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

Limited Liability Company

„SRG Real Estate“
(Identification Code: 404535240)

Preliminary Bond Issue Prospectus

Fixed interest rate bonds with total principal/nominal amount of up to USD 40,000,000 (forty million) are issued in two individual issues with up to USD 20,000,000 (twenty million) face value. The detailed terms thereof are determined by the Final Term Sheet document and the Prospectus. The maturity term is 36 months after the issuance for both issues. (The date of the first issue is specified in the Final Term Sheet document of the Bonds; The date of the second issue will be no later than 31st of March 2024 and shall be specified by the corresponding Final Term Sheet document); Nominal value of each bond at issue: US$ 1,000 (one thousand); Price at issue: 100% (one hundred percent) of face value; Interest payment frequency: once every 6 months; The exact issue date, annual rate and other additional details are set forth in the Final Term sheet and this prospectus.

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".

LLC SRG Real Estate (hereafter referred to as "SRG 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.

Persons responsible for preparation of the document:

Signed on behalf of LLC SRG Real Estate:

Signatory

Name, Surname: Mamuka Shurghaia

Position: Director

Signature:

Date:

Signatory

Name, Surname: Giorgi Ramishvili

Position: Chairman of the Supervisory Board

Signature:

Date:

Signed on behalf of JSC Galt & Taggart:

Signatory

Name, Surname: Irakli Kirtava

Position: General Director

signature:

Date:

Signed on behalf of "TBC Capital" LLC:

Name, Surname: Marry Chachanidze

Position: Managing Director

signature:

Date:

Signed on behalf of JSC "Silk Bank":

Name, Surname: Giorgi Ghibradze

Position: Legal Director

signature:

Date:

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). If the prospective investor receives the Prospectus via electronic means, he/she acknowledges that this electronic transmission (with attached Prospectus) is confidential and intended only for the addressee. Therefore, the investor agrees that he/she will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

Body responsible for approving the Prospectus:

National Bank of Georgia – address: 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:

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

Furthermore, except for cases expressly provided for by applicable law, no person, including an authorized representative of the Issuer, CEO, CFO, member of the Supervisory Board, Chairman of the Supervisory Board, Placement Agents, the Calculation and Paying Agent, the Registrar, other advisers of the Company, nor any of their affiliates, directors, advisers or agents, other than the Issuer, accepts any responsibility whatsoever for the contents of this Prospectus, the accuracy or completeness of the information contained in this Prospectus or for any other statement, made or purported to be made by any of them or on its/their behalf in connection with the Company or the issue and offering of the securities described herein. Therefore, the Placement Agent and the advisers of the Company disclaim any liability under the law or other liability they might have in respect of this Prospectus or any other statement made by them.

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

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

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

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

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

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

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

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

Approved by the National Bank of Georgia	Date of approval
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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 SRG Real Estate ("SRGRE")
Name, legal form, identification number and contact details of the Issuer	Limited Liability Company "SRG Real Estate", ID No. 404535240, address: Republic Square, Mtatsminda, Tbilisi, 0160, Georgia. Telephone: , Email: info@silkroadgroup.net, Website: www.silkroadgroup.net
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	

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

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

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

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

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

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

Warning

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

i. Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
ii. Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
iii. Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments (US$) is different from the currency in which the potential investor attracts or implements investments;

iv. Understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate;

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

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

References:

The main references used in the Prospectus are as follows:

- Audited annual financial statements for 2021 and 2020 (https://reportal.ge/)
-
- 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)
- Covid prevention portal of the Georgian government (www.stopcov.ge)
- Our World in Data (www.ourworldindata.org)
- Reporting portal (https://reportal.ge/)
- Georgian National Tourist Agency (https://gnta.ge/ge/)
- Review Pro reports (https://app.reviewpro.com/reviews)
- STR reports (https://str.com)

The responsible persons state 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

"SRG Real Estate" LLC (the “Company”,the “Issuer”,the “SRG 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 "SRG 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.

SRG Real Estate is the beneficial owner 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:

- **SRG 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.

