaction with the shareholders acting within the powers of the shareholders and accordingly, 32,435 thousand GEL was recognized directly in the capital.

The table below presents information on the sensitivity of the Group's financial assets and liabilities to credit, currency and interest rate risks.

The expected credit loss (ECL) model is influenced by the individual characteristics of the borrowers, as well as the fact that all counterparties are under the common control of the parent company. If necessary, Silk Road Group Holding (Malta) provides financial support to subsidiaries to meet the group's loans and other obligations on time.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for loans in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD, LGD, and EAD

The breakdown of loans issued by the company as of December 31, 2023, 2023 and 2021 is presented in the table below:

Term and repayment schedule:				31 December 2023		31 December 2022		31 December 2021	
’000 GEK	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
Relate party loan	GEL	10%	2024	5,184	5,149	9,722	9,687	5,551	5,516
Relate party loan	USD	7%	2025	4,272	4,272	5,778	5,778	6,200	6,200
Relate party loan	GEL	13%	2025	7,804	7,804	4,723	4,723	3,483	3,483
Relate party loan	USD	9%	2025	1,526	1,526	1,188	1,188	1,230	1,230
Relate party loan	GEL	14%	2025	984	984	522	522	-	-
Relate party loan	USD	11%	2025	-	-	104,672	103,860	112,906	112,093
Relate party loan	USD	12%	2024	-	-	60,029	59,628	64,504	63,951
Relate party loan	USD	10%	2025	-	-	19,836	18,646	20,826	19,756
Relate party loan	USD	10%	2025	-	-	18,711	18,711	20,134	20,134
Relate party loan	USD	14%	2022	-	-	1,053	990	1,094	1,040
Relate party loan	USD	14%	2025	-	-	278	276	295	293
Relate party loan	USD	11%	2022	-	-	-	-	33,191	33,191
Relate party loan	USD	4%	2025	-	-	-	-	10,315	10,315
Relate party loan	GEL	14%	2022	-	-	-	-	963	963
Total interest bearing assets				**19,770**	**19,735**	**226,512**	**224,009**	**280,692**	**277,985**

Note: As of December 31, 2023, five existing loans is extended to five different related companies, all of which are entities under common control. As of December 31, 2023, these loans are subject to repayment of principal and interest. The related parties to which these loans have been granted are not the same companies whose loans were transferred to the parent company.

As of December 31, 2023, the total loan receivables are allocated to Stage 1 (as of December 31, 2022: approximately 90% of the total loan receivables were allocated to Stage 1, with the remaining loan receivables allocated to Stage 2), since there has been no increase in credit risk for the financial instruments since their initial recognition.

Impairment losses on trade and other receivables

‘000 Gel	31-Dec-2023	31-Dec-2022
Balance on January 1st	**(5,607)**	**(6,053)**
Recovery/(growth) during the year	(250)	446
Balance on December 31st	**(5,857)**	**(5,607)**

In 2023-2022, impairment losses on trade and other recivables as of December 31 were 5,857 thousand GEL and 5,607 thousand GEL respectively.

By 31 December 2023, approximately 40% of trade and other claims are allocated to stage 3 (31 December 2022: approximately 35%) as they are more than 90 days overdue. Such trade claims are primarily related to the demand for rental income from related party enterprises that have a history of overdue payments and defaults.

Inventory

‘000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Inventory	7,802	6,483	4,873

As of December 31, 2023, inventory has increased by approximately 20% and amount to 7,802 thousand GEL (31/12/2022: 6,483 thousand GEL).

Prepayment and other assets

‘000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Prepayment and other assets	11,499	9,062	7,747

The main part of the company's prepayments includes paid advances, as well as - tax assets. As of December 31, 2023, advance payments amounted to 8,753 thousand GEL, which is an increase of 39% compared to December 31, 2022 (31/12/2022: 6,285 thousand GEL). This is mainly due to advances related to consulting services, furniture and its restoration, fire and security systems and marketing services.

Advances paid on fixed assets

As of December 31, 2023, advances paid for fixed assets amounted to 29,630 thousand GEL (December 31, 2022: 1,592 thousand GEL), of which 29,109 thousand GEL is related to the construction of Hotel Telegraph.

Trade and other receivables

‘000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Trade and other receivables	9,106	11,523	8,966

The balance of trade and other receivables as of December 31, 2023 is 9,106 thousand GEL, which is reduced by 21% compared to 2022 (31/12/2022: 11,523 thousand GEL).

Cash and cash equivalents

‘000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Cash and cash equivalents	40,779	53,912	34,413

Cash and cash equivalents balance as of December 31, 2023 is 40,779 thousand GEL, which is 24% less than the balance of December 31, 2022 (31/12/2022: 53,912 thousand GEL).

Total equity

The "Company" has not subscribed capital according to the Law of Georgia On Entreprenaurs[7], as presented in the consolidated statement of financial position. Capital is the nominal amount invested by the partners after the establishment of the company. Capital as of December 31, 2023 is 492,242 thousand GEL. Until 2022, the capital was 671,140, after which an additional 27,948 thousand GEL was added to the company's capital and a decrease of 206,846 thousand GEL, the reason for which was as follows:

In June 2023, related party loans receivable by Medea Operating Company LLC, New Hotel JSC, Hotel Medea + JSC and Georgian Hotel Management LLC with a carrying amounts totaling GEL 206,846 thousand were transferred by the respective counterparties first to the Company's parent entity, Silk Road Group Holding LLC, and then to the Company. As a result, the Company recognised loans payable to the above subsidiaries amounting GEL 206,846 thousand and loan receivable from Silk Road Goup Holding LLC in the same amount. Subsequently, Silk Real Estate LLC reduced capitals of the subsidiaries by GEL 206,846 thousand, as a result the Company recognised income of GEL 206,846 thousand and settled its payable towards the subsidiaries, incurred by the above loan assignments, against its receivables from the subsidiaries as a result of the capital reduction. Silk Road Group Holding LLC reduced the Company's capital by GEL 206,846 thousand and settled its payable towards the Company, incurred by the above transaction, against its receivable from the Company as a result of the capital reduction.

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Capital	31-Dec-2023	31-Dec-2022	31-Dec-2021
Balance at the beginning of the period	671,140	671,140	671,140
Increase in capital	27,948	-	-
Decrease in capital	(206,846)	-	-
Total	**492,242**	**671,140**	**671,140**

As of 2023, the total capital is 461,341 thousand GEL, which is a decrease of 17.7% compared to December 31, 2022 (31/12/2022: 560,356 thousand GEL). This is mainly due to the reduction of capital mentioned above, the reason for this, in turn, was the reduction of the accumulated loss in 2023 to a loss of 48,205 thousand GEL (as of 2022, -61%). The main reason for this was the following: in 2023, the company signed agreements with the parent company to receive cash in the amount of EUR 15,000 thousand and GEL 43,700 thousand, with the following conditions: payment of principal amount and interest at maturity: December 31, 2080; 9% and 10% interest rates respectively and the Company's unconditional right to extend the repayment period of the loans after every successive 50 years. Although the instruments were legally structured through loan agreements, as the company has an unconditional right to defer its payments indefinitely, the total transaction value of 75,866 thousand GEL was classified as equity. Without this reclassification, the accumulated loss for 2023 amounted to 124,071 thousand GEL, which increased by 1% compared to the previous year (31/12/2022: 122,875 thousand GEL). In 2024, the company's capital was legally increased by the above-mentioned amounts, Consequently, the reduction related to this reclassification in the accumulated loss item was reversed in 2023. For detailed information, please also refer to the "Statement of Changes in Equity."

[7] For more detailes please refer to – *"Key Financial Indicators"*

Non-controlling interest

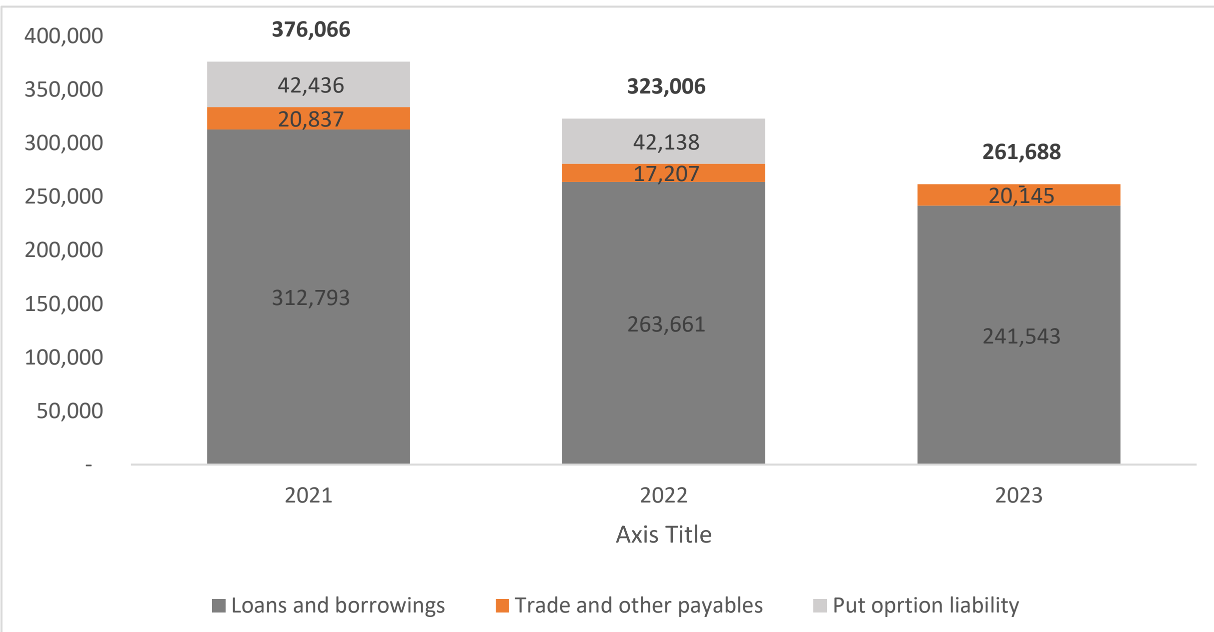
There is non-controlling interest in the company's equitt, which as of December 31, 2023 was 17,304 thousand GEL, +43% (31/12/2022: 12,091 thousand GEL). The company has a non-controlling interest in Georgian Hotel Management, Iveria Center, Limoni 2009, Silk Road Group Travel LLC and Tsinandli Resort LLC.

In 2021, the company acquired 51% stake in Tsinandali Resort.

The non-controlling interests are valued based on their share of the acquirer's identifiable net assets at the acquisition date. Any change in the group's interest in a subsidiary that does not result in a loss of control is treated as an equity transaction.

Total liabilities

The total liabilities of the company as of December 31, 2023 are 261,688 thousand GEL, and have decreased by 19% compared to December 31, 2022 (31/12/2022: 323,006 thousand GEL). Current and long-term parts of total liabilities are 15% and 85% (31/12/2022: 16% and 84%). 92% of total liabilities come from loans (see "Capitalization and Indebtedness" for details).



As of December 31, 2023, received long-term loans have decreased by 3% from 230,374 thousand GEL to 223,130 thousand GEL compared to December 31, 2022.

Trade and other payables

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Current trade and other payables	19,546	17,207	20,333
Non-Current trade and other payables	599	-	504
Total	**20,145**	**17,207**	**20,837**

Current trade and other payables include trade payables, payables for the purchase of fixed assets, tax liabilities, consideration payable for the acquisition of a business, liabilities towards employees and other liabilities.

As of 2023, short-term and long-term trade and other liabilities amounted to 20,145 thousand GEL, which is a 17% increase compared to December 31, 2022 (31/12/2022: 17,207 thousand GEL).

The non-current trade and other payables consist of payables for the purchase of fixed assets.

On July 15, 2021, the group acquired control over Tsinandali Resort LLC by purchasing 51% of the company's share, as well as the voting rights for a consideration of USD 784 thousand. This transaction was recorded as a liability in Trade and other payables as of December 31, 2021.

In addition to acquiring control, the group also acquired fixed assets worth GEL 7,480 thousand and assumed liabilities in the amount of GEL 7,135 thousand at the time of acquisition.

Put option liability

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Put option liability	-	42,138	42,436

Under the Partnership Agreement ("PA"), formed on 2 September 2016 between Tsinandali Savane LLC and Partnership Fund JSC, the Group has call option to acquire the non-controlling interest in Tsinandali Estates LLC during the first 6 years and 9 months after the PA date, and, on the other hand, Partnership Fund JSC has a put option to sell its interest in Tsinandali Estate's capital for 5 years after the end of the call option period. The exercise price for both call and put option is determined as the Partnership Fund's investment in the capital of Tsinandali Estates LLC plus accumulated interest, agreed by the parties in the PA. On October 5th 2021, amendment to the PA was formed, according to which the put option of Partnership Fund JSC was deferred by two years, which will start from 31 July 2025. Similarly, call option term has been prolonged as well.

As of December 31, 2022, the Group has recognized a put-option liability of GEL 42,700 thousand and GEL 42,436 thousand respectively, based on the present value of the option exercise price, discounted at approximately 12% -13% for each year.

On May 15, 2023, the group completed the transaction of buying out the share of Tsinandli estates, for which it paid 42,383 thousand GEL. Accordingly, the put-option liability as of December 31, 2023 is 0.

Capitalization and Indebtedness

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

('000 GEL)	30-Apr-2024	30-Apr-2024	31-Dec-2023	31-Dec-2022	31-Dec-2021
	Unaudited Pro-forma*	Unaudited**	Audited	Audited	Audited
Liabilities:					
Loans and borrowings	82,751	139,151	132,712	263,661	312,793
Issued bonds	166,704	110,304	108,822	-	-
Total interest bearing liabilities	**249,455**	**249,455**	**241,543**	**263,661**	**312,793**
Equity:					
Capital***	573,144	573,144	492,242	671,140	671,140
Accumulated losses	(129,107)	(129,107)[8]	(48,205)	(122,875)	(137,860)

[8] Accumulated losses for 30-Apr-2024 does not include profit/loss from the 4 months of 2024.

Equity attributable to owners of the company	**444,037**	**444,037**	**444,037**	**548,265**	**533,280**
Non-controlling interest	17,304	17,304	17,304	12,091	7,529
Total equity	**461,341**	**461,341**	**461,341**	**560,356**	**540,809**
Total capitalization	**710,796**	**710,796**	**702,884**	**824,017**	**853,602**

*The mentioned pro-forma column presents the effect of the current Bond issue, as a result of which the value of the issued debt securities increases by the equivalent of 20 million dollars (the conversion rate to GEL: 2.82), while the received loans decrease by the same amount, because bank loans will be refinanced,

**Includes the to increase the capital by 80,902 thousand GEL in 2024 accumulated losses by. For detailed information on the transaction, please see - "Total Equity".

***The Company has not subscribed capital according to the new legislation of Georgia. For more details, please refer to the "Key financial indicators".

The Group has historically accumulated losses arising from transactions under common control carried out in 2019, through which several business activities were integrated into the Company's capital. The difference between the consideration paid (in cash or through equity contributions) and the book value of net assets of the acquired enterprises is recognized in retained earnings within equity. For more details, please refer to the 2019 Audit Report.

Indebtedness

Received loans as of December 31, 2023 are 241,543 thousand GEL (31/12/2022: 263,661 thousand GEL), which represents 33% of total assets. The company is financed from various sources:

('000 GEL)	31-Dec-2023	31-Dec-2022	31-Dec-2021
	Unaudited	Audited	Audited
Non-current liabilities:			
Bank loans	106,586	170,977	216,544
Related party loans	9,771	51,253	27,435
Third party loans	682	8,144	19,518
Issued Bonds[9]	106,094	-	-
Total non-current liabilities	**223,130**	**230,374**	**263,497**
Current loans and borrowings			
Current portion of bank loans	14,434	20,358	4,702
Current portion of related party loans	243	-	43,087
Current portion of third party loans	1,008	12,929	1,507
Issued Bonds	2,728	-	-
Total current liabilities	**18,413**	**33,287**	**49,296**
Total loans and borrowings	**241,543**	**263,661**	**312,793**

[9] Bonds with international registration number (ISIN): GE2700604301 and GE 2700604525

As of December 31, 2023, the amount of bank loans decreased compared to the previous year, since in 2023 the company issued bonds, one of which was intended to cover bank loans.

Loans and borrowings and issued bonds as of December 31, 2021:Lender	Amount	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
Commercial Bank	16,059	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
Commercial Bank	2,748	US Dollar	Amortizing	Libor 6m+7.7%	144 m	Real estate
Commercial Bank	2,013	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
Commercial Bank	1,340	US Dollar	Amortizing	Libor 6m+8.2%	144 m	Real estate
Commercial Bank	20,178	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
Commercial Bank	3,399	US Dollar	Amortizing	Libor 6m+8.2%	144 m	Real estate
Commercial Bank	30,158	US Dollar	Amortizing	Libor 6m+9%	144 m	Real estate
Commercial Bank	2,960	US Dollar	Amortizing	Libor 6m+9.45%	144 m	Real estate
Commercial Bank	929	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
Commercial Bank	5,154	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
Commercial Bank	4,110	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
Commercial Bank	1,045	US Dollar	Amortizing	Libor 6m+8.83%	144 m	Real estate
Commercial Bank	42,762	Euro	Amortizing	Euribor 6m+7.5%	144 m	Real estate
Commercial Bank	3,438	Euro	Amortizing	Euribor 6m+7.5%	144 m	Real estate
Commercial Bank	3,134	Euro	Amortizing	7.5% inc Euribor	144 m	Real estate
Commercial Bank	2,193	Euro	Amortizing	7.5% inc Euribor	144 m	Real estate
Commercial Bank	716	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
Commercial Bank	21,553	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
Commercial Bank	3,773	GEL	Amortizing	Ref + 5.75%	144 m	Real estate
Commercial Bank	10,579	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
Commercial Bank	2,820	GEL	Amortizing	Ref + 6%	72 m	Real estate
Commercial Bank	10,215	GEL	Amortizing	Ref + 6%	72 m	Real estate
Commercial Bank	18,386	GEL	Amortizing	Ref+ 5.25%	72 m	Real estate
Commercial Bank	4,449	GEL	Amortizing	Ref+ 5.75%	72 m	Real estate
Commercial Bank	7,135	US Dollar	Amortizing	Libor 6m+6.5%	84 m	Real estate
Leasing	141	Euro	Amortizing	10.50%	24 m	Real estate
Commercial Bank	2,214	US Dollar	Amortizing	9%	168 m	Real estate
Commercial Bank	1,994	GEL	Amortizing	12.00%	168 m	Real estate
Related Company	3,792	US Dollar	Bullet	0%	48 m	Unsecured
Related Company)	407	US Dollar	Bullet	Libor 12m+0.75%	108 m	Unsecured
Related Company	3,476	US Dollar	Bullet	4%	48 m	Unsecured
Third party loan	12,521	US Dollar	Bullet	9.00%	24 m	Real estate
Related Company	1,040	US Dollar	Bullet	12.00%	168 m	Real estate
Related Company	43,133	US Dollar	Bullet	4%	12 m	Unsecured
Related Company	6,332	Euro	Bullet	Libor 12m+0.75%	48 m	Unsecured
Related Company	143	GEL	Bullet	16%	48 m	Unsecured

Related Company	853	GEL	Bullet	13.60%	On demand	Unsecured
Related Company	511	US Dollar	Bullet	15%	12 m	Unsecured
Third party loan	6,856	GEL	Bullet	14%	48 m	Unsecured
Related Company	8,134	US Dollar	Bullet	Libor 12m+0.75%	48 m	Unsecured
Total	312,793					

Received loans and issued bonds as of December 31, 2022 by borrowers:

Lender	Carrying amount	Currency	Repayment schedule	Interest Rate	Time left to maturity	Collateral
Commercial Bank	32,756	EUR	Amortizing	7,5% + Euribor 6 m	132 m	Real estate
Commercial Bank	10,393	GEL	Amortizing	5.25% + NBG ref	132 m	Real estate
Commercial Bank	4,640	GEL	Amortizing	5.75% + NBG ref	132 m	Real estate
Commercial Bank	5,148	EUR	Amortizing	7.5% + SOFR	132 m	Real estate
Commercial Bank	12,696	USD	Amortizing	7.85% + SOFR	132 m	Real estate
Commercial Bank	2,612	EUR	Amortizing	7.5% + Euribor 6 m	132 m	Real estate
Commercial Bank	994	USD	Amortizing	7.7% + SOFR	132 m	Real estate
Commercial Bank	21,554	GEL	Amortizing	5.25%+ NBG ref	132 m	Real estate
Commercial Bank	11,284	USD	Amortizing	7.85%+ SOFR	132 m	Real estate
Commercial Bank	3,801	USD	Amortizing	7.85% + SOFR	132 m	Real estate
Related Company	1,935	GEL	Bullet	12%	156 m	Real estate
Related Company	347	USD	Bullet	15%	96 m	Unsecured
Commercial Bank	25,856	USD	Amortizing	9%+ SOFR	132 m	Real estate
Commercial Bank	2,582	USD	Amortizing	9.45%+ SOFR	132 m	Real estate
Commercial Bank	10,215	GEL	Amortizing	6% + Ref Rate	60 m	Real estate
Commercial Bank	18,278	GEL	Amortizing	5.25% + Ref Rate	60 m	Real estate
Commercial Bank	1,200	USD	Amortizing	8.5%+ SOFR	60 m	Real estate
Commercial Bank	4,557	GEL	Amortizing	5.75% + Ref Rate	60 m	Real estate
Commercial Bank	8,048	GEL	Bullet	3% + Ref Rate	60 m	Real estate
Commercial Bank	2,820	GEL	Amortizing	6% + Ref Rate	60 m	Real estate
Commercial Bank	6,018	EUR	Amortizing	6m EURIBOR+7.5%	36 m	Real estate
Related Company	7,433	USD	Amortizing	0.75% + 12M Libor	96 m	Unsecured

Related Company	41	USD	Bullet	10%	36 m	Unsecured
Related Company	920	GEL	Bullet	13.6%	On demand	Unsecured
Third party loan	11,946	USD	Bullet	9%	12 m	Real estate
Related Company	1,708	USD	Bullet	7%	96 m	Unsecured
Related Company	5,251	EUR	Amortizing	0.75% + 12M EURIBOR	36 m	Unsecured
Related Company	25,073	USD	Bullet	4%	96 m	Unsecured
Related Company	3,308	USD	Bullet	0%	36 m	Unsecured
Related Company	359	USD	Amortizing	0.75% + 12M Libor	96 m	Unsecured
Related Company	3,089	USD	Bullet	4%	36 m	Unsecured
Related Company	881	USD	Bullet	12%	156 m	Real estate
Commercial Bank	5,884	USD	Amortizing	6.5% + 6m SOFR	72 m	Real estate
Related Company	175	GEL	Bullet	16%	36 m	Unsecured
Third party loan	7,530	GEL	Bullet	14%	36 m	Unsecured
Related Company	92	GEL	Bullet	14%	36 m	Unsecured
Leasing	63	EUR	Bullet	11%	On demand	Unsecured
Related Company	1,852	USD	Bullet	9%	156 m	Real estate
Related Company	323	EUR	Bullet	9.0%	84 m	Real estate
Total	**263,661**					

Received loans and issued bonds as of December 31, 2023 by borrowers :

Lender	**Carrying amount**	**Currency**	**Repayment schedule**	**Interest Rate**	**Time left to maturity**	**Collateral**
Commercial Bank	27,009	EUR	Amortizing	7,5% + Euribor 6 m	120 m	Real estate
Commercial Bank	10,010	GEL	Amortizing	5.25% + NBG ref	120 m	Real estate
Commercial Bank	8,644	EUR	Amortizing	7,5% + Euribor 6 months	120 m	Real estate
Commercial Bank	4,468	GEL	Amortizing	5.75% + NBG ref	120 m	Real estate
Commercial Bank	3,932	EUR	Amortizing	7.5% + SOFR	120 m	Real estate
Commercial Bank	2,025	USD	Amortizing	7.85% + SOFR	120 m	Real estate
Commercial Bank	14,087	GEL	Amortizing	5.25%+ NBG ref	120 m	Real estate

Commercial Bank	6,669	GEL	Amortizing	5.25%+ NBG ref	120 m	Real estate
Related Company	1,838	GEL	Bullet	12%	144 m	Real estate
Related Company	376	USD	Bullet	15%	84 m	Unsecured
Commercial Bank	3,513	GEL	Amortizing	5.56% + Ref	48 m	Real estate
Commercial Bank	7,294	GEL	Amortizing	6% + Ref Rate	48 m	Real estate
Commercial Bank	13,587	GEL	Amortizing	5.25% + Ref Rate	48 m	Real estate
Commercial Bank	3,898	GEL	Amortizing	5.75% + Ref Rate	48 m	Real estate
Commercial Bank	6,831	GEL	Bullet	3% + Ref Rate	48 m	Real estate
Commercial Bank	2,418	GEL	Amortizing	6% + Ref Rate	48 m	Real estate
Commercial Bank	835	EUR	Bullet	11%	12 m	Real estate
Commercial Bank	864	EUR	Amortizing	6m EURIBOR+7.5%	12 m	Real estate
Related Company	40	USD	Bullet	10%	24 m	Unsecured
Related Company	990	GEL	Bullet	14%	On demand	Unsecured
Related Company	1,362	USD	Bullet	7%	84 m	Unsecured
Related Company	3,735	EUR	Amortizing	0.75% + 12M EURIBOR	24 m	Unsecured
Related Company	13	EUR	Bullet	9%	84 m	Unsecured
Related Company	54	USD	Amortizing	0.75% + 6M SOFR	564 m	Unsecured
Related Company	846	USD	Bullet	12%	144 m	Real estate
Commercial Bank	4,933	USD	Amortizing	6.5% + 6m SOFR	60 m	Real estate
Related Company	206	GEL	Bullet	16%	24 m	Unsecured
Related Company	100	GEL	Bullet	14%	24 m	Unsecured
Leasing	18	EUR	Bullet	11%	On demand	Unsecured
Related Company	1,763	USD	Bullet	9%	144 m	Real estate
Related Company	362	EUR	Bullet	9%	72 m	Real estate
Issued Bonds	54,155	USD	Bullet	9%	36 m	Unsecured
Issued Bonds	54,667	USD	Bullet	9.25%	36 m	Unsecured
Total	241,543					

Received loans and issued bonds as of April 30, 2024 by borrowers :

Lender	Carrying amount	Currency	Repayment schedule	Interest Rate	Time left to maturity	Collateral
Commercial Bank	25,992	EUR	Amortizing	7,5% + Euribor 6 m	117 m	Real estate
Commercial Bank	9,852	GEL	Amortizing	5.25% + NBG ref	117 m	Real estate
Commercial Bank	8,318	EUR	Amortizing	7,5% + Euribor 6 months	117 m	Real estate
Commercial Bank	4,421	GEL	Amortizing	5.75% + NBG ref	117 m	Real estate
Commercial Bank	3,841	EUR	Amortizing	7.5% + SOFR	117 m	Real estate
Commercial Bank	2,002	USD	Amortizing	7.85% + SOFR	117 m	Real estate
Commercial Bank	13,913	GEL	Amortizing	5.25%+ NBG ref	117 m	Real estate
Commercial Bank	6,598	GEL	Amortizing	5.25%+ NBG ref	117 m	Real estate
Related Company	1,821	GEL	Bullet	12%	141 m	Real estate
Related Company	507	USD	Bullet	15%	81 m	Unsecured
Commercial Bank	3,351	GEL	Amortizing	5.56% + Ref	45 m	Real estate
Commercial Bank	6,957	GEL	Amortizing	6% + Ref Rate	45 m	Real estate
Commercial Bank	12,948	GEL	Amortizing	5.25% + Ref Rate	45 m	Real estate
Commercial Bank	3,720	GEL	Amortizing	5.75% + Ref Rate	45 m	Real estate
Commercial Bank	6,495	GEL	Bullet	3% + Ref Rate	45 m	Real estate
Commercial Bank	2,306	GEL	Amortizing	6% + Ref Rate	45 m	Real estate
Commercial Bank	942	EUR	Bullet	11%	9 m	Real estate
Commercial Bank	974	EUR	Amortizing	6m EURIBOR+7.5%	9 m	Real estate
Related Company	40	USD	Bullet	10%	21 m	Unsecured
Related Company	1,007	GEL	Bullet	14%	On demand	Unsecured
Related Company	1,387	USD	Bullet	7%	81 m	Unsecured
Related Company	3,719	EUR	Amortizing	0.75% + 12M EURIBOR	21 m	Unsecured
Related Company	13	EUR	Bullet	9%	81 m	Unsecured
Related Company	54	USD	Amortizing	0.75% + 6M SOFR	561 m	Unsecured
Related Company	840	USD	Bullet	12%	141 m	Real estate
Commercial Bank	4,707	USD	Amortizing	6.5% + 6m SOFR	57 m	Real estate
Related Company	427	GEL	Bullet	16%	21 m	Unsecured
Related Company	102	GEL	Bullet	14%	21 m	Unsecured

Leasing	4	EUR	Bullet	11%	On demand	Unsecured
Related Company	1,746	USD	Bullet	9%	141 m	Real estate
Related Company	351	EUR	Bullet	9%	69 m	Real estate
Commercial Bank	4,899	EUR	Amortizing	7.5%+Euribor 6 months	154 m	Real estate
Commercial Bank	4,899	EUR	Amortizing	7.5%+Euribor 6 months	154 m	Real estate
Issued Bonds	56,166	USD	Bullet	9%	33 m	Unsecured
Issued Bonds	54,138	USD	Bullet	9.25%	33 m	Unsecured
Total	**249,455**					

As of December 31, 2023, the Group has credit lines, USD 300,000 thousand with JSC TBC Bank and USD 300,000 thousand with JSC Bank of Georgia (including used credit lines), in case it needs additional financing for ongoing projects.

Breakdown of loans for Green Box and Yellow Box

'000 GEL	31-Dec-23	31-Dec-22	31-Dec-21
Green Box (financial institutes)	116,447	185,774	216,246
Green Box	114,608	40,028	67,323
Yellow Box	10,488	37,859	29,224
Total	**241,543**	**263,661**	**312,793**

The table shows the distribution of loans between Green Box and Yellow Box for the periods presented in the prospectus.

Company loans by currencies and loan repayment periods (years) are presented below (The tables represent the loans that expire in the periods given in the table above):

31-Dec-21

Currency / Maturity	**0-1**	**1-3**	**3+**
Euro	0	141	57,859
US Dollar	43,644	12,521	116,291
GEL	0	0	82,337
Total	**43,644**	**12,662**	**256,487**

31-Dec-22

Currency / Maturity	**0-1**	**1-3**	**3+**
Euro	-	11,269	40,902
US Dollar	11,946	6,438	101,949
GEL	-	7,797	83,360
Total	**11,946**	**25,504**	**226,211**

31-Dec-23

Currency / Maturity	**0-1**	**1-3**	**3+**
Euro	1,698	3,735	39,978
US Dollar	-	108,862	11,359
GEL	-	306	75,604
Total	**1,698**	**112,903**	**126,941**

The weighted average interest rate on financial liabilities by currencies is presented below:

	31-Dec-23	**31-Dec-22**	**31-Dec-21**
GEL	13.6%	15.5%	13.4%
US Dollar	9 %	11.5%	7.8%
Euro	11.5%	9.0%	7.0%

Operating results

The company generates revenue from the following sources - casino operation, hotel room revenue and restaurant/entertainment services.
The financial information for the periods below has been prepared in accordance with IFRS standards (the data in the table below accounts for eliminations).

Consolidated Statement of Profit or Loss and Other Comprehensive Income (000' GEL)	31-Dec-2023 Audited	31-Dec-2022 Audited	31-Dec-2021 Audited
Revenue	246,995	246,002	144,738
Other income	15,433	17,030	7,795
Operating costs	(97,940)	(88,328)	(59,607)
Wages and other employee benefits	(97,191)	(87,679)	(51,606)
Depreciation and amortization	(27,566)	(26,977)	(29,408)
Impairment loss of trade and other receivables and loans receivable	2,218	650	(374)
Modification gain on financial liabilities	1,575	-	-
Other expenses	(3,795)	(2,699)	(2,250)
Results from operating activities	**39,729**	**57,999**	**9,288**
Interest income	9,103	18,639	19,655
Net foreign exchange loss	(9,009)	(5,220)	3,032
Interest expense	(27,176)	(26,284)	(29,515)
Net finance costs	**(27,082)**	**(12,865)**	**(6,828)**
Profit/(loss) before income tax	**12,647**	**45,134**	**2,460**
Income tax	-	-	-
Profit/(loss) and total comprehensive income/(loss) for the year	**12,647**	**45,134**	**2,460**
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owners of the Company	5,201	38,244	463
Non-controlling interests	7,446	6,890	1,997

The group has five reportable segments, which are strategic business units. Strategic business units offer different products and services to customers and are managed separately because they require different technologies and marketing strategies.

"Green Box" includes operating segments and Group entities, which a) are major cash-generating units in the Group, or b) are in the active development stage of the major cash-generating unit in the Group, or c) generate mainstream revenues from their core activities including management or consulting services to third parties or to the Group entities. Group entities with a core activity of holding investments in "Green box" entities are also attributable to "Green box" category. All reportable segments are attributable to "Green box" category. Entities or operating segments with significant non-controlling interest, are excluded from the “Green box” category. In 2023, the attribution of more profit to the non-controlling interest was caused by the profitability of the respective companies, since the results of the non-profitable companies in the controlling companies also have an effect.

The "Yellow box" category fall Group entities, which: a) hold assets for further development, and b) does not generate revenues from their core activities, (although may generate some incidental income from non-core activities); And c) any other entity or operating segment that is not "Green box”

The overview below describes the operations carried out by each of the Group's reportable segments:

- Tbilisi, Radisson Blu Iveria;
- Batumi, Radisson Blu Iveria;
- Tsinandali Estates, Radisson Collection Tsinandali;
- Casino Tbilisi Iveria;
- Casino Batumi Iveria.

As of 2023, the company has recorded an income of GEL 195,244 thousand, which represents a 95% increase compared to the same period in the previous year (as of 30/09/2021: GEL 100,041 thousand). Given that 2022 was the best year in terms of revenue in the Company's history and at the same time unexpected, the Company did not expect 2023 to materially improve on the numbers recorded in the previous year.

Revenue breakdown

The table shows the Group's revenues by operating segments:

Revenue, ‘000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Revenue from casino operations	**146,971**	**155,096**	**81,460**
Revenue from casino live games	83,436	100,702	57,955
Revenue from slot machines	63,535	54,394	23,505
Revenue from hotel and Complex Republic operations	**89,980**	**82,665**	**56,964**
Food and beverage revenue	47,285	41,491	24,850
Room revenue	35,193	34,594	27,744
Other hotel revenue	7,502	6,580	4,370
Other revenue	**10,044**	**8,241**	**6,314**
Total	**246,995**	**246,002**	**144,738**

The group primarily generates income through its hotel and casino activities. The income from hotel activities is primarily derived from renting out rooms and sales of food and beverages at the hotel restaurant. Based on hotel activities, the Company immediately, without any delay, receives income from the customers, therefore, the group has no significant contractual assets or liabilities. Other sources of income include revenue from various other activities, such as - operating clubs, restaurants, event halls, museums, and renting investment properties. Income from casino activities is primarily related to popular games such as poker, baccarat, blackjack, American roulette, and slot machines. The payouts from bets placed on these games are typically known at the time of the bet and are considered "fixed odds bets". Revenue from food and beverage sales is generated through restaurants and bars.

In 2023, income from casinos accounted 60% of the total income, and the income from the activities of hotels and complex "Republic" - 36%. In 2022, casino and hotel revenues had approximately the same shares - 63% and 34% respectively. (31/12/2021: 56% and 39%).

Other Revenue, '000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Other revenue	15,433	17,030	7,795

The group's other income includes: casino service fees, property sales, property tax recovery, and additional services such as spa treatments and massages. In 2023, other income amounted to GEL 15,433 thousand, which represents a significant increase of 9% compared to the same period of the previous year (31/12/2022: GEL 17,030 thousand).

Finance Income

The Group's financial income includes interest income on bank balances and loans receivables, as well as foreign currency exchange gains. In the first 9 months of 2022, the interest income amounted GEL 13,356 thousand, down by 6% compared to the same period of the previous year (30/09/2021: GEL 14,256 thousand)

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Interest income	9,103	18,639	19,655

Standalone asset revenues refer to the revenues generated by individual assets, such as Radisson Blu Hotel Tbilisi and Casino Iveria Tbilisi, without considering the services they provide to each other. According to IFRS standards, these services are eliminated at the consolidated level. Therefore, the sum of individual asset revenues may not be directly comparable to the consolidated data mentioned above. For a detailed analysis of the returns of individual assets, the related eliminations, and the reconciliation to the consolidated data, please refer to the Company Segment Report subsection.

Hotel Revenues

Radisson Blu Tbilisi

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Room revenue	22,544	20,130	13,127
Other revenue	26,685	22,098	11,411
Total	**49,229**	**42,228**	**24,538**

In 2022, the restrictions imposed during the covid pandemic were completely lifted, which directly reflected the hotel's revenues, which increased 1.75 times. In 2023, high average price and occupancy increased the revenues of the Tbilisi hotel by 15%.

The revenues of Radisson Blu Tbilisi are mainly generated from the room revenues, the share of which in 2023 was 46% in the total revenues and amounted to 22,544 thousand GEL, which is 12% more compared to the same period of the previous year (31/12/2022: 20,130 thousand GEL).

The revenues display a slight seasonality, with the first quarter of the year having relatively low revenues, making up only 20% of the total revenues (31/12/2022: 17%). The main part of the revenues is generated in the summer months and May, accounting for

37% of the yearly revenues (31/12/2022: 39%). Unlike other hotels in the group, Radisson Tbilisi is designed for business visits and therefore, is less characterized by seasonality, operating with a high occupancy for 6 months of the year. As tourism grows, the operational results of the hotel are improving. Other revenues include revenues from restaurants and other services provided to customers, which amounted to GEL 26,685 thousand during 2023, a 21% increase compared to the same period of the previous year (31/12/2022: GEL 22,098 thousand).

Radisson Blu Batumi

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Room revenue	12,373	12,779	10,039
Other revenue	6,992	6,952	4,444
Total	**19,364**	**19,731**	**14,483**

In 2023, Radisson Batumi generated 88% of its revenues from room bookings, amounting to GEL 12,373 GEL and representing slight 3% decrease compared to the same period of the previous year (31/12/2022: GEL 12,779 thousand). The hotel's operations are highly seasonal since Batumi is a popular seaside resort, with the majority of income generated in the summer months. During the first quarter of the year, revenues are relatively low, accounting for only 17% of total revenues. The main part of the income is generated in the summer months. In total, the summer months generated 40% of the room arrivals for the whole year (31/12/2022: 41%). The growth of tourism and economy has a positive effect on the operating results of Radisson Blu Batumi.

Due to the fact that the number of tourists in the Ajara region and specifically in Batumi increases not only in the summer months, this lowers the seasonality. Other income includes income from restaurant and other hotel services. As of 2023, other incomes totaled 6,992 thousand GEL, which is almost equal to the same period of the previous year (31/12/2022: 6,952 thousand GEL).

Radisson Collection Tsinandali

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Room revenue	7,956	7,538	6,268
Other revenue	13,026	12,338	10,154
Total	**20,982**	**19,876**	**16,422**

Radisson Collection Tsinandali generates most of its revenue from room and restaurant sales, with slightly more revenue generated from room rentals than from the restaurant.

As of 2023, room revenues were 38% of total revenues and amounted to 7,956 thousand GEL, which is 6% compared to the same period of the previous year (31/12/2022: 7,538 thousand GEL). As with other hotels in the group, Hotel Tsinandali income is also characterized by small seasonality. In the first quarter of the year, revenues are relatively low (15% of total revenues). As of 2022, the corresponding share was 12%. The main part of revenues is generated in summer and autumn, as Radisson Collection Tsinandali is located in the Kakheti region, where the main season is autumn. In 2023, the highest month with revenues was September with 1,052 thousand GEL (31/12/2022: 1,014 thousand GEL). The first operational year of the hotel was 2019.

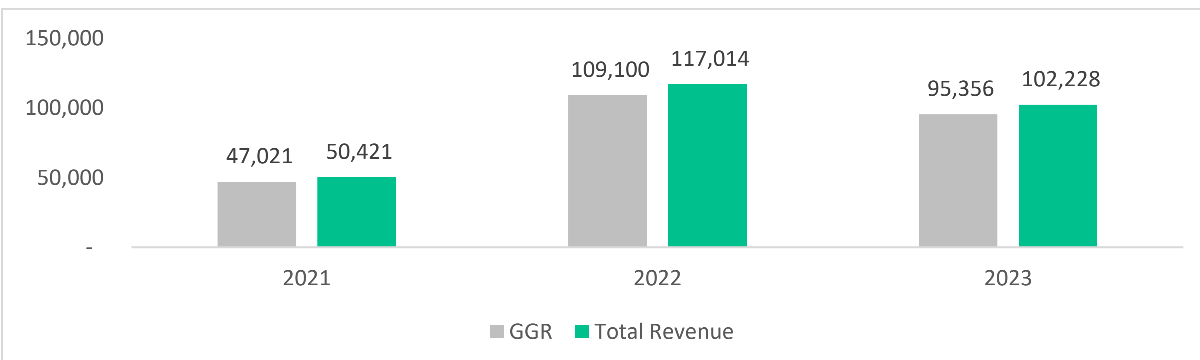
Casino Revenues

Casino Iveria Tbilisi

	31-Dec-2023	31-Dec-2022	31-Dec-2021
Average number of tables	22	22	11
'000 GEL			
Gross Gaming Revenue (GGR)	95,356	109,100	47,021
Tips	6,8729,224	7,914	3,400
Total Revenue	**131,360**	**117,014**	**50,421**

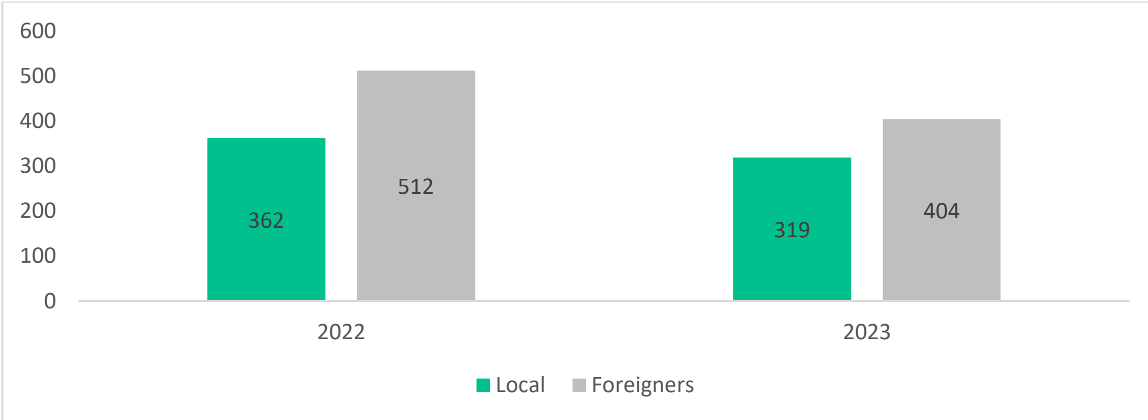
Iveria Tbilisi's gross income consists of gross gaming revenue (GGR) and tips. Tips were 7% of gross income as of 2023 (31/12/2022: 7%). As of 2023, the total revenues of Casino Iveria Tbilisi amounted to 102,228 thousand GEL, which is a 134% decrease compared to the same period of 2022 (31/12/2022: 117,014 thousand GEL).