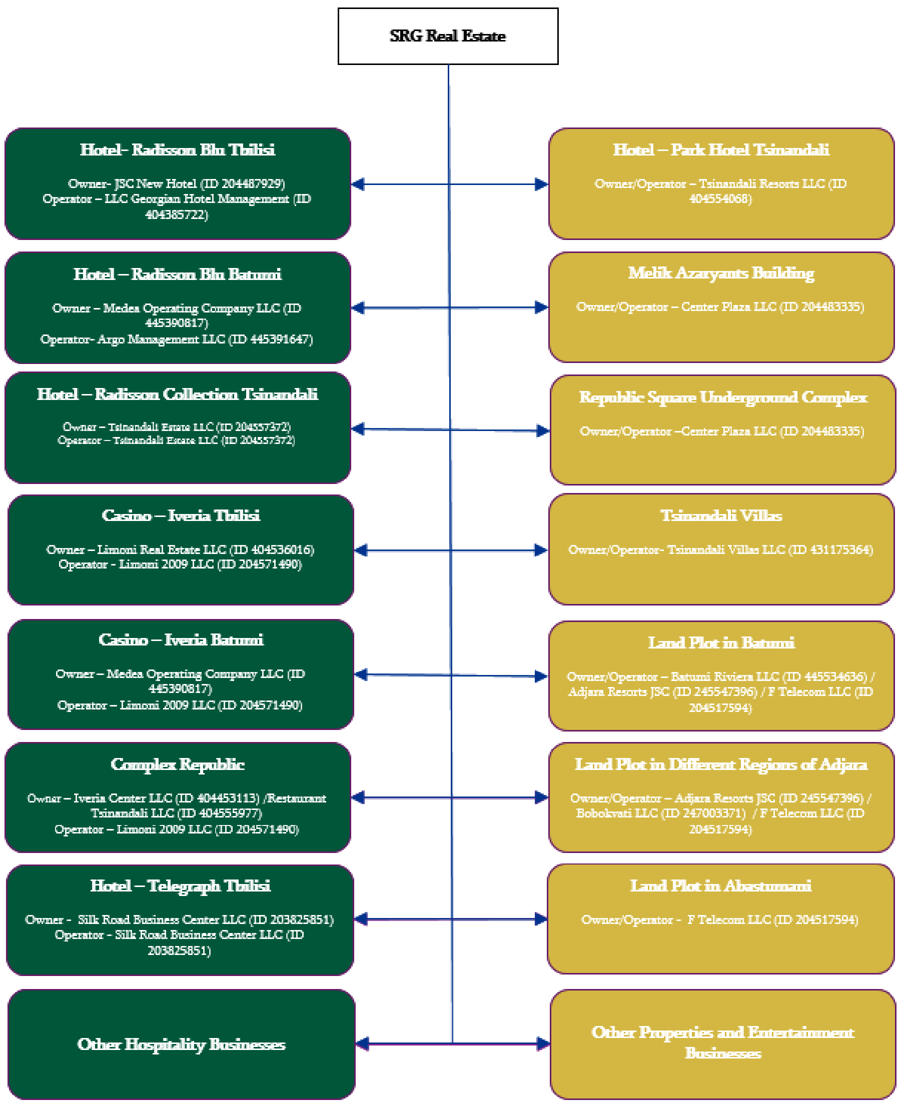
SRG Real Estate operates the following facilities of the group:

- 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 near future, SRG Real Estate is planning several large-scale projects in different regions of Georgia, including the opening of another 5-star hotel, "Telegraph," in the center of the Georgian capital.

Since 2005, Silk Road Group has invested approximately 1 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".



Green Box Assets:
511 mn GEL

Yellow Box Assets:
406 mn GEL

** The valuation of the assets was done by the international real estate appraiser, Colliers, as of June 30, 2022.*

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 180 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 16 tables and more than 150 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 2022, Radisson Blu Tbilisi is the highest-grossing high-class hotel in 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

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.

According to GRI (Global Review Index), the Radisson ranks first among luxury hotels in Georgia (Radisson Collection Tsinandali, Paragraph, Lopota Resort). Although the hotel was initially opened in 2019, due to the pandemic and two years of restrictions that followed, the hotel is yet to reach its normalized level of revenue and is still in the growth phase.

- 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. 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.

Restaurant Republic

The Republic is a multi-functional building 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, and offers its guests gorgeous city views, a cozy atmosphere and a sophisticated menu of European cuisine The restaurant also has a Republic rooftop terrace and a bar that serves cocktails and wines.