In 2023, compared to the previous year, competition in land-based casinos increased. 2 new casinos were added to similar establishments in Tbilisi, which directly affected the company's revenues. Also, the revenues recorded by Tbilisi Casino in 2022 were due to the effect of the pandemic of previous years. According to the company, the opening of the casino after almost two years of restrictions has had a positive effect specifically in 2022. In 2023, the mentioned growth was relatively stabilized, which the company expected at the beginning of the year.



Casino Iveria Tbilisi Gross Gaming Revenue (GGR) and Total Revenues

Average GGR by domestic and international visitors



Source: Company Information

The decrease in the number of visitors was also reflected in the decrease in GGR per visitor. The average GGR for domestic visitors in 2023 was 319 GEL, which is 12% less than the figure for 2022 (362 GEL). A similar trend was observed in the case of foreign visitors, the figure for 2023 in this segment was 404 GEL, which is 21% less than the figure for 2022 (512 GEL).

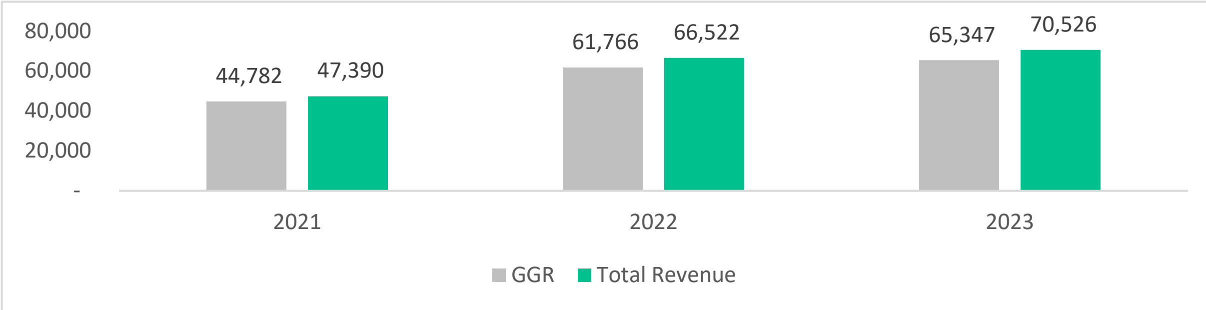
Casino Iveria Batumi

	31-Dec-2023	31-Dec-2022	31-Dec-2021
Average number of tables	17	16	13
'000 GEL			
Gross Gaming Revenue (GGR)	65,347	61,766	44,782
Tips	5,179	4,756	2,608
Total Revenue	**70,526**	**66,522**	**47,390**

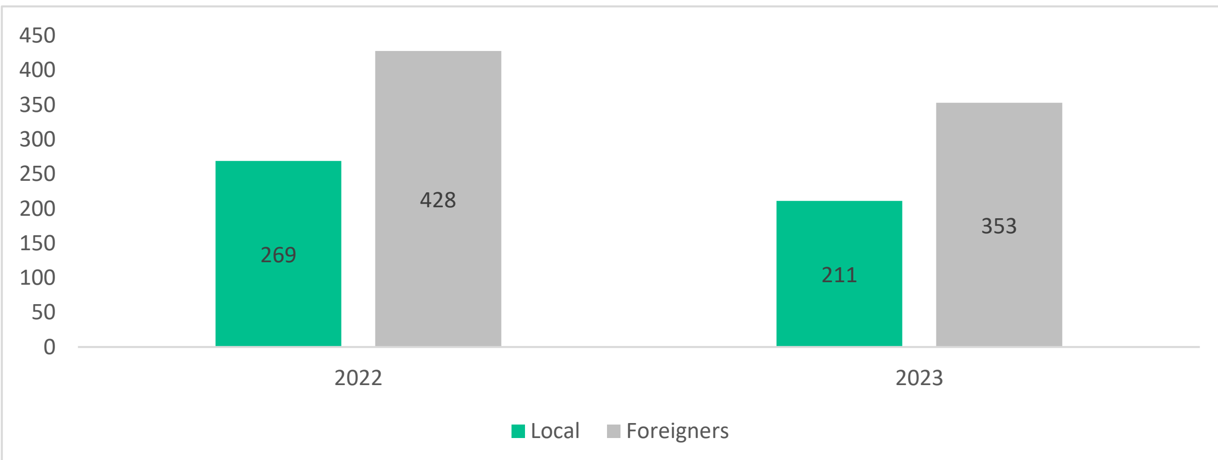
The total revenue of Casino Iveria Batumi amounted to GEL 70,526thousand in 2023. This marks a 6% increase compared to the same period in 2022 (31/12/2022 GEL 66,522thousand). Furthermore, the gross gaming revenue for 2023 has exceeded the same period in 2022 by 72% (31/12/2022: GEL 61,766thousand).

Casino operations resumed in 2021 after the pandemic and surpassed the 2019 revenue in the same year. In 2021, the total revenue amounted to GEL 47,390 thousand. In the first 9 months of 2022, the gross gaming revenue reached GEL 47,026 thousand and tips represented 6% of the total revenue (31/12/2021: 5.5%).

Casino Iveria Batumi Gross Gaming Revenue (GGR) and Total Revenues



Average GGR by domestic and international visitors



Source: Company Information

Like Tbilisi, in Batumipost-pandemic, positive effect of 2022, the volume of visitors and revenues stabilized, which was reflected in the decrease of GGR per visitor. The average GGR figure for domestic visitors in 2023 was 211 GEL, which is 21% less than the figure for 2022 (269 GEL). A similar trend was observed in the case of foreign visitors, the figure for 2023 in this segment was 353 GEL, which is 18% less than the figure for 2022 (428 GEL).

Operating Expenses

In 2023, operating expenses increased by 11% compared to the same period of the previous year and amounted to GEL 97,940 thousand (31/12/2022: GEL 88,328 46,803 thousand). A detailed breakdown of these costs is provided in the table below:

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Customer related cost**	16,699	16,914	9,911
Consumption of inventories	11,293	11,597	7,784
Utility expenses	7,382	7,221	5,488
Quarterly permission fee expenses*	11,824	9,433	4,555
Hotel supplies	6,551	5,839	3,594
Lease expenses	4,432	3,041	3,216
Marketing expenses	4,523	5,075	2,870
Bank and other commissions	4,151	3,651	2,830
Taxes other than on income tax	4,179	3,594	2,802
Consulting and professional fees	5,443	4,050	2,259
Repair and maintenance	2,951	2,516	2,141
Contractor service fees	2,342	2,186	1,648
Royalty fees	2,286	2,149	1,530
Security expenses	1,720	1,550	855
Other operating costs	12,164	9,512	8,124
Total	**97,940**	**88,328**	**59,607**

** Customer related cost represents the free of charge services and goods delivered to casino customers, such as: snacks, drinks, cigarettes, food, hotel rooms at Radisson Blue Tbilisi and Batumi, light tickets, etc.*

*** Quarterly permission fee expenses represent the specific fixed quarterly tax accruals to the local authorities on the gambling business and in particular for running slot machines in Georgia.*

The largest share in the operational expenses is the customer-related expenses, which as of 2023 is 16,699 thousand GEL and compared to the same period of the previous year, it has decreased by 1.3% (31/12/2022: 16,914 thousand GEL). The share of customer-related expenses in total operating expenses is 17% (31/12/2022: 19%).

Quarterly permit fee expenses as of 2023 amounted to 11,824 thousand GEL and increased by 25% compared to the same period last year (31/12/2022: 9,433 thousand GEL).

Marketing expenses in 2023 totaled GEL 4,523 thousand, marking a 11% decrease compared to the same period in 2022 (31/12/2022: GEL 5,075 thousand GEL). Marketing expenses cover the promotion of hotels and restaurants, as well as participation in events organized by the group. The company utilizes diverse advertising and marketing methods to introduce its services to a wide audience and attract new customers. For additional details on marketing expenses, please refer to the Marketing Strategy section.

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Salaries and other benefits	97,191	87,679	51,606

The operating expenses of the group are also the salaries and other remuneration paid to the employees, which amounted to 97,191 thousand GEL as of 2023 and has increased by 11% compared to the same period of the previous year (31/12/2022: 87,679 thousand GEL).

Costs by segment (before eliminations)

Direct Costs and Expenses '000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Hotels	(56,700)	(52,056)	(37,667)
Casinos	(131,164)	(121,424)	(64,368)
Other unallocated Green Box entities	(14,708)	(10,628)	(8,283)
Oher unallocated Yellow Box entities	(5,121)	(3,678)	(2,418)
Total Direct Costs	**(207,693)**	**(187,786)**	**(112,736)**
Overhead Costs			
Hotels	(6,397)	(7,437)	(6,108)
Casinos	(1,780)	(305)	(356)
Other unallocated Green Box entities	(26,655)	(24,947)	(2,918)
Oher unallocated Yellow Box entities	(4,788)	(4,164)	(14,634)
Total Overhead Costs	**(39,620)**	**(37,303)**	**(24,016)**
Total direct and overhead costs	**(247,313)**	**(225,089)**	**(136,752)**

Direct and overhead costs include operating, salary and other costs.

The significant increase in overhead costs in 2022 compared to 2021 in the Green Box is directly related to the Covid pandemic in 2020 and partially in 2021. The main businesses of the group represented in the Green Box did not operate or operated with interruptions during this period. Also in 2022, by the decision of the management, the main part of Yellow box expenses was restructured into Green Box.

During the historical period of 2023, direct costs accounted for 84% of the company's operating expenses, while the remaining 16% were overhead costs. Overhead costs consist of expenses that cannot be avoided or do not depend on the scale of operations, such as property tax, management salaries mainly in other Green Box companies, insurance, audit, and other professional expenses.

As 60% of the group's revenues come from the casino segment, direct expenses are correspondingly the highest in this segment. During 2023, 63% of the total direct expenses account for the casino segment, amounting to GEL 131,164 thousand, 8% higher compared to the same period of the previous year. During 2023, the company incurred total direct costs of GEL 207,693 thousand, which reflects a substantial increase of 96% compared to the same period of the previous year(31/12/2022: 187,786 thousand GEL).

Overhead costs were more stable over the given period due to their fixed nature. Unlike direct costs, the Covid-19 pandemic lockdown did not have a significant impact on these costs.

Total direct and overhead costs in 2023 have increased by 9.9% compared to the previous year and amount to 247,313 thousand GEL (31/12/2022: 225,089 thousand GEL). The mentioned increase was mainly caused by the increase in operating and salary expenses.

Finance expenses comprise interest expenses on financial liabilities and foreign currency exchange rate losses on financial assets and liabilities. In 2023, the interest expense amounted to GEL 27,176 thousand, increased by 3% compared to the same period of the previous year (31/12/2022: GEL 26,284 thousand).

Management review

The given operational overview is the results of group segmentation. Total revenues and EBITDA can be found in the "Segment Report" by year, and the breakdown of revenues is unaudited company information.

The following section provides a discussion of the company's management of financial information. For a comprehensive overview of the operating results, please refer to the Operating Results subsection.

'000 GEL	2023	2022	2021
Total Revenue	**306,630**	**304,728**	**174,571**
Hotel revenue	89,575	82,612	55,443
Room revenue	*42,873*	*40,447*	*29,434*
Other revenue	*46,702*	*42,165*	*26,009*
Casino revenue	172,705	183,536	97,811
GGR tables	*98,275*	*116,472*	*68,298*
GGR slots	*62,428*	*53,656*	*23,505*
Other	*12,002*	*13,062*	*6,108*
Other revenue	44,350	38,580	21,317
Total EBITDA	**59,366**	**80,089**	**37,819**
Hotel EBITDA	26,478	23,119	11,668
Casino EBITDA	39,810	61,807	33,087
Other	(6,922)	(4,837)	(6,936)
EBITDA Margin	**19%**	**26%**	**22%**
Hotel EBITDA margin	30%	28%	21%
Casino EBITDA margin	23%	34%	34%
Other	-16%	-13%	-33%

*Please refer to the "Reconciliation of the reporting segments" subsection under "Key financial indicators" for the reconcilation of financial data of the reportable segments with the consolidated IFRS figures.

**In the context of hotels, the term "other income" refers to revenue generated from restaurant and bar sales, conference room rentals, and other miscellaneous sources.

For the 2023 period in the table, 29% of total revenue came from hotel revenue, 56% from casino revenue, and 15% from other revenue. The increase in the income of hotels was 8% compared to the previous year, which is mainly due to the increase in the income of Tsinandli Radisson. It can be said that the mentioned hotel had a full operational first year after opening (Tsinandli Radisson opened in 2019). In the case of casinos, the 6% decrease is due to the growth of competitors. In 2023, 2 new casinos were opened in Tbilisi, which directly affected the revenues of the company's casinos

EBITDA indicators in 2023 repeat the same trend as revenues. From the total EBITDA, the share of hotels is 45%, casinos 67%, and the figure generated by other companies is -12%. In the case of the hotel, we can attribute the 15% increase rate to the stable operating year of the Tsinandli hotel and the high occupancy rate of the Tbilisi hotel. In the case of the casino, the 36% decrease between the same periods was caused by two main indicators; The decrease in income (by 10.831 million GEL, compared to 2022), as stated in the present paragraph, and the increase in direct marketing expenses (by 9.136 million GEL, compared to 2022), which was due to the continued increased competition.

It should be emphasized that the Company's 2022 results are significantly improved. The total income of 2022 exceeds the indicator of the same period of 2021 by 75%. The hotel's income has increased by 49%. This was due to the post-pandemic period. Compared to previous years, hotels operated throughout the year, and the inflow of tourist flows gradually recovered.

Along with the revenue in 2022, the company's EBITDA has also increased significantly. Compared to the period of the previous year, the increase was 212%. The margin also increased from 22% to 26%. To summarize, 2022 was an exceptionally profitable year for the issuer, both on the casino business and on the hotel side. Post-pandemic tourism growth has had a positive impact on all destinations.

Company currency position

The open currency position of the company by periods was as follows:

GEL '000	**Denominated in US dollar 31-Dec-23 Audited**	**Denominated in US dollar 31-Dec-22 Audited**	**Denominated in US dollar 31-Dec-21 Audited**
Loans receivable	5,798	209,077	268,023
Trade and other receivables	625	700	533
Cash and cash equivalents	21,406	32,145	13,330
Loans and borrowings	(11,345)	(120,334)	(172,456)
Bonds	(108,822)	-	-
Trade and other payables	(2,383)	(1,896)	(3,709)
Put-option liability	-	(42,138)	(42,436)
Net currency position	**(94,721)**	**77,554**	**63,285**

Company's liquidity profile

The company's liquidity profile by period is given below:

31 December 2023 (*'000 GEL)* *Audited*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	29,832	32,527	71,048	86,744
Issued Bonds	9,843	9,816	114,965	-
Trade and other payables	19,605	195	504	-
	59,280	**32,527**	**71,048**	**86,744**

31 December 2023 (*'000 GEL)* *Audited*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	29,832	32,527	71,048	86,744
Issued Bonds	9,843	9,816	114,965	-
Trade and other payables	19,605	195	504	-
59,28042,538186,51786,744	**29,832**	**32,527**	**71,048**	**86,744**

31 December 2022 (*'000 GEL)*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	55,204	36,897	133,135	199,017
Issued Bonds	17,207	-	-	-
Trade and other payables	44,324	-	-	-
	-	-	63,696	-
	116,735	**36,897**	**133,135**	**199,017**

31 December 2021 (*'000 GEL)*	Less than 1 year	1-2 years	2-5 years	Over 5 years
Loans and borrowings	74,010	53,616	153,915	193,438
Issued Bonds	20,333	601	-	-
Trade and other payables	-	-	63,696	-
	94,343	**54,217**	**217,611**	**193,438**

Overview of the cash flow statement

('000 GEL)	31-Dec-2023 Audited	31-Dec-2022 Audited	31-Dec-2021 Audited
Cash flows from operating activities			
Profit before income tax	**12,647**	**45,134**	**2,460**
Depreciation and amortisation	27,566	26,977	29,408
Impairment loss of trade and other receivables and loan receivable	(2,218)	(650)	374
(Gain)/loss on disposal of property and equipment, investment property and intangible assets	136	61	(777)
Modification gain on financial liabilities	(1,575)	-	-
Net finance costs	27,082	12,865	6,828
Cash flows from operating activity before changes in assets and liabilities	**63,638**	**84,387**	**38,293**
Inventories	(1,319)	(1,610)	(1,134)
Trade and other receivables	2,460	(3,036)	7,279
Prepayments and other assets	(2,437)	(1,315)	(1,334)
Trade and other payables	4,005	(523)	8,108
Cash flows from/(used in) operations before income taxes and interest paid	**66,347**	**77,903**	**51,212**
Interest paid	(32,186)	(24,465)	(43,132)
Net cash (used in)/from operating activities	**34,161**	**53,438**	**8,080**
Cash flows from investing activities			
Proceeds from sale of property and equipment, investment property and intangible assets	-	-	2,987
Issuance of related party loans	(7,340)	(7,141)	(10,186)
Repayments of issued related party loans	1,395	9,655	7,116
Interest received	1,434	307	841
Consideration paid for business acquisition	-	(2,137)	-
Acquisition of non-controlling interests	(44,882)	-	-
Acquisition of property and equipment, intangible assets and investment property	(77,550)	(20,368)	(22,720)
Net cash from/(used in) investing activities	**(126,943)**	**(19,684)**	**(21,962)**
Cash flows from financing activities			
Capital contribution	27,948	-	-
Proceeds from borrowings	145,702	33,968	34,587
Proceeds from other equity transactions with parent entity	74,292	-	-
Transaction costs related to bonds	(1,417)	-	-

Repayment of borrowings	(165,516)	(44,057)	(1,821)
Net cash from/(used in) financing activities	**81,009**	**(10,089)**	**32,766**
Net (decrease)/increase in cash and cash equivalents	**(11,773)**	**23,665**	**18,884**
Cash and cash equivalents at 1 January	53,912	34,413	16,221
Effect of movements in exchange rates on cash and cash equivalents	(1,360)	(4,166)	(692)
Cash and cash equivalents at 31 December	**40,779**	**53,912**	**34,413**

Cash from operating activities

As of 2023, net cash flows from operating activities decreased by 36.1% and amounted to 34,161 thousand GEL (31/12/2022: 53,438 thousand GEL), which was mainly due to increased operating and salary expenses in 2023. In particular, the profit before taxation for the mentioned period was 12,647 thousand GEL, which was reduced by approximately 17 times compared to 2022 (31/12/2022: 45,134 thousand GEL).

In 2022, net cash flows from operating activities amounted to 53,438 thousand GEL. In 2021, the said funds were 8,080 thousand GEL. The difference is largely due to higher profitability. In 2022, net cash from operating activities, before interest payments, was 45,134 thousand GEL, and in 2021 it was 2,460 thousand GEL.

Cash from investing activities

In 2023, cash flows received from investment activities amounted to 126,943 thousand GEL, which compared to the same period of the previous year has increased by 6.5 times (31/12/2022 19,648 thousand GEL). In 2023, such a large increase is mainly caused by the acquisition of a non-controlling share - up to 44,882 thousand GEL. Also, during the same period, the expenses incurred on the purchase of fixed assets and intangible assets increased by 3.8 times - up to 57,182 thousand GEL. The increased cash flows from investment activities in 2023 were mainly caused by the mentioned changes. The large movement in borrowing/repayment of investment activity was mainly caused by the issuance of bonds and subsequent repayment of commercial bank loans with this amount.

Cash from financing activities

In 2023, the parent company's contribution to the company's capital amounted to 27,948 thousand GEL. Also, the company's income from other capital operations with the parent company amounted to 74,292 thousand GEL. As a result, the net funds received in the financial activities of the company amounted to 81,009 thousand GEL, while the net monetary values used by the company in the previous year amounted to 10,089 thousand GEL.
In 2022, the company received 30% less income from loans compared to 2021. Also, a loan in the amount of 23,880 thousand GEL was repaid. As a result, the funds used in the financial activities of the company amounted to 5,650 thousand GEL. In 2022, the income received from loans taken by the company amounted to 33,968 GEL, which was 2% more than the previous year.

Consolidated Statement of Changes in Equity for 2023 (audited)

‘000 GEL	Capital	Accumulated losees	Total	Non-controlling interests	Total capital
Balance as at 1 Janaury 2022	671,140	(137,860)	533,280	7,529	540,809

Total comprehensive income					
Profit and total comprehensive income for the year	-	38,244	38,244	6,890	45,134
Total transactions with owner, recorded directly in equity					
Change in the carrying amount of the put option liability	-	298	298	-	298
Fair value adjustment on received related party loans	-	9,900	9,900	-	9,900
Write-off of issued related party loans	-	(32,435)	(32,435)	355	**(32,080)**
Dividends declared by the Group entities	-	(1,022)	(1,022)	(2,683)	(3,705)
Balance 31 December 2022	**671,140**	**(122,875)**	**548,265**	**12,091**	**560,356**
Balance as at 1 Janaury 2023	671,140	(122,875)	548,265	12,091	560,356
Total comprehensive income					
Profit and total comprehensive income for the year	-	5,201	5,201	7,446	12,647
Total transactions with owner, recorded directly in equity					
Change in the carrying amount of the put option liability	-	(245)	(245)	-	(245)
Modification effect on issued related party loans	-	2,155	2,155	-	2,155
Other transactions with the parent entity	-	75,866	75,866	-	75,866
Fair value adjustment on received related party loans	-	(7,237)	(7,237)	-	(7,237)
Acquisition of non-controlling interests without a change in control	-	(1,070)	(1,070)	(787)	(1,857)
Dividends declared by the Group entities	-	-	-	(6,240)	(6,240)
Changes in Group entity's capital	-	-	-	4,794	4,794
Capital contribution	27,948	-	27,948	-	27,948
Decrease in capital	(206,846)*	-	(206,846)	-	(206,846)
Balance 31 December 2023	**492,242**	**(48,205)**	**444,037**	**17,304**	**461,341**

*In June 2023, related party loans with a book value of 206,846 thousand GEL were transferred by the respective counterparties to the company's parent company, Silk Road Group Holding LLC. As a result, Silk Road Group Holding LLC reduced the company's capital by 206,846 thousand GEL and covered the obligation to the company arising from the above-mentioned transaction, as a counterbalance to the existing demand for the company arising from the reduction of capital.

Financial Covenants

The Company is subject to certain financial covenants on its loans, which are stricter than those imposed on funds raised from other sources. The company has no material non-financial covenants. A brief overview of these covenants and the corresponding rate by period is presented below:

#	Type of covenant	31-Dec-2021	31-Dec-2022	30-Dec-2023	After bond issuanc **	Limit, 2023	In compliance Yes/No
1	DSCR - a specific group	1.67	1.70	1.21	1.21	>1.20	Yes
2	Hotel – Tbilisi, Batumi, Tsinandali	1.14	0.73	1.14	1.14	>1.20	No
3	Hotel Tsinandali	(0.69)	0.10	0.35	0.35-	>1.2	No
4	Casino	3.81	5.62	1.73	1.73	>1.20	Yes
5	ICR - a specific group	1.67	2.54	1.83	1.83	>1.9	No
6	Hotel - Tbilisi, Batumi, Tsinandali	1.14	1.314	1.5	1.56	>1.9	No
7	Hotel Tsinandali	(0.69)	0.12	0.47	0.47-	>1.9	No
8	Casinos	3.81	6.11	3.52	3.52	>1.9	Yes
9	Debt / EBITDA - a specific group	4.73	2.05	1.69	1.69		
10	Debt / EBITDA - Hotels	14.10	5.57	2.82	2.82	<4.50	Yes
11	Debt / EBITDA - Casino	1.42	10.73	0.94	0.94	<4.50	Yes
	Bond Financial Covenants[10]						
12	Net Debt /adjusted EBITDA	3.91	1.71	3.14	3.14	<3.5	Yes

** Above mentioned covenants apply to the years 2020, 2021 and 2022.*

*** Taking into account that part of the loans are covered by the funds raised by issuing bonds, both principal and interest payments will change. The given ratios are indicative, as the company has not fully specified which loans will be refinanced.*

1-4 DSCR – Debt service coverage ratio - CFAD divided by debt service amount (interest + principal)(Loan prepayments are not included in DSCR calculations).
5-8 ICR – Interest coverage ratio - Loan Interest devided by CFAD divided by interest paid;
9-11 Debt / EBITDA - Debt liabilities devided by earnings before interest, income taxes, depreciation and amortization.
12 Net Debt / Adjusted EBITDA - the total debt obligations of the "Issuer" and its "restricted subsidiaries (Green Box companies) less cash, devided by the "adjusted EBITDA" of the last "reporting period" (to see the adjusted methodology for calculating the ratio, please see the subsection "Terms and Conditions of the Bonds" Condition 5 (h)(i)).

[10] This bond financial covenant applies to both the Company's already issued bonds, ISIN: GE270060430 and ISIN: GE 2700604525, as well as the issue of Bonds defined in this Prospectus.

** For definitions of EBITDA and CFAD of the financial covenants with the borrowers, please see the chapter "Key Financial Ratios".*

For the Bank covenant purposes, specific group means the following companies:

- Georgian Hotel Management LLC - 404385722;
- JSC New Hotel - 204487929;
- Medea Operating Company LLC - 445390817Argo Management LLC - 445391647;
- Limoni Real Eastite LLC - 404536016;
- Limoni LLC 2009 - 204571490;
- Tsinandli Estates LLC - 204557372;
- Silk Hospitality LLC - 404613094.

For the purposes of covenant calculation, the Company has identified specific loans that will be funded by the proceeds from the bonds. However, this list of eligible loans may be subject to change in the future to include additional loans. The group plans to refinance hotel loans of 18.5 million dollars as an indication of the loans to be covered.

As a holding company, Silk Real Estate has separate covenant limits for each business direction established by financial institutions. In 2020, the closure of hotels and casinos due to the pandemic resulted in a negative operating result, leading to the Group breaching financial covenants. However, waivers were obtained from Banks for all subsidiaries that were in breach of financial covenants.

In light of the ongoing pandemic in 2021, the group was unable to fully resume operations, which resulted in loan restructuring. As a result, the companies within the group only paid interest, and principal payments were only partially initiated from 2022, with full loan amortization set to begin in 2023. In addition, the company obtained release letters in 2021 and 2022.

The issuer regularly evaluates the ratios agreed upon with financial institutions at the end of each quarter, and thus the covenants of 2023 will be monitored at the end of the first quarter. Financial institutions consider all covenants at the group level as important, even though separate limits for hotels and resorts are defined for borrowers, because the companies within the group are co-borrowers and their operating results are viewed as a whole.

In addition to financial covenants, the company also has non-financial covenants with its borrowers. One of the most significant non-financial covenants is the obligation to repay the loan with free cash (cash sweep) if the company fails to comply with financial covenants.

Bond Covenants

The Issuer is a limited liability company established in accordance with the legislation of Georgia, and it is liable before its creditors, including bondholders, with all its assets. In accordance with the laws of Georgia, in case of insolvency of the Issuer, the insolvency estate would include all of the Issuer's/debtor's property at the time of declaration of insolvency, subject to any legal restrictions. Accordingly, in case of insolvency, within the scope of the obligation assumed by this Prospectus, the Issuer will be liable before the bondholders with all its property, which includes both the so-called Green Box and Yellow Box assets.

In addition, the bonds are secured by a joint and several surety issued by the Restricted Subsidiaries of the Issuer (the "Green Box" companies), except for the Silk Road Business Center LLC (a limited liability company established under the legislation of Georgia, identification number: 203825851) (for more information regarding the joint and several surety, please refer to "Terms and Conditions of the Bonds" – Condition 1(c) (*Surety*)) and also, *Risk Factors – 7. Risks Related To Rights Pertaining To The Bonds*.

In addition, the bonds described in the Prospectus are subject to financial and non-financial covenants. It is important to note that the financial covenants and certain non-financial covenants contained in the Prospectus relate only to the Green Box assets of the Issuer (i.e. the "Restricted Subsidiaries"). (For detailed information on the allocation of assets between the Green and Yellow box categories, see "Principal Activities" – "Overview and History"; the detailed list of companies that are classified as Restricted Subsidiaries for the purposes of covenants is provided in "Terms and Conditions of the Bonds" – Condition 15 (*Definitions*); for detailed information on bond covenants, see "Terms and Conditions of the Bonds" – Condition 5 (Covenants)).

Condition 5(h) (*Indebtedmess*) under "Terms and Conditions of the Bonds" sets forth the leverage ratio (Net Indebtedness to Adjusted EBITDA) <u>compliance with which is a covenant applicable to the Issuer and its Restricted Subsidiaries upon incurrence of Indebtedness</u>. For the purposes of calculating the said ratio, only the consolidated debt obligations and the consolidated EBITDA of Green Box companies are used. In cases where a Green Box company owns a Yellow Box company, the consolidated metrics will be calculated at the Green Box level only, excluding such subsidiary (Yellow Box Company) as provided in the Company's Segment Report. (For more information on segment reporting, see the "Key Financial Indicators" section).

Regulatory Framework

Legislative Environment

The casino sector is regulated by the following laws and normative acts:

Name of the law/regulation	Date
Law of Georgia on Labor Safety	19/02/2019
Law of Georgia on Civil Security	27/06/2018
Law of Georgia on the Code of Georgia on Product Safety and Free Circulation	08/05/2012
Law of Georgia on Labor Inspection	29/09/2020
Law of Georgia on Licenses and Permits	24/06/2005
Law of Georgia on Organization of Lotteries, Gambling and Profitable Games	25/03/2005
The Law of Georgia on Gaming Business Fees	29/12/2006
Order No. 611-No. 1013 on the approval of the procedure for checking the fulfillment of the permit conditions by the holders of the gambling and/or profitable gaming permit	14/12/2011
Resolution No. 69 on Approval of the List of Essential Products and Services	15/02/2022
The Law of Georgia on Facilitating Prevention of Money Laundering and Financing of Terrorism	30/10/2019
Order of the President of the National Bank of Georgia 240/04 On Promoting Prevention of Money Laundering and Financing of Terrorism on Approving the List of High-Risk Jurisdictions for the Purposes of the Law of Georgia	18/12/2019
Law of Georgia on Advertising	18/02/1998
Law of Georgia on Broadcasting	23/12/2004
Law of Georgia on Personal Data Protection	14/06/2023
Law of Georgia on Copyright and Related Rights	22/06/1999
Tax Law of Georgia	17/09/2010
Resolution No. 370 on the approval of Technical Regulations on Fire Safety Rules and Conditions	23/07/2015
Order No. 54 on the approval of the procedure for recording information about persons entering the place of gambling by the holder of the permit for the organization of gambling and/or profitable games	23/02/2022
Order No. 2 on approval of the method of client identification and verification by the responsible person	05/06/2020

Order No. 1 on approval of the procedure for accounting, storage and submission of information on transactions by the responsible person to the Financial Monitoring Service of Georgia	05/06/2020
Resolution No. 277 on establishing the annual rates of the permit fee for the arrangement of the gaming machines cabin	12/07/2011
Order No. 239 on approval of authorization procedure, authorization certificate issuance procedure and conditions	30/09/2020
Resolution No. 455 on determining the detailed types of fees to be paid to the selected person, their amounts, periodicity and method of payment	22/07/2020
Order No. 243 on the requirements/standards, determination/enforcement, which must be met by the applicant/permit holder of a permit for the establishment of gambling and/or profitable games, essential products/services to be used/used in his/her activities, POS terminal or/ and any other device	01/10/2020
Order No. 42 on the approval of accounting forms necessary for the activities of the owners of the casino establishment permit and the gambling club establishment permit	26/02/2021
Order No. 50 on approval of the procedure for producing a list of dependents	18/02/2022
Order No. 86 on approval of the procedure for producing the list of prohibited persons	23/02/2022
Resolution No. 101 on the approval of the technical characteristics of automatic photo and video equipment and the manner of their operation, as well as the list of buildings and structures, on the outer perimeter of which it is mandatory to place/install automatic photo and/or video equipment	02/03/2022
Order No. 1143 on approval of video surveillance systems and their installation-operation rules at places and external perimeters of games of chance and other prize games (except promotion drawings)	29/08/2007

Conducting or providing all kinds of gambling and/or profitable games on the territory of Georgia requires a permit in accordance with the Law of Georgia on Licenses and Permits. Conducting or providing gambling and/or winning games without a permit, as well as non-fulfillment of the permit terms, is considered a violation of the law and leads to the imposition of responsibility set forth by the legislation of Georgia.

The Law of Georgia on License and Permit Fees, as well as the Law of Georgia on Establishing Annual Permit Fee Rates and Benefits for Casino Arrangement (Resolution # 250 of the Government of Georgia dated 11.07.2012) determines the rates of annual fees for casino arrangement, as follows:

- In the entire territory of Georgia (except Batumi city, the area adjacent to Bazaleti lake of Dusheti municipality, specially regulated territories in Gudauri, Bakuriani territory, as well as the territories of Kobuleti and Borjomi municipalities and Tskaltubo and Sighnaghi municipalities) - GEL 5,000,000;
- In Batumi, in the adjacent territory of Bazaleti Lake of Dusheti municipality, as well as in Kobuleti and Borjomi municipalities – GEL 250,000;
- Kachreti village of Gurjaani municipality, Grigoleti of Lanchkhuti municipality, in the territory of Poti municipality - 250,000 GEL;

- in the territory of Akhaltsikhe municipality – GEL 100,000.

The following are exempted from paying the permit fee for arranging casino:

- In specially regulated territory of Gudauri, in the territory of Bakuriani, as well as in the territories of Tskaltubo and Sighnaghi municipalities.
- Setting up a casino in the territory of a newly built hotel with at least one hundred rooms in Batumi, as well as in the municipalities of Kobuleti and Khelvachauri, as well as in the territory of a newly built hotel with at least eighty rooms in the village of Anaklia and village Ganmukhuri of Zugdidi municipality within 10 years from the issuance of the permit to set up a hotel in the territory of a newly built hotel.

The Law of Georgia on Licensing and Permit Fees establishes the limits of the fee rate for setting up a gambling machine salon, ranging from 50,000 GEL to 1,000,000 GEL per year; while the Resolution on Establishing the Annual Rates of Permit Fee for Setting Up a Gaming Machine Salon (Government of Georgia Resolution # 277 of 12/07/2011) establishes the annual rates of the permit fee for setting up a gaming machine cabin:

a) For setting up a gambling machine salon in casino by a person who holds a permit to set up a casino in Tbilisi - 100,000 GEL (applies to the activities of the issuer);
b) In the territory of the city of Tbilisi (except for the case provided for in subsection "a") - 1,000,000 GEL;
c) In the territory of the self-governing city of Batumi - 200,000 GEL (applies to the activities of the issuer);
d) In the territory of the self-governing city of Kutaisi - 200,000 GEL;
e) In the territory of the self-governing city of Rustavi - 200,000 GEL;
f) In the territory of the self-governing city of Poti - 100,000 GEL;
g) In the territory of Telavi municipality - 100,000 GEL;
h) In the territory of Gori municipality - 100,000 GEL;
i) In the territory of Marneuli municipality - 100,000 GEL;
j) In the territory of Zugdidi municipality - 100,000 GEL;
k) In the territory of Ozurgeti municipality - 100,000 GEL;
l) In the territory of Akhaltsikhe municipality - 100,000 GEL;
m) In the territory of Khashuri municipality - 100,000 GEL;
n) In the territory of Kobuleti municipality - 100,000 GEL;
o) In the territory of Khelvachauri municipality - 100,000 GEL;
p) In the territory of Senaki municipality - 100,000 GEL;
q) On the territories of other municipalities - 50,000 GEL.

Additionally, the Georgian government is authorized to raise the fee rate for the installation of gaming machines by a maximum of 30% within the initial 5 years of entry into force. This increase applies to the aforementioned fee rates.

Permits for setting up a casino and setting up a gaming machine salon are issued for a period of 5 years.

Permit fees for setting up a casino and setting up a gaming machine salon are paid annually.

The license issuer has the responsibility of monitoring compliance with, and ensuring that license holders adhere to, the conditions of the license. If there is no other administrative body designated by law to perform this function, the license issuer is authorized to carry out control functions. In cases where violations of other normative acts occur, the license issuer may impose penalties as provided for by law. The license issuer monitors compliance with the license conditions by conducting selective checks or requesting regular reports from the license holders. Unless otherwise specified by law, license holders must report on compliance with the license conditions every year between April 1 and May 1 by submitting a written report to the license issuer. License holders who receive a license within six months before the start of the reporting period are not required to submit a report to the license issuer. The license issuer only checks compliance with the license conditions by verifying the license terms. The license issuer is not authorized to investigate or request the presentation of factual circumstances that are not directly related to compliance with the license terms by the license holder.

The casino is responsible for maintaining public order and safety, as well as protecting the legal rights and interests of players and other individuals present at the gaming venue. Additionally, it is prohibited for individuals under the age of 25 (in case of Georgian citizens) or under the age of 18 (in case of foreign citizens or stateless persons) to enter, and/or participate in gambling or profitable games (excluding incentive draws) at, gaming venues. The gaming organizer is obligated to request a copy of an identity document or other legally recognized document in physical or electronic form from anyone entering the gaming venue, and through this document, verify the person's age before allowing them to participate in any gambling or profitable games.

The casino management is responsible for preventing entry into the casino premises by individuals listed as dependants, for whom personal information is being processed by the Revenue Service.

The municipality has the authority to designate specific places (such as territorial zones and buildings) where gambling and profitable games (excluding incentive raffles) can be organized, provided that they are not already designated by law (territorial zones and buildings).

Gaming business tax

Persons who engage in gambling and profitable games as part of their business activities are required to pay a fee to the municipality's budget, in addition to the fees already established for lottery organization.
Additionally, a fee for lottery arrangement must be paid to the state budget. These fees apply to individuals and entities that engage in business activities related to gambling and profitable games, and who are regulated by a permit in accordance with the laws of Georgia.

The objects of gaming fees are:

- Casino table and gaming machine(slot machine);
- Incentive raffle prize fund;
- Casino games organized in a system-electronic form in accordance with the proper permit issued on the basis of the casino arrangement permit, games of gaming machines organized in a system-electronic form in accordance with the appropriate permission issued on the basis of the permission for the arrangement of the gaming machine salon, sportsbook games organized in system-electronic form in accordance with the proper permit issued on the basis of the license to set up a sportsbook; the difference between the total value of the sold lottery tickets and the prize fund;
- Gambling and/or winning games cash register, organized in system-electronic form, located outside the facility organized on the basis of the permit to organize gambling and/or winning games.

Fee rates:

	Fee	**Period**
Each casino table	20,000-40,000 GEL	Quarterly
Each slot machine	2,000-4,000 GEL	Quarterly

Advertisement

Gambling cannot be advertised or promoted through any means, including electronic communication networks, unless:

- The mentioned advertisement is spread by placing it on the website on which it is allowed to organize casino games in a system-electronic form, organization of games of gaming machines in a system-electronic form and organization of games of sportsbook in a system-electronic form;
- The mentioned advertisement is distributed at sports events or competitions or at the location of a sports organization, and is mentioned as part of a sponsorship agreement;
- The mentioned advertisement is visually placed on the object where gambling, sportsbook, lotto and/or bingo are allowed;
- The mentioned advertisement is placed in the territory of the airport opened for international traffic and/or at the border-customs checkpoint.

Placing more than one sign with information about gambling is not allowed. This sign should not exceed 10 sq.m.

According to the Decree N33 of the City Council of Batumi Municipality of December 16, 2022, from January 1, 2023, table and gaming machine fees in the city of Batumi were equal to the established upper limits and the rates established in the city of Tbilisi.

Batumi Fee	**Old Fee**	**New Fee**
Each casino table	24,000 GEL	40,000 GEL
Each slot machine	2,600 GEL	4,000 GEL

Tbilisi Fee	**Quarterly Fee**
Each casino table	40,000 GEL
Each slot machine	4,000 GEL

In addition to the quarterly fees, the Law of Georgia on License and Permit Fees establishes an annual fee for casino, which varies by region.