Republic 24

Republic 24 is a 24-hour "diner" serving Georgian cuisine with a modern concept.

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 January 2023, up to 125 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 20 active licenses for casinos, most of which are located in Batumi. Before the pandemic in 2019, Tbilisi and Batumi generated approximately 90% of the sector's revenues, while sports betting and slot-machine salons in other areas accounted for the remaining 10%. According to the preliminary estimate of 2022 it is expected that casino revenue in Batumi will exceed the figure of 2019, while the revenue in Tbilisi will once again achieve its pre-pandemic levels.

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 (since 2016, tourism has been one of the primary components of the government's reform plan). Up until the pandemic in 2019, the development of sea-side and mountain resorts and the growth of wine tourism and cultural sighseeing reflected the emergence of torusim as a crucial sector for Georgia. Since the beginning of the pandemic, Georgia's tourism sector has faced the closing of borders and the suspension of international traffic. As a result, the industry incurred significant losses: the number of international visits in 2020 was reduced by 80.4% (source: National Tourism Administration) and the revenue from tourism decreased by 83.4%. Moreover, despite the support package offered by the State, the crisis put tens of thousands of jobs and thousands of companies at risk.. In 2021, Georgia's economy and tourism sector began to gradually recover. The dynamics of the recovery improved in 2022, despite the aggravated geopolitical situation and related risks. In the first 9 months of 2022, 2.7 million international visitors came to Georgia, which represents an annual increase of 147.5%.

Real Estate sector

The real estate 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.

In 2021, the size of the real estate sector decreased by 21.8%, following an 8.0% reduction in 2020. The real estate sector has generally served as the main source of economic growth in Georgia, evidenced by the fact that, excluding one-off factors (such as BP gas pipeline construction and COVID-19 pandemic), domestic construction activity and GDP grow at similar rates. The pandemic and related restrictions have had a significant negative impact on both the general economy and the real estate sector.

It should be noted that the Georgian economy returned to pre-pandemic levels quite quickly, as real GDP growth amounted to 10.4% in 2021. Meanwhile, the real estate sector grew by 13.0% Y/Y in 2021. That being said, the sector did face challenging obstacles on the road back to stability. The increase of prices in the global goods markets, coupled with supply chain disruptions, led to unusually high prices on the construction materials. At the same time, the significant devaluation of the local currency created additional stress on the construction sector. It should be noted that the share of the real estate sector in the Georgian economy is the third highest among 15 selected countries (for details, see Figure #2 presented in the Prospectus' *Registration*

Document, Key Markets, Real Estate Market Overview subsection). Real estate prices have started to rise in recent months, and are expected to continue due to new building regulations (Decree 41) and rising costs of building materials.

Residential Real Estate

The residential real estate sector has been the driver of the Georgian economy since the mid- 2000s. During the 2011-2021 period, a 4.2% increase in GDP per capita coupled with rising average incomes led to a significant improvenemnt in the purchasing power of the Georgian population. As a result, the country witnessed a substantial increase in demand for residential real estate, especially in Tbilisi and Batumi.

There are several long-term and short-term factors which have positively affected the demand for residential real estate. Aside from increased purchasing power, the main long-term factors motivating the high demand for residential real estate are increasing urbanization and changes in ownership structure and household size. Meanwhile the key short-term factors arethe availability of mortgages, the demand created by the introduction of immigrants, remittances from Georgian immigrants and the growth of the Airbnb market.

The most in-demand segment of the Georgian real estate market is the low price segment. As such, low and middle income families drive the demand in the apartment market, particularly in the suburbs (Gldani, Samgori, Didi Digomi). Much like the rest of the sector, the residential real estate market was hit hard by Covid-19 in the first half of 2020. Demand was negatively impacted by the deteriorating economic outlook and a general sense of uncertainty. However, thanks to the government-initiated interest subsidy scheme, sales mostly recovered in the second half of 2020. Ultimately, 2020 was a difficult year for the residential real estate sector, as sales were down 20.1% y/y. However, real estate sales were back to a record high in 2021, increasing by 35.1% y/y and 8.2% compared to 2019. The rapid growth of real estate sales continued in 2022, as home sales sustained double-digit growth during first nine months of the year, despite the uncertainty and economic instability that followed the Russia-Ukraine war. Moreover, strong demand for housing was boosted by the influx of foreigners (mainly from Russia, Ukraine and Belarus), who came to Georgia for a longer period of time than regular tourists.