Regulations related to loans

From 2019 a new regulation on lending to individuals, adopted by the National Bank, came into force, which affected the availability of mortgage loans for individuals. The aforesaid regulation introduced mandatory standards and procedures of assessing the solvency of borrowers by the credit organizations before issuing loans to them. In addition, the regulation defines mandatory limits on the payment-to-income ratio (PTI – the ratio between the monthly loan service payment and the borrower's monthly net income), as well as on the loan-to-value ratio (LTV - the ratio between the volume of the secured loan and the value of the collateral) which credit organizations are required to observe when issuing loans to individuals. The regulation on lending to individuals also defines maximum limits on maturity of mortgage loans and other types of consumer loans. Before the adoption of the regulation related to lending to individuals, there were no similar mandatory limits and/or mandatory standards regarding creditwhothiness assessment, and the relevant banking institutions were following their own internal policies and business processes. The tables presented below (see Table 1 and Table 2) describe the current limits on the payment-to-income and loan-to-value ratios applicable to the loans issued to individuals.

Table 1: Maximum payment-to-income (PTI) ratio		
Monthly net income (GEL or its equivalent in foreign currency)	**Loan in foreign currency**	**Monthly net income (GEL or its equivalent in foreign currency)**
<1,500	20%	25%
>=1,500	30%	50%

Table 2: Maximum loan-to-value ratio (LTV)	
For GEL loans	85%
For foreign currency loans	70%

Specific de-dollarisation measures have been implemented within the scope of the larisation reform developed jointly by the National Bank of Georgia and the Government of Georgia. As part of the larization reform changes were made to Georgian legislation, as a result of which:

- From July 2017 a new rule came into effect requiring entrepreneurs to display prices in Georgian Lari when offering and/or advertising any goods or services, including real estate (subject to certain exceptions provided for in the laws of Georgia);
- Effective from 2019 issuance of a loan (including a bank credit) of up to GEL 200,000 in a foreign currency has been prohibted (subject to certain exceptions determined by the National Bank of Georgia).

Recent counstruction regulations

- The fire safety regulations (the technical regulation N41 of the Government of Georgia on approval of the "Safety Rules for Buildings and Structures".), which was adopted in 2017 and is effective since 2017, imposes stricter safety regulations for developers and stricter quality standards for producers/importers of construction products.
- After the government decree N41 on approval of the technical regulation "Safety rules for buildings and structures" came into force, it was banned from the beginning of 2019 to sell K2 coefficient. As a result, construction area will be capped to original parameters indicated in the project, eliminating the erlier practice of having K2 coefficient increased in exchange for certain fees.
- According to the government decree N41 of the Government of Georgia on approval of the "Safety Rules for Buildings and Structures, in March 2019 the Tbilisi City Hall adopted a masterplan of Tbilisi development, which defines common parameters and restrictions of construction within the boundaries of Tbilisi.
- According to the government decree N41 of the Government of Georgia on approval of the "Safety Rules for Buildings and Structures, from July 1, 2023, all new buildings must meet the minimum energy efficiency requirements. In particular, the relevant by-law determines what the building's roof, walls or floor should look like, for example. The law also applies to existing buildings that require reconstruction.

Construction Permits

For construction permit purposes, buildings are divided into five classes:

- 1st class buildings - no construction permit is required;
- 2nd class buildings - buildings with low risk factors;
- 3rd class buildings - buildings with medium risk factors;
- 4th class buildings - buildings with high risk factors;
- 5th class buildings - buildings with very high risk factors.

Process of Issuing the Permits

Stage I - Statement of urban construction terms

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

Stage II - Approval of architectural-construction design

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. Timeframe is from 5 to 25 working days depending on the project scale.

Stage III - Issuance of Construction Permit

Company needs to submit a soil survey, an independent engineer's report, as well as a construction site organization map and a construction time schedule. Timeframe is from 5 to 25 working days depending on the project scale. At the end of this stage building permit is to be issued.

State bodies responsible for the issuance of construction permits

Local self-governmental (municipal) bodies – for II and III class buildings (at stages I and II) within their respective municipal territories, except in Gudauri, Bakuriani, Bakhmaro, Ureki-Shekvetili recreational territories, and the special regulatory zones located in Borjomi.

Local self-governmental (municipal) bodies – for class IV buildings (at stages I and II) with the participation of respective state bodies.

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

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

Corresponding local bodies of Adjara Autonomous Republic and Abkhazia Autonomous Republic - for II, III and IV class buildings (at all stages) within the territories of the Autonomous Republics

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

The Ministry of Economy and Sustainable Development – for V class buildings

The Company has obtained the permits for all current construction projects. Permits for future projects will be obtained after these projects enter the active phase.

The Company is a "reporting entity" for the purposes of the Law of Georgia on Securities Market. This means that the Company complies with regulations related to transparency, periodic reporting and current information disclosure, corporate management, and other matters.

These requirements may impose an additional regulatory burden on the Company, and in some cases, it may not be able to fully meet them.

Governing body and management

Overview

The Company charter specifies the general meeting, supervisory board, and director as its governing bodies. The governing bodies and its members are limited to performing their activities and making decisions solely within the scope of their legally established competence as defined by the law and/or the Company charter.

General meeting of partners

The Company is required to hold an annual general meeting at least once a year, no later than 6 months after the annual balance is drawn up. The responsibility for convening the next general meeting lies with the director. A decision can be made at the meeting if partners holding the majority of votes are present. Partners and governing bodies are obligated to implement decisions made within the scope of the general meeting's authority as determined by law and the charter. The general meeting is authorized to make decisions on matters within its jurisdiction as set forth in the law and the charter. The authority of the general meeting may be expanded based on a decision made by the partners.

According to the Law on Entrepreneurs of Georgia and the charter, partners are authorized to make decisions, among other things, at the general meeting of partners on the following issues:

- Checking and receiving annual reports, as well as distribution of economic results;
- Appointing a director, signing a service contract with him and dismissing him from his position;
- Approval of director's reports;
- Approval of the financial report;
- Distribution of company's property between the partners;
- Acquisition of a share in its capital by the company;
- Change of rights arising from shares or classes of shares;
- Dismissal of the partner from company;
- Partner's exit from company;
- Creation and abolition of the Supervisory Board, appointment and dismissal of members of the Supervisory Board;
- Participation in the ongoing legal process against the director (including the appointment of a representative for this process);
- Reorganization of company;
- Amendment to the founding agreement of the company/adopting a new version of the charter.
- Purchase/allocation of property by the company, the total value of which in a calendar year exceeds 300,000 (three hundred thousand) GEL including all taxes;
- Taking loans by the company and securing them, as well as lending by the company;
- issuing the surety;
- Use of security;
- Executing any contract, the value of which in a calendar year exceeds 300,000 (three hundred thousand) GEL;
- Approval of the work done by the Supervisory Board.

The rights of the Issuer's partners are regulated by the charter. The Issuer is managed in accordance with the charter and the Georgian Law on Entrepreneurs.

Supervisory Board

In order to control the activities of the managing body/persons, the company has a supervisory board consisting of not less than 3 and not more than 21 members. The members of the supervisory board are appointed and dismissed by the Partner Meeting.

The tasks and competence of the Supervisory Board include the following:

- Control of director's activities;
- Approving and amending the policy related to the company and any regulatory documents;
- Requesting the activity report (including relations with subsidiaries and related enterprises) from the directors and reviewing information about the internal audit and independent inspection;
- Inspection of the company's accounting books and its property, including the personal inspection of the company's cash and securities and goods' condition, through individual members or oursource experts;
- Checking the annual accounts, reviewing the profit distribution proposal and presenting the corresponding report to the general meeting; In the notice, the Supervisory Board indicates how and to what extent has been checked the management of the company during the last financial year, which part of the annual report and the activity report has been checked and whether these checks led to substantial changes in the final results;
  To exercise the authorities granted by the law of Georgia.

The Chairman of the Supervisory Board is authorized to request and immediately receive any documentation and information related to the activities of the company.

The member of the supervisory board of the company is obliged to diligently supervise the activities of the management body/managers of the company and in the cases provided by law to represent the company to the management body/managers.

Director

The director manages the company and represents it to third parties

The director is obliged to follow the decisions of the partners/shareholders while exercising the managerial and representative powers.

The director exercises his duties in accordance with the rules and within the scope established by the charter of the company and and the law of Georgia "On Entrepreneurs".

The general meeting of partners (shareholders) appoints and dismisses the director.

The general meeting partners (shareholders) has the right to dismiss the director at any time without specifying the relevant grounds. Any agreement inconsistent with this provision is void.

The director has the right to resign. In such a case, the director is obliged to follow the requirements and procedures defined by the service contract concluded with the company and the applicable legislation.

Director's Obligactions:

- The director is obliged to manage the company's affairs in a reasonable and conscientious manner, in particular, to take care of it as an ordinary, as a reasonable and rational person would take/act under similar circumstances, with the belief that his action is the most economically beneficial for the company;
- The director is liable to the company for damages caused by failure to fulfill the fiduciary duty by fault. It is not allowed to limit the director's liability for intentional failure to fulfill this duty;
- The director has no right, without the consent of the company, to carry out the same activity as the company, or to be the head of another entrepreneurial company operating in the same field. Under the service contract this obligation of the director may remain in force even after his dismissal, but for a period of not more than 3 years;
- The director does not have the right, without the prior consent of the company, to take advantage of a business opportunity related to the activity of the company, which became available to him during the performance of his duties or due to his official position, for personal benefit or, for the benefit of other persons outside of this company, and which, from a reasonable point of view, would be the interest of the company.

Members of the issuer's management team

Mamuka Shurgaia – CEO of Silk Real Estate and the general director of SRG Investments LLC

Mamuka Shurgaia joined Silk Road Group in 2011 as a CFO of the group after working as senior auditor with EY (Earnst&Young). Mamuka holds an MBA from Grenoble Ecole de Management and is a supervisory board member of JSC Silknet.

Mamuka Shurghaia was appointed/registered as the director of "Silk Real Estate" LLC from August 19, 2022 for the unlimited term. His main functions include management of the company and representation in relations with third parties, as well as implementation of the functions assigned to it by law and the charter.

Vasil Kenkishvili - General Director of SRG Investments LLC

Vasil Kenkishvili joined Silk Road Group in 2006 as a Chief Legal Counsel and was promoted to Director in early 2010. He holds a law degree from the Faculty of Law of Tbilisi State University and a master's degree in international legal studies from the American University, Washington College of Law, Washington DC, USA. He has completed the course of the Harvard University Law School's Negotiation Program. He is a member of the supervisory boards of various companies of the group. Vasil Kenkishvili previously worked in the Ministry of State Property Management, the Parliament of Georgia and the Georgian Railways.

Vasil Kenkishvili was appointed/registered as the director of "SRG Investments" LLC from May 27, 2011 for the unlimited term. His main functions include management of the company and representation in relations with third parties, as well as implementation of the functions assigned to it by law and statute.

Nona Oniani- CFO of SRG Investments LLC

Nona Oniani joined SRG in 2022 after several years in corporate banking in TBC Bank where she covered real estate and hospitality clients. Nona holds a bachelor's degree in Business Administration from Free University of Tbilisi.

Nona Oniani was appointed as the financial director of "SRG Investments" LLC from June 1, 2022. Her employment contract is formally valid until the end of 2024, although with the promise of further extension. Her main functions include management of financial issues of the company and its portfolio companies, budgeting, budget execution, audit and control.

Lia Dolidze - Chief Project Managerat SRG Investments LLC

Lia Dolidze joined Silk Road Group in 2007 as procurement manager after working in number of project financed by the World Bank. She graduated from Ilia State University with major in western langiuages and completes project manajement certificate courses from George Washington University, USA.

Lia Dolidze was appointed as the chief project manager of "SRG Investments" LLC from January 1, 2022. Her employment contract is formally valid until the end of 2024, although with the promise of further extension. Her main duties include coordinating project management teams from the design stage to the full project handover.

Anton Johan Hendrik Kuijt – Chief Executive Officer of Silk Hospitality

Johan Kuijt is the chief executive officer of Silk Hospitality and the general manager of Radisson Blu Iveria Tbilisi Hotel. He joined Silk Road Group in 2016 after holding senior positions in the hospitality sector in Europe. Mr. Kuijt graduated from HotelSchool, The Hague and of Cornell University (USA) Executive Programs in Hospitality Finance and Hotel Investment.

Johan Kuijt was appointed as the chief executive officer of "Silk Hospitality" LLC from March 26, 2021 for the unlimited term. His main functions include management of the company, representation to third parties, as well as implementation of the following functions assigned to it by law and statute: strategic development of the company, establishment of mission and vision. He oversees all functions of the company, including: finance, operations, marketing and human resources; ensures compliance with all norms defined by Georgian legislation. He is responsible for the efficient and smooth operation of the company.

David Rapava – CFO of Silk Hospitality

David Rapava joined Silk Road Group in the late 1990s, and was CEO of SRG's transportation business for many years. Born in Sokhumi, Georgia, he studied Economics at the Tbilisi State University, Georgia. He also heads the Entertainment division.

Davit Rapava was appointed as the financial director of "Silk Hospitality" LLC from March 26, 2021 for an indefinite period. His main functions include the management of financial operations of the organization in accordance with the legislation of Georgia. He oversees financial planning, analysis, accounting and financial reporting, budgeting and cash management. He actively participates in the company's strategic planning and making business decisions.

Elene Machavariani – COO of Silk Hospitality

Elene Machavariani joined Silk Road Group in 2021, after several years with a leading hospitality group in Georgia. Elene holds a degree in international law and diplomacy from American University for Humanities, Tbilisi.

Elene Machavariani was appointed as the operational director of "Silk Hospitality" LLC from March 26, 2021 for the unlimited term. Her main functions include the development of an operational strategy based on the company's strategy. She is responsible for developing and implementing operational policies, rules and procedures; Monitors and analyzes the company's operational activities; Represents the company with third parties; Participates in budgeting and setting general goals of the company.

Giorgi Kapanadze – Business Development Director of SRG Investments LLC

Giorgi Kapanadze joined Silk Road Group in 2018 after ten years as General Director of a large Georgian development company. He has a degree in Civil Engineering from Georgian Technical University and the MBA from Free University, Tbilisi.

Giorgi Kapanadze was appointed as the director of business development of "SRG Investments" LLC from January 1, 2022. His employment contract is formally valid until the end of 2023, although with the promise of further extension. His main functions include the development, planning and implementation of the company's real estate development, marketing and sales strategy. Studying the real estate market and analyzing threats and prospects.

Members of Supervisory Board:

Giorgi Ramishvili - Chairman of the Supervisory Board

Giorgi Ramishvili is the founder and controlling shareholder of Silk Road Group. He is the chairman of the supervisory boards of Silk Real Estate LLC and Silknet JSC. He has more than 25 year experience of business development. Mr. Ramishvili is author and the founder of Tsinandali Classical Music, the chairman of the board of National Geographic Georgia.

Giorgi Ramishvili was registered as the chairman and member of the supervisory board of "Silk Real Estate" LLC for a period of 3 years from December 5, 2022. His main duties include chairing the meetings of the Supervisory Board and carrying out other functions under the company's charter, including convening the meetings of the Supervisory Board and defining the agenda.

Alex Topuria - Member of the Supervisory Board

Alex Topuria joined Silk Road Group in the late 1990s. He is the shareholder of Silk Road Group, the member of te supervisory boards of Silk Real Estate LLC and Silknet JSC and also a major beneficial owner pf FC Club Locomotive.

Alex Topuria was registered as a member of the Supervisory Board of "Silk Real Estate" LLC for a period of 3 years from December 5, 2022. His main duties include participation in the sessions of the Supervisory Board and implementation of the functions stipulated by the company's charter.

David Franz Borger - Member of the Supervisory Board

David Borger joined SRG as a partner in 2005. He studied business at Witten-Herdecke University, Germany, and holds a PhD in accounting and finance from the London School of Economics. David Borger is the member of the supervisory boards of Silk Real Estate LLC and Silknet JSC.

David Borger was registered as a member of the Supervisory Board of "Silk Real Estate" LLC for a period of 3 years from December 5, 2022. His main activities include participation in the sessions of the Supervisory Board and implementation of the functions stipulated by the company's charter.

Berna Ulman – Independent Member of the Supervisory Board

Berna Ullmann is an independent member of the Supervisory Board. Currently, he is also a member of the supervisory board of AKis Real Estate Ivestment Trust, SEV Education and Health Foundation. Berna currently lives in Istanbul. Studied business administration at Bosphorus University. He has a master's degree in finance from the University of Tennessee.

Berna Ullman was registered as a member of the Supervisory Board of "Silk Real Estate" LLC for a period of 3 years from December 26, 2022. Its main activities include participation in the sessions of the Supervisory Board and implementation of the functions stipulated by the company's charter.

Wolfgang Mathias Neumann - Member of the Supervisory Board

Wolfgang Neumann is an experienced senior executive with a diversified portfolio of non-executive and strategic advisory roles in the broad hospitality, travel and tourism sectors. Since 2022, he has been a member of the Supervisory Board of Silk Real Estate.

Wolfgang Neumann was registered as a member of the Supervisory Board of "Silk Real Estate" LLC for a period of 3 years from December 26, 2022. His main activities include participation in the sessions of the Supervisory Board and implementation of the functions stipulated by the company's charter.

Vasil Kenkishvili - Member of the Supervisory Board

Vasil Kenkishvili joined Silk Road Group in 2006 as Chief Legal Counsel and was promoted to Director in early 2010. He holds a law degree from the Faculty of Law of Tbilisi State University and a master's degree in international legal studies from the American University, Washington College of Law, Washington DC, USA. He has completed the course of the Harvard University Law School's Negotiation Program. He is a member of the supervisory boards of various companies of the group. Vasil Kenkishvili previously worked in the Ministry of State Property Management, the Parliament of Georgia and the Georgian Railways.

Vasil Kenkisvili was registered as a member of the Supervisory Board of "Silk Real Estate" LLC for a period of 3 years from December 5, 2022. His main activities include participation in the sessions of the Supervisory Board and implementation of the functions stipulated by the company's charter.

Vakhtang Ghonghadze - Member of the Supervisory Board

Vakhtang Ghonghadze joined the Silk Road Group in 2003 as a legal advisor for the group's international logistics and trade activities, and in 2004 he was promoted to the position of chief lawyer, and in 2012 he became the chief executive officer of the group's energy division. Vakhtang Ghonhgadze holds a law degree from the Faculty of Law of the Ivane Javakhishvili Tbilisi State University and completed a one-year master's course (2002-2003) in European law within the framework of the joint project of the Ivane Javakhishvili Tbilisi State University and the Robert Bosch Stiftung. Vakhtan Ghonghadze has completed the London Business School's "Sustainability Leadership and Corporate Responsibility" certification course (London Business School, UK). He is also the Chairman of the Supervisory Board of "Lemon 2009" LLC and a member of the Supervisory Board of "Bakhvi Hydro Power" LLC.

Directors and members of the Supervisory Board have a 3-year term. If no changes are made, the contract is renewed automatically.

The risk and audit committee consists of 4 members: Berna Ulman (chairman of the committee and independent member of the Board of Directors), Vakhtang Ghonghadze (secretary of the committee), Wolfgang Neumann (independent member of the Board of Directors) and David Franz Borger.

The responsibilities of the Environmental Protection, Social, Governance, and Compensation Committee of the company include providing assistance to the Supervisory Board in executing its supervisory duties in the following areas: (1) developing recommendations for the Supervisory Board regarding the compensation and bonus system of the company's directors and managers, (2) monitoring the alignment of the company's environmental protection, social, governance, and compensation strategy with its business strategy, and (3) evaluating the extent to which the company's environmental protection, social, governance, and compensation strategy adheres to the principles generally accepted in comparable businesses.

The company's Environmental, Social, Governance and Compensation Committee consists of 5 members: Wolfgang Neumann (Chairman of the Committee), Vakhtang Ghonghadze (Secretary of the Committee), Berna Ulman, Vasil Kenkishvili and David Franz Borger

Person	Position	Other companies where the person is represented	A case of bankruptcy/liquidation has been registered
Mamuka Shurgaia	1. Member of the Supervisory Board, 01.2018 - until today; 2. Director, 09.2019 - present; 3. Director, 06.2014.	**1. JSC "Silknet"** (ID 204566978) **2. "Silk Road Group Holding" LLC** (ID 404579354); **3. "Helvetia Petroleum (Malta) Limited"** (Registration # C38469)	No
Vasil Kenkishvili	1. Director, 07.2014; 2. Chairman of the Supervisory Board - 06.2011 – 06.2018; Deputy Chairman/Co-Chairman of the Supervisory Board - 06.2018 – present; 3. Deputy Chairman of the Supervisory Board - 02.2020 until today; Member of the Supervisory Board - from 04.2017; 4. Member of the Board, 04.2012 - until today; 5. Director, 09.2019 – present; 6. Director, 06.2022 - present. 7. Director and founder, 03.2010 (not related to Silk Road Group)	**1. "Silk Road Group Holding (Malta) Limited"** (Registration # C41521); **2. JSC "Silk Bank" (Silk Bank)** (ID 201955027) **3. JSC "Silknet"** (ID 204566978) **4. N(N)LE "NG Georgia"** (ID 404940310); **5. "Silk Road Group Holding" LLC** (ID 404579354) **6. "Silknet Holding" LLC** (ID 404569285) **7. "PLS" LLC** (ID 404858427)	No
Vakhtang Ghonghadze	1. Member of the Supervisory Board, from 2017 until today. 2. Director, 30.06.2022 - present ; 3. Director from 11.05.2011 - present. 4. Director from 17.07.2015 present.	**1. Bakhvi Hydro Power LLC** (ID 205270810) **2. Silk Solar LLC (**ID 404643329) **3. Silk Road Energy LLC** (ID 404897563)	No

	5. Director and founder, 20.09.2022 (not related to Silk Road Group) 6. Director and founder since 04.06.2008 7. Board member and founder since 05.07.2010 8. Director and founder since 07.10.2009	**4. Machakhela HPP LLC** (ID 40494099) **5. Energy Partners 2022 LLC** (ID 405561832) **6. Bona Fide Consulting LLC** (ID 205255800) **7. JSC Association School of Lawyers** (ID 404861663) **8. Legal Assistance and Assurance Agency LLC** (ID 205289285)	
George Ramishvili	1. Chairman of the Supervisory Board 07.2010 - present; 2. Chairman of the Board, 04.2012 - present; 3. Chairman of the Board, 02.2017 - present; 4. Chairman of the Board, 07.2018 - present;	**1. JSC "Silknet"** (ID 204566978) **2. N(N)LE "NG Georgia"** (ID 404940310) **3. N(N)LE "Tsinandli Festival"** (ID 431177022) **4. N(N)LE "Wounded Warrior Support Foundation"** (ID 402093051)	No
David Franz Borger	1. Member of the Supervisory Board: 12.2014 – 06.2018; Chairman of the Supervisory Board: 06.2018 – 02.2019; Member of the Supervisory Board: 02.2019 - present. 2. Member of the Supervisory Board: 08.2016 - present; 3. Member of the Board, 02.2017 - present; 4. Director, 12.2016 - present; 5. Director and founder, 07.2005 - present;	**1. JSC "Silk Bank" (Silk Bank)** (ID 201955027) **2. JSC "Silknet"** (ID 204566978) **3. N(N)LE "Tsinandli Festival"** (ID 431177022) **4. "SRS Georgia Fund" LLC** (ID 404524895) **5. "Silk Road Services GmbH"** (HRB 158221)	No
Alex Topuria	1. Member of the Supervisory Board 07.2010 - present;	**1. JSC "Silknet"** (ID 204566978)	არა

	2. Member of the Board, 02.2017 - present; 3. Member of the Board, 07.2018 - present; 4. Director, 01.2023 – present.	**2. N(N)LE "Tsinandli Festival"** (ID 431177022) **3. N(N)LE "Wounded Warrior Support Foundation"** (ID 402093051) **4. JSC "Silk Holding"** (ID 405496404)	
Berna Ulman	Independent member of the Supervisory Board	Akis Real Estate Investment Trust, SEV Education, Health Foundation	No
Wolfgang Mathias Neumann	1. Independent member of the Supervisory Board 2. Non-executive director, member of the advisory board; 3. Chairman of the Supervisory Board; 4. Non-Executive Director 5. Chairman of the Supervisory Board 6. Member of Global Real Estate Investment Management	1.Sustanibale Hospitality Alliance; 2. Guestline 3.Angama 4.Grivalia Hospitality 5. Hotel School The Hague 6. Invesco Real Estate	No

Compensation and benefits

For additional information regarding total remuneration received by the Issuer's top management and so-called additional benefits, see the "Shadeholders" - "Related Party Transactions".

Conflict of interest

There is no conflict of interest between the members of Supervisory Board and executive management described in the subsection "Governing Body and Management" of the prospectus registration document. There is no relationship between the members described in the Prospectus registration document " Governing Body and Management ".

The members of the Issuer's supervisory board and executive management are elected and appointed to their respective positions in accordance with the laws of Georgia and the Issuer's charter, and there is no other agreement/deal regarding the appointment of these members. As of the date of preparation of this prospectus, there are no restrictions on the sale of shares in the Issuer's securities.

Complaint statement

As of the date of this prospectus, none of the members of the Supervisory Board and executive management, as well as - none of the members described in the subsection "Governing Body and Management" of the prospectus registration document, for at least the last five years:

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

Pensions

The Issuer is subject to the mandatory state pension scheme provided for by the law of Georgia. The law, passed on July 21, 2018, allows up to 6% of an individual's income to be invested in their personal pension account. This scheme requires a 2% contribution each from the employee and employer, with the additional contribution varying depending on the employee's income. Currently, the government reimburses the pension scheme participant annually, with the amount being 2% of the employee's taxable income if their total annual income does not exceed 24,000 GEL. For those with a total annual income between 24,000 to 60,000 GEL, the government reimburses 1% of their taxable income. However, the government does not make any contribution if the employee's annual taxable income exceeds 60,000 GEL (only on the part of the income that exceeds 60,000 GEL per year).

A brief description of the corporate governance standard in the company

The Company is an accountable enterprise and will be subject to the Corporate Governance Code of Public Securities Issuers approved by the Order N172/04 of the President of the National Bank of Georgia. The code came into force in January 2022. The Issuers must submit annual reports prepared in accordance with the Governance Code. The Code follows the "comply or explain and propose aletrnative" approach and encourages the adoption of best corporate governance practices. The Governance Code requires each enterprise to have internal policy documents that correspond to the profile, scale, and complexity of its activity, and to have a code of ethics that regulates conflict of interest, abuse of power, corruption, insider trading, money laundering, and other illegal activities. Furthermore, regardless of the scope and complexity of the enterprise's activity, its supervisory board must consist of at least 5 members, with at least 2 members meeting the independence criteria defined by law.

The Shareholders

As of the date of this Prospectus, the issuer's 95% shareholder is the limited liability company Silk Road Group Holding LLC (ID 404579354), and the owner of the 5% share is the limited liability company Amphidon Holding (Malta) Limited, (C96531 - Malta).

Shareholder	**Share in Capital**
Silk Road Group Holding (ID 404579354)	95%
Amphidon Holding (Malta) Limited (C96531)	5%

In turn, the owner of 100% of the capital of Silk Road Group Holding LLC is Comodon Holding (Malta) Limited.

Shareholders of Silk Road Group Holding (Malta) Limited[11]:

Shareholoder	Share in Capital
George Ramishvili	61.90%
Alex Topuria	28.58%
SRS Georgia Fund LLC	9.52%

Shareholder of SRS Georgia Fund :

Shareholoder	Share in Capital
Silk Road Services GmbH	100%

Shareholder of Silk Road Services GmbH

Shareholoder	Share in Capital
David Borger	100%

Shareholder of Nephrite Holdings Limited:

Shareholder	Share in capital
Breitenberg Pte. Limited	100%

Shareholders of Breitenberg Pte. Limited

Shareholder	Share in capital
Yerkin Tatisev	98%
Topaz SG Pte.	2%

Shareholders of Topaz SG Pte.Shareholder	Share in capital
Yerkin Tatisev	100%

As of the date of this Prospectus, the ultimate beneficial owners of the issuer are George Ramishvili (36.51%), Yerkin Tatishev (36.51%), Aleksi Topuria (16.86%), and David Borger (5.62%), who together hold 95.5% of the shares. The remaining 4.5% is owned by partners with insignificant shares. Prometheus Holding owns a 95% stake in Silk Real Estate. George Ramishvili is the

[11] portion of the shares of Silk Road Group (Malta) Limited is registered under Artio Trust Limited based on a fiduciary agreement

founder and controlling shareholder of the company, and in the holding structure, no company owner has a different voting right.

The "issuer" is not aware of any transaction that relates to future changes in the control structure of the "issuer," including ownership changes.

Silk Road Group

The Issuer is a company within the Silk Road Group. Silk Road Group, on the other hand, is a private investment group founded in 1997 in Georgia by Giorgi Ramishvili. He is currently the chairman of the company's supervisory board.

Silk Road Group is a multi-profile holding whose activities and subsidiaries, in addition to the Issuer, including electric power (including "Bakhvi Hydro Power" LLC), banking (JSC "Silk Bank"), transportation and telecommunications (JSC "Silknet") fields.

Today, the Silk Road Group employs approximately 5,000 people across the country, and the company owns approximately $400 million in tangible assets. Over the past ten years, the Silk Road Group, together with partners and other working parties, has invested approximately 500 million US dollars in the economy of Georgia. Experience working with and partnering with providers and professional services companies including ELF, Total, BP, Glencore, Vitol, Hurricane Hydrocarbons, ISAF (United Nations-led international security assistance force in afghanistan), Carlson Rezidor Hotel Group (owner of Radisson Blu brand), BNP Paribas, Banque Cantonale de Geneve, Fortis Bank, ABN Amro, ING, TBC Bank, Bank of Georgia, Huawei ZTE, Orange, Smithsonian Institute and National Geographic.

Group transactions in capital markets

It should be noted that the group is active in both local and international capital markets. Over the past 6 years, Silk Road Group companies have successfully placed bonds with a nominal value of approximately USD 560 million in total:

- In August 2017, JSC "Silknet" issued bonds worth 34,000,000 (thirty-four million) GEL, whose annual interest rate (coupon) was 350 basis points plus the monetary policy rate ("Spread"). As of today, the said bonds are fully covered;
- In November 2017, "Bakhvi Hydro Power" LLC issued bonds worth 1,265,000 (one million two hundred and sixty-five thousand) US dollars, the annual interest rate (coupon) of which was 9.4% of the nominal value. The term of the bonds was set at 10 years;
- In April 2019, JSC "Silknet" issued Eurobonds worth 200,000,000 (two hundred million) US dollars, the annual interest rate (coupon) of which is 11.0%. The bonds were listed on the Irish Stock Exchange.
- In January 2022, JSC "Silknet" issued Eurobonds worth 300,000,000 (three hundred million) US dollars, the annual interest rate (coupon) of which is 8.375%. The bonds were listed on the Irish Stock Exchange.
- In 2023, "Silk Real Estate" LLC issued bonds with a nominal value of USD 40,000,000 in two tranches, in April and September. The term of the bonds was set for 3 years. The coupon of the first tranche (ISIN: GE2700604301) was 9.0% pa and that of the second tranche (ISIN: GE 2700604525) was 9.25% pa.

Related Party Transactions

According to the definitions of related party in accordance with IAS 24, parties are considered related if one party has the ability to control or jointly control the other party, or to exercise significant influence over the other party in making financial or operational decisions. When considering the one-to-one relationship of each possible related party, the focus should be on the substance of the relationship, not just the legal form.

Key management received the following remuneration during the year, which is included in wages and other employee benefits. Some of the directors of the group also act as directors in other related party entries (parent and entities under common control).

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Salaries and other benefits	11,077	9,471	6,279

As of 2023, salaries and other remuneration paid to related parties amounted to 11,077 thousand GEL.

'000 GEL	*Transaction value at the end of the period*			Outstanding balance		
	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2023	31-Dec-2022	31-Dec-2021
Other revenue and income						
Entities under common control	6,763	4,646	5,619	2,164	2,111	2,943
Operating expenses						
Entities under common control	(733)	(698)	(2,965)	(1,206)	(1,418)	(1,410)
Sale of investment property:						
Entities under common control	-	-	-	-	-	-
Joint venture	-	-	-	-	-	-
Loans issued						
Entities under common control	(7,340)	(7,141)	(9,292)	19,735	224,009	267,670
Parent company	-	-	(894)	-	-	10,315
Loans received						
Entities under common control		-	-	(4,809)	(19,180)	(21,057)
Parent company	(82,171)	(1,846)	(6,758)	(5,269)	(32,073)	(49,465)

Transaction values for loans and sales transactions represent original cash proceeds and payments and do not consider settlement of the transactions. All outstanding balances with related parties, except for the loans receivable and loans and borrowings, are to be settled in cash within one year of the reporting date. None of the related party balances are secured, except fot loans from JSC Silk Bank.

'000 GEL	31-Dec-2023	31-Dec-2022	31-Dec-2021
Interest income on loans to related parties			
Interest income	8,423	18,639	19,443
Interest expense on loans and borrowings from related parties			
Interest expense	3,085	3,561	3,250

As of 2023, interest income in the amount of 8,423 thousand GEL was accrued to related party loans (31/12/2022: 18,639 thousand GEL). Interest accrued on loans and credits taken from related parties in 2023 amounted to 3,085 thousand GEL (31/12/2022: 3,561 thousand GEL).

On December 31, 2022, an agreement was signed between the Group and a related party (a company under common control, categorized as a category 4 enterprise) for the forgiveness of total outstanding loans amounting to 11,632 thousand USD and 1,003 thousand GEL. The USD loan was issued on June 18, 2018, and the GEL loan was issued on December 20, 2018, with both loans maturing on December 31, 2022. These loans were originally intended to fulfill existing banking obligations. The Expected Credit Loss (ECL) calculations were deemed immaterial and therefore are not reflected in the audited report. The transaction was treated as a transaction with shareholders acting within their powers, resulting in the recognition of 32,435 thousand GEL directly in the capital.

On August 7, 2022, a loan adjustment was signed between the group and its intermediate parent company to extend the loan term from December 31, 2022 to December 31, 2030, on non-market terms (with a nominal interest rate of 4%). As a result, upon initial recognition, Parent Company Loan #1 was discounted at a market interest rate of 7.6% and the difference of GEL 9,900 thousand between the book value and fair value of the loan was recognized directly in equity. During 2023, the aforementioned loan was repaid in full and the impact of early repayment in the amount of 9,785 thousand GEL along with the impact of the initial discounting of Parent Company Loan #2 in the amount of 2,545 thousand GEL was deducted directly from the capital.

Dividend Policy

The company has no declared dividend policy.

The decision on the distribution of dividends is made by the general meeting of partners, based on the recommendations from the supervisory board and the director.

A partner, based on the decision on the distribution of the company's profits/property, is entitled to receive an annual or interim dividend. The dividend is determined in proportion to the share of the partners in the company.

Litigation and other proceedings

Below is information about the Group's current and future (if any) material litigations as of the date of approval of the prospectus (group companies are also involved in certain immaterial proceedings where the value of the subject matter of the dispute does not exceed 15,000 GEL). As a result of the proceedings, none of the company's assets are attached/under lien. Where monetary data is not provided in relation to a dispute given in the table below, such dispute is of non-monetary nature and monetary data is not being evaluated.

Claimant	Respondent	Description	Monetary Value	Date of initiation of proceedings	Status and predicted/expected outcome (including estimation of potential profit/loss)
JK Peizajh Mimarligi Insaat Taahut Sanai ve Tijaret	Tsinandali Estate LLC	Due to unfulfillment of obligations under the service agreement	35 000 USD equivalent in GEL + 8% per annum as lost profit	12/03/2019	Proceedings pending in the court of first instance. The Group believes that the claim has a chance of success.
Adjara Resorts JSC	Mshenberi LLC Batumi City Hall	Administrative dispute – cancellation of the Construction Permit	-	30/07/2019	Parties may agree to settle the dispute.
Individual Varol Ayvaz	Limoni 2009 LLC	Due to the failure to win the money from	1,301,326.64 GEL	18/10/2019	Proceedings pending in the court of first

		the casino			instance. The Group believes that the claim has low chance of success.
Center Plaza LLC	National Agency of Public Registry and Iveroni LLC	Termination of registration (property overlay in Underground Complex at Republic Square)	-	December, 2017	Claim was satisfied by the courts of first and second instances. The decision of the court of second instance was appealled in court of cassation.
Keti Khozrevanidze	Limoni 2009 LLC	Due to termination of employment	2800 GEL + Penalty + forced idleness + restoration to work position	17/11/2021	Proceedings pending in the court of first instance.
Limoni 2009 LLC	Planet Creative LLC	Due to unfulfillment of obligations under the service agreement	47 260 GEL + 14 178 GEL (Penalty)	16.12.2022	Proceedings pending in the court of first instance. The Group believes that the claim has a chance of success.
LLC Mshenberi	Batumi City Hall - the defendant JSC Adjara Resorts - third party	Administrative dispute - cancellation of construction permit	-	10/10/2022	Proceedings pending in the court of first instance. The Group believes that the claim has low chance of success.

A description of significant changes in the issuer's financial or commercial condition

After December 31, 2023, until the date of preparation of the Prospectus, there were no significant changes related to the financial or commercial activities of the Issuer.

According to the shareholders' resolution of April 30, 2024, the capital of the company increased by 80,902 thousand GEL.

Capital

The "Company" has not subscribed capital according to the Law of Georgia on Entreprenaurs. For more details see “Operating and Financial Overview, Financial Condition, Total Capital in the prospectus registration document.

List of documents specified in the registration document

The following documents are specified in the registration document:

- Company charter (published on the public registry portal napr.gov.ge. Search application number in the NAPR system: B23117914)
- Extract from the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities (view number: B24058839)
- Agreement between placement agent/agents and issuer;
- Agreement between the calculation and payment agent and the issuer;
- The Company's financial statements are published on the Reporting portal (https://reportal.ge/);
- Agreement between the bondholders’ representatives and the issuer;
- Surety agreement.

The documents listed above are confidential (except for public documents published on the website of Audit Office and National Agency of Public Registry) and the Issuer does not intend to publish these documents, however, existing and potential investors may review them in physical form at the address specified in the Issuer's Prospectus, as well as in electronic form upon request made to the Issuer's email address specified in the Prospectus. Sharing of the latest available version of these documents with existing investors should be done in electronic form no later than 5 working days after the request is made.

Overview of the securities

Application for working capital

The company's working capital (current assets minus short-term liabilities) as of December 31, 2023 was 36,425 thousand GEL (31/12/2022: 32,372 thousand GEL), which is sufficient to finance the current operations of the company.

Description of the interest of individuals and legal entities involved in the implementation of the offer

The Issuer and the Placement Agent 1 (Galt & Taggart JSC), the Issuer's auditors and third parties or experts involved in the preparation of this prospectus are not related persons and there is no conflict of interest between them.

There is a possibility that part of the Bonds will be purchased by JSC Bank of Georgia, which is one of the largest commercial banks operating in Georgia and is affiliated with Placement Agent 1. Specifically, Placement Agent 1 and JSC Bank of Georgia are indirectly related as they are members of the same group - the ultimate controlling party of JSC Bank of Georgia and Placement Agent 1 is the Bank of Georgia Group PLC. At the same time, the management of JSC Bank of Georgia's corporate banking direction (which includes both corporate loan issuance and investment in bonds) has been authorized by the group (controlling party) to make decisions regarding Placement Agent 1 on behalf of the group. These circumstances may create a conflict of interest between, on the one hand, Placement Agent 1 and the issuer, and on the other hand, Placement Agent 1 and JSC Bank of Georgia. However, the issuer believes that the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 1 declares and confirms that JSC Bank of Georgia will be treated as one of the investors on an equal and equitable basis;

(b) If during the process of forming the final interest rate (Book-building), the interest expressed by potential investors through applications to purchase Bonds exceeds the amount provided for in this prospectus and the applications are satisfied partially, the decision regarding this will be made by the issuer itself and not by Placement Agent 1, proportional to the amounts specified in the submitted applications or otherwise.

There is a possibility that the portion of the Bonds will be purchased by one of the largest commercial banks, which is affiliated with Placement Agent 2 (Placement Agent 2 is a direct subsidiary of JSC TBC Bank). At the same time, the Placement Agent 2 and JSC TBC Bank's corporate lending division (responsible for issuing corporate loans and investing in bonds) share the same management team. The listed circumstances may give rise to a conflict of interests between Placement Agent 2 and the Issuer, between Placement Agent 2 and JSC TBC Bank, and between Placement Agent 2 and Investors. However, the Issuer believes the potential conflict of interest is minimized considering the following circumstances:

(a) Placement Agent 2 declares and confirms that it will treat JSC TBC Bank as one of the investors based on principles of equality and fairness.

(b) In the event that, during the determination of the final interest rate (book-building process), potential investors express an interest in purchasing a quantity of bonds exceeding what is available under this prospectus, and applications are only partially fulfilled, the allocation will be conducted on a proportional basis or as otherwise determined by the Issuer, not by the Placement Agent 2.

The parent company that indirectly holds 58.9853% of the Issuer's capital - Silk Road Group Holding (Malta) Limited (a company established and operating under the laws of Malta, company number C41521) - also holds 60.704% of shares in the Placement Agent 3. While such interrelation may be perceived by potential investors as carrying a certain level of risk in terms of conflict of interest, the Issuer believes that such risk is insignificant because the relation is indirect, does not threaten the independence and objectivity of the parties, and does not prevent them from fulfilling their duties. Furthermore, all agreements related to this transaction have been concluded on commercial grounds and in full compliance with existing laws.

It is important to note that Placement Agent 3 is a commercial bank established and operating in compliance with Georgian legislation and is licensed by the National Bank of Georgia. As an entity licensed by the National Bank of Georgia, JSC Silk Bank is subject to strict regulatory and supervisory oversight, including in terms of the management of risks and conflict of interests. As a result, the Placement Agent 3 has a management policy separate and independent from the Issuer, and an organizational and corporate structure that ensures adequate supervision and control over transactions with related parties. Both the current legal framework and the internal policy document of JSC Silk Bank support Placement Agent 3's commitment to conduct transactions with related parties on an arm's-length basis and in accordance with the rules and conditions that are no more favorable than those applied to non-related parties in analogous transactions under similar circumstances. Based on the foregoing, the Issuer believes that the Placement Agent 3 has taken all measures to ensure the due identification, prevention and management of potential conflicts of interest in line with the principle of fairness.

The Issuer is not aware of any other existing or potential conflicts of interest related to the offer. To the Issuer's knowledge, the Issuer's management, board of directors, supervisory board members, or partners do not intend to participate in the offer and purchase securities. The Issuer has no information about any person who has expressed a desire to purchase more than 5% of the offer. Information about the Issuer's depository is presented in the Terms and Conditions, namely the issuer's depository is JSC Georgian Central Securities Depository.

TERMS AND CONDITIONS OF THE BONDS

On 20 March 2023, the shareholders of the Issuer authorised the issue and public offering, in two issuances, of bonds with the aggregate nominal value of up to US$40,000,000 (forty million) (each issue with the aggregate nominal value of US$20,000,000 (twenty million)) (the "**Bonds**", which expression includes any Further Bonds as set forth under Condition 16 (*Second Issuance*)). The interest rate and the Redemption Date for each issuance shall be set forth under the Final Term Sheet Document of the Bonds (the "**Offering Document**") for the relevant issuance.

The terms and conditions of the Bonds, and the Bondholders' rights, are governed (i) by the Prospectus, including without limitation the "*Terms and Conditions of the Bonds*" (the "**Terms and Conditions**" or the "**Conditions**") and the Offering Document, (ii) by the Agreement on Terms and Conditions of the Bonds between the Issuer and Suknidze & Partners LLC (identification number: 405413299) (the "**Bondholders' Representative**"), which includes certain additional terms and conditions (the "**Agreement**"), and (iii) by the Agreement on Joint and Several Surety between the Issuer, the Guarantors and the Bondholders (the "**Joint Surety Agreement**"). The Agreement is made in English and the Issuer does not intend to prepare it in Georgian language; the Joint Surety Agreement is made in Georgian language. In case of any discrepancy between the Prospectus and the Agreement, and between the Prospectus and the Joint Surety Agreement, the relevant provisions of the Prospectus shall prevail. The Agreement and the Joint Surety Agreement are available for inspection electronically, by sending a request to the Issuer's and/or the Bondholders' Representative's e-mail address, as well as at the principal offices of the Bondholders' Representative and the Issuer, indicated in the Prospectus.

In addition to the Prospectus, including these Terms and Conditions, the Bondholders and/or the Nominal Holders (as the case may be) are entitled to the benefit of, are bound by, and are deemed to be subject to, the relevant terms of the Agreement and the Joint Surety Agreement, and such terms apply to them. By acquiring the Bond(s), each Bondholder consents and agrees that it is entitled to the benefit of these Terms and Conditions, the Joint Surety Agreement and the Agreement, and will be entitled to enforce these Terms and Conditions against the Issuer, and the Joint Surety against the Guarantor(s), only through the Bondholders' Representative and in accordance with these Terms and Conditions and the Joint Surety Agreement. Accordingly, neither a Bondholder nor a Nominal Holder has the right to act directly against the Issuer or the Guarantor(s) for breach of any of the covenants under these Conditions and only the Bondholders' Representative may take action against the Issuer or the Guarantor(s) in respect of breach of the Terms and Conditions, except as provided in Condition 12 (*Enforcement*).

As of the Issue Date, the Issuer has designated certain of its Subsidiaries as Restricted Subsidiaries. Only the Issuer and the Restricted Subsidiaries are subject to these Conditions, including the covenants set forth under Condition 5 (*Covenants*), and the Agreement, while the Joint Surety Agreement shall apply only to the Guarantors. Unrestricted Subsidiaries are not subject to any of the restrictive covenants in these Conditions, including the covenants set forth under Condition 5 (*Covenants*), and the Agreement.

1. FORM, SPECIFIED DENOMINATION, TITLE AND SECURITY

(a) **Form and Specified Denomination:** The Bonds are issued as dematerialised book-entry bonds, in registered form, in denomination of US$1,000 each.

(b) **Title:** 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 the Offering Document (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**".

(c) **Security:**

(i) In order to secure the obligations of the Issuer arising out of and/or in connection with the Bonds, the Guarantors shall act as the joint guarantors of the Issuer in respect of its obligations before the Bondholders, and shall be jointly and severally responsible for the performance of the Issuer's obligations arising out of and/or in connection with the Bonds, (the "**Joint Surety**") in accordance with the Conditions (including Condition 12 (*Enforcement*)) and the Joint Surety Agreement.

For the avoidance of doubt, in accordance with the provisions of the Joint Surety Agreement and within the scope of the maximum threshold of liability of the Guarantors, the Joint Surety shall secure, for the benefit of the Bondholders, any and all obligations of the Issuer arising out of the Bonds (including the Bonds placed by way of deferred placement) and/or the Prospectus.

(ii) The Joint Surety Agreement shall be executed by the Issuer, the Guarantors and the Bondholders on the Issue Date or any other date set forth by the Placement Agents. The Joint Surety Agreement shall be signed at the time and place set forth by the Placement Agents, and shall be executed in writing, without notarial certification. The Issuer, the Guarantors and the Bondholders shall procure the signing (by due confirmation of the identity and/or the authority of signatories) of the Joint Surety Agreement on the Issue Date or any other date set forth by the Placement Agents.

(iii) In the event the Bondholder disposes of its Bonds for the benefit of other person (i.e. cedes its claims under the Bonds), as well as in the event of any subsequent disposal, the Joint Surety and any other rights under the Joint Surety Agreement shall be fully transferred to a new owner/bondholder (the "**New Bondholder**"). Accordingly, by purchasing the Bonds, each New Bondholder shall fully acquire any and all rights of the Bondholders arising out of the Prospectus (including the Conditions) and the Joint Surety Agreement, and the Guarantors shall be liable to fully perform their obligations under the Prospectus and the Joint Surety Agreement for the benefit of the New Bondholders.

For the avoidance of doubt, in accordance with the Prospectus and the laws of Georgia, an extract issued by the relevant Registry, confirming the title of the New Bondholder to the Bonds, shall be sufficient evidence of the full transfer of the rights and claims arising out of and in connection with the Bonds to the New Bondholder, and no additional document (including without limitation any amendments or annexes to the Joint Surety Agreement) shall be required to be executed and presented.

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

(a) Bond Offering Process

The Placement Agents (as defined in the Offering Document) carry out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement Agents and/or their authorised intermediary/intermediaries are entitled to send the approved Prospectus to potential investors.

Following approval of the Prospectus by the National Bank of Georgia, the Issuer carries out the public offering of the Bonds in accordance with Georgian law. The Issuer will publish a notice on offering of Bonds on its web-site. The Issuer, the Placement Agents and/or the financial intermediary(ies) involved in the placement process will provide to potential investors, in accordance with their preference, an electronic link to the Prospectus, its scanned or printed version. The final Prospectus will be provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

Potential investors may express interest in purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agents. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

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

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

Following completion of the book-building process, the Placement Agents will make an announcement on determination of the final size of the offering and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the number of the Bonds in relation to which the purchase orders (applications) of potential investors have been satisfied. Upon announcement of final size of the offering, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors (the "**Subscribing Investors**"). The Issuer and/or the Placement Agents are entitled to make a placement of the Bonds with the Deferred Placement Price from the Issue Date till the Offering Completion Date (including the last date), which shall be set forth under the Offering Document. The deferred placement of the Bonds will be conducted with the Deferred Placement Price. Potential investors may express interest of purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents.

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

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

(b) **Changes during Public Offering**

If the Issuer decides to change information about the Bonds during public offering (period between the approval of the Offering Document until the expiry of application of the final Prospectus), the Issuer shall take necessary steps set out by the Securities Law and the applicable securities market regulations.

(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 in accordance with Condition 1(b) (*Title*). As soon as possible after placement of Bonds, the Issuer will submit an application to the Georgian Stock Exchange (the "**GSE**") for the Bonds to be admitted to the trading system and listing of the GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

(d) **Price Setting**

Final volume of offering (i.e. number of the Bonds being issued and the total issue price) is determined in the process of offering of the Bonds to prospective investors in the light of the expressed demand for purchase of Bonds (as a result of book-building).

Final allocation to the potential investors is determined based on the interest expressed/demand for purchasing the Bonds (as a result of book-building) in accordance with the procedure set-out in Condition 2(a) (*Bond Offering Process*).

(e) **Placement**

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

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

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

If the aggregate number of the Bonds, defined in the final Prospectus, is not placed by the end of the Offering Completion Date, unplaced Bonds shall be annulled (cancelled). Within 1 month from the end of public offering of the Bonds, the Issuer will submit a placement report to the NBG in accordance with Georgian law.

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

As soon as possible after placement of Bonds, the Issuer will submit an application to the GSE for the Bonds to be admitted to the trading system and listing of the 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 are secured by the Joint Surety issued by the Guarantors and shall at all times rank *pari passu* and without any preference among themselves.

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

(a) By purchasing the Bonds (whether upon initial placement or on secondary market), 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 (*Covenants*) below and Clause 5 (*Covenants*) 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, the Joint Surety 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, the Joint Surety Agreement 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 and/or a Nominal Holder may enforce these Terms and Conditions and the Joint Surety Agreement against the Issuer and one, several or all Guarantor(s) (as the case may be) through the Bondholders' Representative only and in accordance with these Terms and Conditions and the Joint Surety Agreement, except as provided in Condition 12 (*Enforcement*) of these Terms and Conditions when the Bondholder and/or Nominal Holder may act directly against the Issuer or the Guarantor(s).

5. COVENANTS

(a) **Negative Pledge**: So long as any Bond remains outstanding, the Issuer shall not, and shall not permit any of its Restricted 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 such Security Interests 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 Restricted Subsidiaries shall, take all necessary action to do or cause to be done all things necessary to ensure the continuance of its or their corporate existence (except as otherwise permitted by Condition 5(c) (*Mergers*)), and its or their business and the obtaining, use or maintenance of all material intellectual property relating to its or their business as well as all consents, licenses, 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, licenses and consents and take or cause to be taken all measures required by the laws and regulations of Georgia to enable the lawful performance of obligations under the Bonds, the Agreement and the Joint Surety Agreement and ensure the legality, validity, enforceability or admissibility in evidence in the courts of Georgia of the Bonds, the Agreement and the Joint Surety Agreement.

(c) **Mergers:**

(i) The Issuer shall not, and shall procure that its Restricted Subsidiaries 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 restructuring or (y) in a single transaction or a series of related transactions, directly or indirectly, sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's (determined on a consolidated basis) or the relevant Restricted Subsidiary's properties or assets, unless, in any case:

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

(I) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer, the Guarantor or the Restricted Subsidiary (as the case may be) or, if not the Issuer, the Guarantor or the Restricted Subsidiary, the Successor Entity shall expressly assume in form and substance satisfactory to the Bondholders' Representative all the rights and obligations of the Issuer, the Guarantor or the Restricted Subsidiary (as the case may be) under the Bonds, the Agreement and the Joint Surety Agreement;

(II) the Successor Entity (if not the Issuer, the Guarantor or the Restricted Subsidiary (as the case may be)) shall retain or succeed to all of the rights and obligations of the Issuer, the Guarantor or the Restricted Subsidiary under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or will occur as a result therefrom; and

(C) transactions referred to in (x) or (y) above do not result in a Material Adverse Effect.

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

(iii) This Condition 5(c) (*Mergers*) shall not apply to (i) any transaction between or among the Issuer and/or any of its wholly-owned Restricted Subsidiaries, (ii) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; (iii) the leasing, sale and disposal of assets in the ordinary course of conducting its business and operations; (iv) any existing lease and/or rent agreements by and among the Restricted Subsidiaries and the Unrestricted Subsidiaries, including any amendment or renewal thereof; or (v) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, *provided that* the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues satisfy the conditions of the Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests".

(d) **Disposals**:

(i) 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 Restricted Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Restricted 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:

(A) each such transaction is on arm's-length terms for Fair Market Value; and

(B) 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, at the request of Bondholders holding 25 per cent. or more (whether directly or through Nominal Holders) of outstanding Bonds, the Issuer shall provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

(ii) This Condition 5(d) (*Disposals*) shall not apply to (i) any transaction between or among the Issuer and/or any of its wholly-owned Restricted 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 or other disposal of the Issuer's or its Restricted Subsidiaries' assets in the ordinary course of conducting its or their business and operations, (iv) any existing lease and/or rent agreements by and among the Restricted Subsidiaries and the Unrestricted Subsidiaries, including any amendment or renewal thereof, or (v) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, *provided that* the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues satisfy the conditions of the Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests".

(e) **Transactions with Affiliates:**

(i) The Issuer shall not, and shall ensure that none of its Restricted Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including intercompany 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 Restricted 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 Restricted Subsidiaries.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in any 12-month period in excess of 10 per cent. of the total consolidated assets of the Group determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Bondholders' Representative a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value.

(iii) The following transactions 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 Restricted Subsidiaries;

(C) payment of reasonable fees to Persons who are members of the management bodies of the Issuer or the Restricted Subsidiaries and are not otherwise Affiliates of the Issuer or such Restricted Subsidiaries;

(D) any loans or other form of financing from any direct or indirect shareholder(s) of the Issuer or the Restricted Subsidiaries made available on the arm's length basis for the purpose of financing operations;

(E) any insurance contracts with Affiliates made available on the arm's length basis for the purpose of insuring the operations or assets of the Issuer or the Restricted Subsidiaries; and

(F) any existing lease, rent or service agreements by and among the Restricted Subsidiaries and the Unrestricted Subsidiaries, including any amendment or renewal thereof on substantially similar terms.

(f) **Payment of Taxes and Other Claims**: The Issuer shall, and shall ensure that its Restricted Subsidiaries, pay or cause to be paid, before the same become overdue, all Tax levied or imposed upon, or upon the income, profits or property of, the Issuer and its Restricted Subsidiaries, *provided that* for the purposes of these Conditions neither the Issuer nor any Restricted Subsidiary shall be required to pay or cause to be paid any such Tax or similar claims (i) 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$1,000,000 (or equivalent in other currency).

(g) **Restricted Payments**:

(i) The Issuer shall not, and shall procure and ensure that each of its Restricted 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 and/or by any of its wholly-owned Restricted Subsidiaries; (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any shares or share capital of the Issuer or any of its Restricted Subsidiaries; or (c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is contractually subordinated in right of payment to the Bonds (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries, and the Permitted Indebtedness incurred by the Issuer in accordance with Condition 5(h)(ii)(E)) (any such payments and other actions in (a), (b) or (c) being, a "**Restricted Payment**"), if:

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

(B) such Restricted Payment, when aggregated with all other Restricted Payments previously made since 31 December 2022, exceeds the sum of:

(I) 75 per cent. of the Group's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 01 January 2023 and ending on the last day of the immediately preceding fiscal year or semi-annual financial period; and

(II) 100 per cent. of the aggregate net cash proceeds received by the Issuer since 31 December 2022 from the issuance or sale of its share capital and the conversion or exchange since 31 December 2022 of any Indebtedness of the Issuer into or for the share capital of the Issuer.

(ii) The preceding provision shall not prohibit the following:

(A) the declaration or payment of any dividend in cash or otherwise, or making of any other distribution in respect of share capital, or issuance of any loans, by the following majority-owned Restricted Subsidiaries to the holders of their equity interests: (1) GHM, (2) Limoni 2009 and (3) Tsinandali Estate, *provided that* the Consolidated Leverage Ratio set forth under Condition 5(h)(i) is met at the time of such declaration, payment, issuance or other distribution;

(B) the Investments by the Issuer and/or any of its Restricted Subsidiaries, *provided that* such Investment is financed by cash equity or in the form of Indebtedness or other form of financing from the direct or indirect shareholder(s) of the Issuer incurred in accordance with Condition 5(h)(ii)(E);

(C) the issuance by the Issuer and/or the Restricted Subsidiaries of loans to the following companies: (i) Neptuni LLC (a limited liability company incorporated under the laws of Georgia with identification number: 204962745), (ii) Tsinandali Vineyards LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404989321), (iii) FP Agro LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404578774), (iv) Silk Road Group Holding LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404579354), (v) Caspian Finance Limited (company #C41909), (vi) Comodon Holding (Malta) Limited (company #C39335), (vii) Silk Road Group (Malta) Limited (company #C45702), (viii) Iveria Group LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404408556), (ix) JSC Silk Road Finance Group (a joint stock company incorporated under the laws of Georgia with identification number: 205050692), (x) JSC Meskheti (a joint stock company incorporated under the laws of Georgia with identification number: 245415117), (xi) Vento LLC (a limited liability company incorporated under the laws of Georgia with identification number: 205106357) and (xii) SRS Georgia Fund LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404524895), *provided that* the aggregate principal amount of such loans, when taken together with the aggregate amount of payments under Condition 5(g)(ii)(D) and Condition 5(g)(ii)(E), does not exceed US$6,000,000 (or equivalent in other currency) per year;

(D) the payment by the Issuer and/or any of its Restricted Subsidiaries of expenses and maintenance capital expenditures of the Unrestricted Subsidiaries in the ordinary course of business *provided that* the aggregate amount of such payments, when taken together with the aggregate principal amount of loans under Condition 5(g)(ii)(C) and the aggregate amount of payments under Condition 5(g)(ii)(E), does not exceed US$6,000,000 (or equivalent in other currency) per year;

(E) the payments to any direct or indirect shareholder(s) of the Issuer to cover any of its or their expenses *provided that* the aggregate amount of such payments, when taken together with the aggregate principal amount of loans under Condition 5(g)(ii)(C) and the aggregate amount of payments under Condition 5(g)(ii)(D), does not exceed US$6,000,000 (or equivalent in other currency) per year;

(F) the decrease of capital of MOC, JSC Hotel Medea + (a joint stock company incorporated under the laws of Georgia with identification number: 245591408), GHM and NH to set off the Indebtedness owed by the Issuer to these companies in the amount of up to US$90,000,000 (or equivalent in other currency); and

(G) the decrease of the Issuer's capital to set off the Indebtedness owed by the Issuer's shareholder to the Issuer in the amount of up to US$90,000,000 (or equivalent in other currency).

(h) **Indebtedness**:

(i) The Issuer shall not, unless approved by an Extraordinary Resolution of the Bondholders, permit that it (the Issuer) and/or any of its Restricted Subsidiaries create, incur, assume or otherwise become liable in respect of any Indebtedness if the Net Indebtedness of the Issuer and its Restricted Subsidiaries at the moment of assuming new Indebtedness (and after such new Indebtedness is taken into account) exceeds the Adjusted EBITDA of the Issuer and its Restricted Subsidiaries of the preceding IFRS Fiscal Period, calculated in accordance with the annual audited consolidated financial statements prepared in accordance with IFRS, by 3.5 (the "**Consolidated Leverage Ratio**").

(ii) The restriction under Condition 5(h)(i) shall not apply to the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Indebtedness**"):

(A) the incurrence by the Issuer and its Restricted Subsidiaries of the Indebtedness in existence on the Issue Date;

(B) the incurrence by the Issuer of additional Indebtedness under a Credit Facility for the purpose prescribed in Condition 5(m) (*Cash Cushion and Credit Facility*) in an aggregate principal amount at any one time outstanding under this paragraph (B) not to exceed 50 per cent. of the annual interest expense required to service the Bonds *plus*, in the case of any refinancing of any Indebtedness permitted under this paragraph (B) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(C) the incurrence by the Issuer of Indebtedness represented by the Bonds and the incurrence by the Guarantors of Indebtedness represented by the Joint Surety issued in connection with the Bonds pursuant to these Conditions;

(D) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its wholly-owned Restricted Subsidiaries, and between the Issuer and the following majority-owned Restricted Subsidiaries: (1) Limoni 2009, (2) GHM and (3) Tsinandali Estate;

(E) the incurrence by the Issuer of Indebtedness or other form of financing from any direct or indirect shareholder(s) of the Issuer made available for the purpose of the financing operations of the Group and the Unrestricted Subsidiaries *provided that* such Indebtedness is subordinated in right of payment to the Bonds; and

(F) the incurrence of Indebtedness in relation to the financing of the hotel Telegraph project in the amount of up to EUR 56.1 million.

(i) **Information Disclosure:**

(i) The Issuer hereby undertakes that:

(A) after the end of each financial year, but not later than 15th of May, it will disclose the Issuer's annual audited consolidated financial statements prepared in accordance with IFRS;

(B) after the end of the second quarter of each financial year, but not later than 15th of August, it will disclose the Issuer's unaudited consolidated interim financial statements for 6 months, prepared in accordance with IFRS.

(C) comply with information transparency or reporting requirements set forth under the Securities Law and applicable securities market regulations.

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

(iii) If the Bondholders' Representative or Bondholders, who own (directly or through Nominal Holders) more than 25 per cent. of the outstanding Bonds, acting reasonably, have cause to believe that the Event of Default or the Potential Event of Default has occurred, they can demand written information regarding the purported Event of Default or Potential Event of Default from the Issuer and the Issuer is obligated to disclose this information to the Bondholders' Representative or the Bondholders. The written demand can be presented as one document signed by the Bondholders or Nominal Holders or as many documents with the same contents. This type of demand can also be received through the decision of the Bondholders' meeting.

(j) **Maintenance of Insurance**: The Issuer shall, and shall procure that its Restricted Subsidiaries, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Restricted 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 similar properties.

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

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

(m) **Cash Cushion and Credit Facility:**

(i) The Issuer shall ensure that the Group's cash balance shall be at least 50 per cent. of the annual interest expense required to service the Bonds as at the end of the relevant semi-annual period (the "**Cash Cushion Condition**").

(ii) The Issuer shall be entitled to elect to:

(A) satisfy the Cash Cushion Condition as of the end of the relevant semi-annual period; or

(B) within 20 Business Days of the end of the relevant semi-annual period, establish and maintain a Credit Facility in an amount of at least 50 per cent. of the annual interest expense required to service the Bonds which shall be used by the Issuer for purposes of discharging its obligations to pay interest due on the Bonds on an interest payment date, *provided that* the Issuer shall be entitled to terminate such Credit Facility if (i) the Cash Cushion Condition has been satisfied as of the end of the immediately preceding semi-annual period; and (ii) no Potential Event of Default or Event of Default shall have occurred and be continuing.

6. INTEREST

Unless the Issuer redeems or repurchases the Bonds prior to the Redemption Date in accordance with Condition 7 (*Redemption and Purchase*), each Bond shall accrue interest semi-annually from and including the Issue Date until the Redemption Date at the annual rate within the range indicated in the Offering Document. The final interest rate will be determined pursuant to Condition 2(a) (*Bond Offering Process*) and will be reflected in the final Prospectus. The interest is payable semi-annually in arrears based on the relevant interest payment dates. Each Bond will bear interest until the Redemption Date unless payment of principal is improperly withheld or refused. In such event each Bond shall continue to bear interest at a relevant applicable 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 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**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount together with any accrued and unpaid interest on the Redemption Date. The Bonds may not be redeemed or repurchased at the option of the Issuer prior to the Redemption Date other than as described in the Prospectus (including this Condition 7 (*Redemption and Purchase*)).

(b) **Redemption for Taxation**: The Bonds may be redeemed at the option of the Issuer, in whole or 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) **Optional Redemption after Non-Call Period**: Following the expiry of one calendar year after the Issue Date, the Issuer may at its option redeem the Bonds, in whole or in part, on one or more occasion, on giving not less than 15 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*), at the following redemption prices (expressed as a percentage of the principal amount of the Bonds) *plus* accrued and unpaid interest, to, but excluding, the applicable redemption date (subject to the right of Bondholders of record on the relevant Record Date to receive interest due on the relevant interest payment date), if redeemed during the periods indicated below:

Period	Percentage
From the expiry of one calendar year after the Issue Date (including this date) to the expiry of the second calendar year after the Issue Date (excluding this date)	1.5%

From the expiry of the second calendar year after the Issue Date (including this date) to the expiry of the third calendar year after the Issue Date (excluding this date).. 0.75%

Any redemption of the Bonds in accordance with this Condition, at the option of the Issuer, may be subject to one or more conditions precedent (including without limitation the incurrence of Indebtedness to redeem the Bonds). Moreover, if the redemption is subject to the satisfaction of one or more conditions precedent, the relevant notice shall indicate that the date of redemption of the Bonds may, at the option of the Issuer, be deferred until any or all of these conditions precedent are satisfied, or that the redemption may not occur and the notice may be revoked if any or all of these conditions precedent are not satisfied upon the date of such redemption or deferred redemption.

(d) **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) (*Meetings of Bondholders*). Such Bonds may be held, resold or cancelled at the option of the Issuer.

8. PAYMENTS

(a) **Method of Payment:**

(i) Principal and interest on each Bond shall be paid to the Bondholders and/or Nominal Holders as recorded in the Register at the close of business (18:00) 3 Business Days before the due date for payment thereof (the "**Record Date**"). Payments shall be made by bank transfer in United States dollars to the bank account for such Bondholders and/or Nominal Holders as recorded in the Register on the Record Date. The Bondholders and/or 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 (as defined in the Offering Document) shall be responsible for non-payment of any amount due if the Bondholder and/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 and/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 and/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 and/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 and/or Nominal Holders 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, the Placement Agents and the Registrar and their respective specified offices are listed in the Offering Document. The Calculation and Paying Agent, the Placement Agents, 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 and/or Nominal Holder. The Issuer reserves the right at any time with the approval of the Bondholders' Representative to vary or terminate the appointment/agreement of Calculation and Paying Agent, Placement Agents or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agents 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 (if such obligation to withhold taxes is established under Georgian tax law). If the Issuer determines that any payment of interest qualifies for an exemption from withholding tax under the law, then the Issuer shall not withhold the relevant tax and the Bondholders entitled to the benefit of such exemption shall receive the gross amount of such payments, without withholding.

10. EVENTS OF DEFAULT

If any of the following events (the "**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 and pre-funded 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 any accrued and unpaid 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 Business 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 the payment obligation under Condition 10(a) (*Non-Payment*)) in the Prospectus or the Agreement which default is, based on the Extraordinary Resolution of the Bondholders, (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 Restricted 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 Restricted 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) (*Cross-Default*) have occurred equals or exceeds US$1,000,000 or its equivalent in any other currency (as reasonably determined by the Bondholder's' Representative); or

(d) **Insolvency and Liquidation:**

(i) unless otherwise permitted under Condition 5(c) (*Mergers*), the occurrence of any of the following events: (i) the Issuer or any Restricted Subsidiary initiating liquidation or insolvency proceedings; or (ii) the filing of a claim by any Person in respect of the Issuer or any Restricted 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 or the Restricted Subsidiaries and its or their creditors for an out of court settlement of all or substantially all of the Issuer's or the Restricted Subsidiary's' debts; or (iv) commencement of liquidation proceedings in respect of the Issuer or any Restricted Subsidiary based on a decision of a court in a criminal case; or

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

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

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied final judgments, decrees or orders of courts or other appropriate competent state bodies for the imposition or payment of money against the Issuer or any Restricted Subsidiary exceeds US$1,000,000 or the equivalent thereof in any other currency or currencies, or any such unsatisfied final judgment, decree or order results in (i) the management of the Issuer or any Restricted Subsidiary being wholly or partially displaced or the authority of the Issuer or any Restricted Subsidiary in the conduct of its or their business being wholly or partially curtailed, or (ii) all or a majority of the share capital of the Issuer or any Restricted Subsidiary or the whole or any part (the book value of which is 20 per cent. or more of the whole book value of the Issuer or the Restricted Subsidiary) of its or their revenues or assets being seized, nationalised, expropriated or compulsorily disposed of; or

(f) **Enforcement Proceedings**: any enforcement 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 and/or any Restricted 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 lawful entry into, exercise of material rights and performance and compliance with payment obligations under the Bonds, the Joint Surety Agreement and the Agreement, obligations under Condition 5 (*Covenants*) and other material obligations under the Bonds and the Agreement, (ii) to ensure that those obligations are legally binding (valid) and enforceable, and (iii) to make the Bonds, the Prospectus, the Joint Surety Agreement 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, the Joint Surety Agreement 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 to perform or comply with any one or more of its obligations under any of the Bonds, Prospectus, the Joint Surety Agreement 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 publication of its financial statements in accordance with Conditions 5(i)(i)(A) and 5(i)(i)(B) send to the Bondholders' Representative a certificate of the Issuer signed by its director (CEO) certifying that, to the best of the knowledge of the Issuer, as of the date of signing the certificate (the "**Certification Date**") no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Agreement or, if such an event has 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 (an "**Extraordinary Resolution**") of a modification of any of these Conditions or any provisions of the Agreement.

A meeting of Bondholders may be convened by the Issuer, the Bondholders' Representative or the 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 person(s) holding or representing more than half of the aggregate principal amount of the Bonds for the time being outstanding, or at any Adjourned Meeting person(s) being or representing more than 25 per cent. of the aggregate principal amount of the Bonds for the time being outstanding, or at any subsequent Adjourned Meeting, person(s) 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 and/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/or 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 11(b) (*Modification and Waiver*) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be person(s) 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 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 per cent. 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.

The Issuer and the Bondholders' Representative do not assume any responsibility for the validity of any resolution adopted at the meeting of Bondholders and they may rely on such resolutions.

(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 or the Joint Surety 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, the Joint Surety Agreement 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 or the Joint Surety Agreement 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 (*Notices*).

(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

(a) If the Event of Default set forth under Condition 10 (*Events of Default*) has occurred, 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 and/or one, several or all Guarantor(s) as it may think fit to enforce the terms of the Agreement, the Joint Surety Agreement and/or 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 in accordance with Condition 11(a) (*Meetings of Bondholders*), and (b) it shall have been indemnified and pre-funded to its satisfaction. No Bondholder and/or Nominal Holder (independently or together with other Bondholders and/or Nominal Holders) may proceed, take any action or institute any proceedings directly against the Issuer and/or one, several or all Guarantor(s) unless the Bondholders' Representative, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing as set forth under Condition 12(b).

(b) 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, and (ii) the amount payable has not been paid by the Issuer and/or the Guarantor(s) in full, and (iii) no action has been taken by the Bondholders' Representative in accordance with Condition 12(a).

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

The Agreement contains provisions for the indemnification of the Bondholders' Representative and for its relief from responsibility. The Agreement also sets forth the capped amount which is subject to reimbursement by the Issuer in favour of the Bondholders' Representative. Once the cap is reached, the Issuer shall have no obligation to pay any costs, charges, liabilities and expenses incurred by the Bondholders' Representative in connection with these Conditions, the Agreement and/or the Joint Surety Agreement, and such amounts shall be funded/covered by the Bondholders.

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

14. NOTICES

The Issuer's notice to the Bondholders and/or the Nominal Holders shall be made by either publication (including without limitation on the Issuer's web-site) or by sending it to the Bondholders' Representative and the Registrar.

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

For the avoidance of any doubt, in case of sending the notice provided for in this Condition 14 (*Notices*) in the material form to the appropriate address, the notice shall be deemed to have been duly sent and it shall not require additional mailing. The Issuer will provide the Bondholders' Representative with information on convening the meeting of the Bondholders and/or will publish a notice through the webpage of the Issuer or any other means permitted under applicable legislation.

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

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

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

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

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

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

(a) Periodic financial statements: reportal.ge;

(b) Information on meetings/decisions and other similar issues: webpage of the Issuer or any other means permitted under applicable legislation.

(c) Other information listed above or current reports required by the rules of the GSE, the Transparency Rule or the applicable legislation: webpages of the Issuer or GSE.

15. DEFINITIONS

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

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

"**Adjusted EBITDA**" means the adjusted EBITDA calculated by the Group by adjusting profit from continuing operations to exclude following items:

(a) finance costs and finance income;

(b) corporate income tax and any other taxes related to the distribution of dividends;

(c) depreciation, amortisation, excluding amortisation of casino permit, revaluation, impairment (losses/reversals) of non-current assets;

(d) net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates;

(e) specific items (identified by virtue of their size, nature or incidence) representing non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group's securities, write off/impairment of issued loans and receivables, etc.);

"**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);

"**Agreement**" means the Agreement on Terms and Conditions of the Bonds between the Issuer and the Bondholders' Representative;

"**Bondholder**" means the registered owner ("Registered Owner") (as such term is defined in the Securities Law) of a Bond;

"**Bondholders' Representative**" means Suknidze & Partners LLC;

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

"**Cash Equivalents**" means:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Georgia, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United States of America, Georgia, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of up to 12 months or less from the date of acquisition or any other financial investments classified as cash and cash equivalents under IFRS, issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of Georgia or of the United States of America or any state thereof; *provided that* the long-term debt of such bank or trust company (which is not organised under, or authorised to operate as a bank or trust company under the laws of Georgia) is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognised rating agency and, in relation to any bank or trust company which is organised under, or authorised under the laws of Georgia (except for Silk Bank), the long-term debt of such bank or trust company is rated "B1" by Moody's or "B+" by S&P or higher or the equivalent rating category of another internationally recognised rating agency;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in paragraphs (a) and (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;

(d) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(e) interests in any investment company or money market funds at least 95 per cent. of the assets of which consist of Cash Equivalents of the type referred to in paragraphs (a) to (d) above;

"**Consolidated Leverage Ratio**" has the meaning given to it in Condition 5(h)(i);

"**control**", as used in these Conditions, means the power to direct the management and the policies of a Person, whether through the ownership of share capital, by contract or otherwise;

"**Credit Facility**" means one or more debt facilities, indentures, bonds, instruments, arrangements or commercial paper facilities, in each case, with banks or other institutional lenders or investors, together with all related documents and security in relation thereto, providing for revolving credit loans, term loans, factoring and receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, restructured, repaid, refunded, replaced or refinanced in whole or in part from time to time;

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

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

"**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 Restricted Subsidiaries, from time to time, taken as a whole;

"**Guarantors**" means the Restricted Subsidiaries, except for Silk Road Business Center LLC (a limited liability company incorporated under the laws of Georgia with identification number: 203825851);

"**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 been audited by the auditor;

"**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, except for the obligations of the Issuer and/or any of its Restricted Subsidiaries in the ordinary course of business and/or to pay the unpaid price of lease, rent or services to the Unrestricted Subsidiaries;

(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; and

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

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;

"**Interest Period**" has the meaning given to it in Condition 6 (*Interest*);

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including by way of guarantee or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS;

"**Issue Date**" means the date when the Bonds are issued as indicated in the Offering Document;

"**Issuer**" means Silk Real Estate LLC, a limited liability company incorporated under the laws of Georgia with identification number: 404535240;

"**Joint Surety**" has the meaning given to it in Condition 1(c)(i);

"**Joint Surety Agreement**" means the agreement between the Issuer, the Bondholders and the Guarantors;

"**Material Adverse Effect**" means a material adverse change in, or material adverse effect on, (a) the business, properties, condition (financial or otherwise), results of operations or prospects of the Issuer or the Restricted Subsidiaries; (b) the Issuer's ability to perform its obligations under the Bonds; or (c) the validity or enforceability of Bonds or the Joint Surety Agreement;

"**Net Indebtedness**" means at the date of determination an amount equal to (and without duplication) the aggregate of Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis as calculated in accordance with IFRS, *less* (i) the Indebtedness in relation to the financing of the hotel Telegraph project in the amount of up to EUR 56.1 million, (ii) the aggregate cash and Cash Equivalents of the Group, and (iii) the subordinated loans received from shareholder(s) or other Affiliate(s);

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

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

"**Permitted Indebtedness**" has the meaning given to it in Condition 5(h)(ii);

"**Permitted Security Interests**" means:

(a) Security Interests in existence on the Issue Date, as amended or renewed, and/or terminated/revoked and reinstated in whole or in part from time to time;

(b) Security Interests granted by any Restricted Subsidiary in favor of the Issuer or any wholly-owned Restricted 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 Restricted Subsidiary of the Issuer or becomes a Restricted 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 Restricted 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 Restricted Subsidiary of the Issuer, *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

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

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

(g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues, *provided that* the aggregate value of assets or revenues subject to such Security Interest when added to the aggregate value of assets or revenues does not, at any such time, exceed 50 per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

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

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

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

(k) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, *provided that* Fair Market Value of the corresponding Security Interest shall not exceed 70 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;

"**Pre-Expansion European Union**" means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Ireland, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004;

"**Redemption Date**" means the date set forth under the Offering Document when the Issuer shall redeem the Bonds at their principal amount together with any accrued and unpaid interest;

"**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) (*Restricted Payments*);

"**Restricted Subsidiary**" means the following Subsidiaries of the Issuer (and any Subsidiary of such Restricted Subsidiaries, except for the following companies: Mandarini LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404622798), Georgian Wine Institute LLC (a limited liability company incorporated under the laws of Georgia with identification number: 431167220), and JSC Hotel Telegraph (a joint stock company incorporated under the laws of Georgia with identification number: 404592455)): (i) Limoni 2009 LLC (a limited liability company incorporated under the laws of Georgia with identification number: 204571490) ("**Limoni 2009**"); (ii) Medea Operating Company LLC (a limited liability company incorporated under the laws of Georgia with identification number: 445390817) ("**MOC**"); (iii) New Hotel JSC (a joint stock company incorporated under the laws of Georgia with identification number: 204487929) ("**NH**"); (iv) Silk Road Business Center LLC (a limited liability company incorporated under the laws of Georgia with identification number: 203825851); (v) Limoni Real Estate LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404536016); (vi) Georgian Hotel Management LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404385722) ("**GHM**"); (vii) Argo Management LLC (a limited liability company incorporated under the laws of Georgia with identification number: 445391647); (viii) Riviera Beach LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404422530); (ix) Silk Road Service LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404506263); (x) Tsinandali Savane LLC (a limited liability company incorporated under the laws of Georgia with identification number: 431175346); (xi) Tsinandali Estate LLC (a limited liability company incorporated under the laws of Georgia with identification number: 204557372) ("**Tsinandali Estate**"); (xii) Tsinandali LLC (a limited liability company incorporated under the laws of Georgia with identification number: 204488250); (xiii) SRG Investments LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404899393); and (xiv) Silk Hospitality LLC (a limited liability company incorporated under the laws of Georgia with identification number: 404613094);

"**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;

"**Transparency Rule**" means Order No. 181/04 of the President of the National Bank of Georgia, dated 7 October 2020, on the Adoption of Rules for the Information Transparency of Issuers and Appointment of the Securities Registrar for Issuers, as amended from time to time;

"**Unrestricted Subsidiary**" means any Subsidiary of the Issuer that is not a Restricted Subsidiary (and any Subsidiary of an Unrestricted Subsidiary).

16. SECOND ISSUANCE

The Issuer may, without notice to or the consent of the Bondholders, on the basis of this Prospectus and in accordance with the Agreement, within the scope of the second issuance, issue and place further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for, without limitation, the issue date, the payment dates for and amount of interest, and/or the redemption date) (the "**Further Bonds**"). The Further Bonds and the Bonds shall be treated as a single class for all purposes of the Prospectus and the Agreement, including waivers, amendments, redemptions and offers to purchase.

17. 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 BONDS IN GEORGIA

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

Withholding Tax on Interest

Pursuant to the Tax Code of Georgia, interest paid to Bondholders (resident and nonresident individuals and nonresident legal person) will be subject to withholding tax at the source of payment at the rate of 5% (five percent). In addition, the interest income taxed at the source of payment specified above will not be included in the joint income of the receiving resident and non-resident natural person determined by the legislation of Georgia. At the same time, interest paid to Bondholders registered in countries with preferential taxation regimes and recognized by the Government of Georgia as offshore jurisdictions will be taxed at a rate of 15 percent.

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

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

Interest accrued on Bonds is exempt from withholding of income / profit tax and will not be included in the joint income of the Bondholder if the Bonds are issued by a financial institution licensed in accordance with the laws of Georgia.

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

Taxation of Bond Alienation

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

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

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

The profit of non-resident legal entities (taxable object: - the difference between the initial and sale prices) is taxed at a tax rate of 15 percent. If such a sale gives rise to a tax liability, the selling non-resident legal entity will be obliged to correctly calculate the tax, submit the declaration and pay the tax to the state budget within the terms established by the law to the tax authority.

If the sale of Bonds is carried out through a brokerage company operating in Georgia, and the Bondholder is not a person registered as a taxpayer in Georgia, through the brokerage, this company will be responsible for performing the function of a tax agent and withholding this tax at source.

Surplus income received from the sale of Bonds is exempt from profit tax, if the Bonds are issued by a resident legal entity in Georgia through a public offering and are admitted to trading on an organized market recognized by the National Bank of Georgia (listed in category A or B of the Georgian Stock Exchange).

The payment of profit tax in Georgia may be affected by the international agreement on avoidance of double taxation, which Georgia has concluded with the country of which the seller is a resident.

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

Profit of non-resident individuals (taxable object - difference between initial and sale prices) is taxed at a 20% (twenty percent) rate. If such sale triggers a tax exposure, a relevant non-resident individual will be obliged to correctly calculate the tax, submit the declaration and pay the tax to the state budget within the terms established by the law to the tax authority.

If the sale of Bonds is carried out through a brokerage company operating in Georgia and the bondholder is not a person registered as a tax payer in Georgia, the brokerage company will be responsible for performing the function of a tax agent and withholding this tax at the source.

Profit received from the sale of Bonds is exempt from income tax, if the Bonds are issued by a resident legal entity in Georgia through a public offering and are admitted to trading on an organized market recognized by the National Bank of Georgia (in the A or B category listing of the Georgian Stock Exchange).

The payment of income tax in Georgia may be affected by the international agreement on avoidance of double taxation, which Georgia has signed with the country of which the seller is a resident.

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

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

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

Profit of resident natural persons (taxable object: - the difference between the initial and sale prices) is taxed at a rate of 20 percent if the sale is carried out through a brokerage company operating in Georgia and at the same time the bondholder is not a registered tax payer, the brokerage company will be responsible for performing the function of a tax agent and on withholding tax at source.Profit received from the sale of Bonds is exempt from income tax, if the Bonds are issued by a resident legal entity in Georgia through a public offering and are admitted to trading on an organized market recognized by the National Bank of Georgia (listed in category A or B of the Georgian Stock Exchange).

Also, the profit received from the sale of Bonds is exempted from income tax if the bondholder natural person owns the bonds for more than two calendar years and does not use them in economic activities.

Tax on Payment of Principal

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

Value Added Tax

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