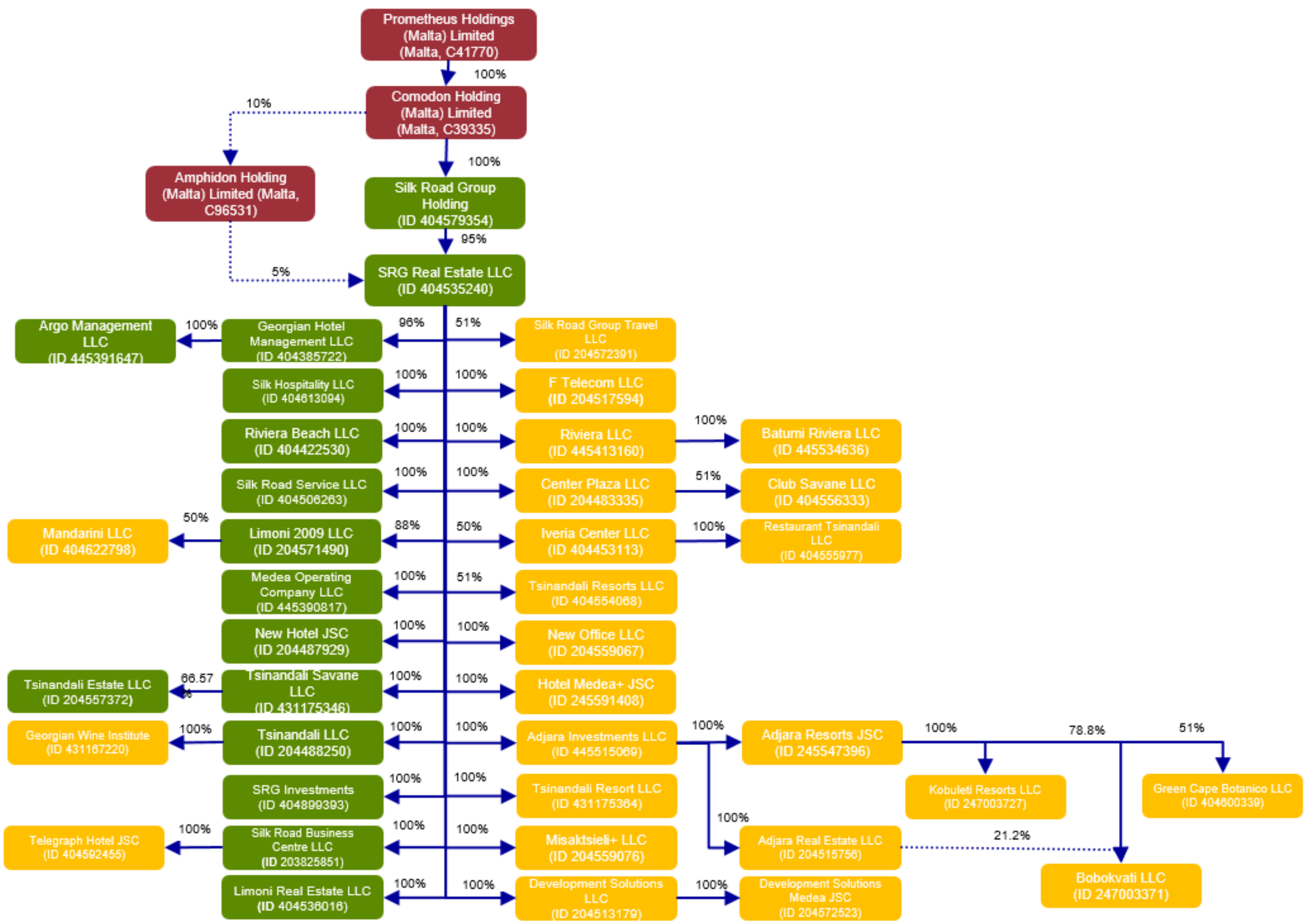
The Shareholders

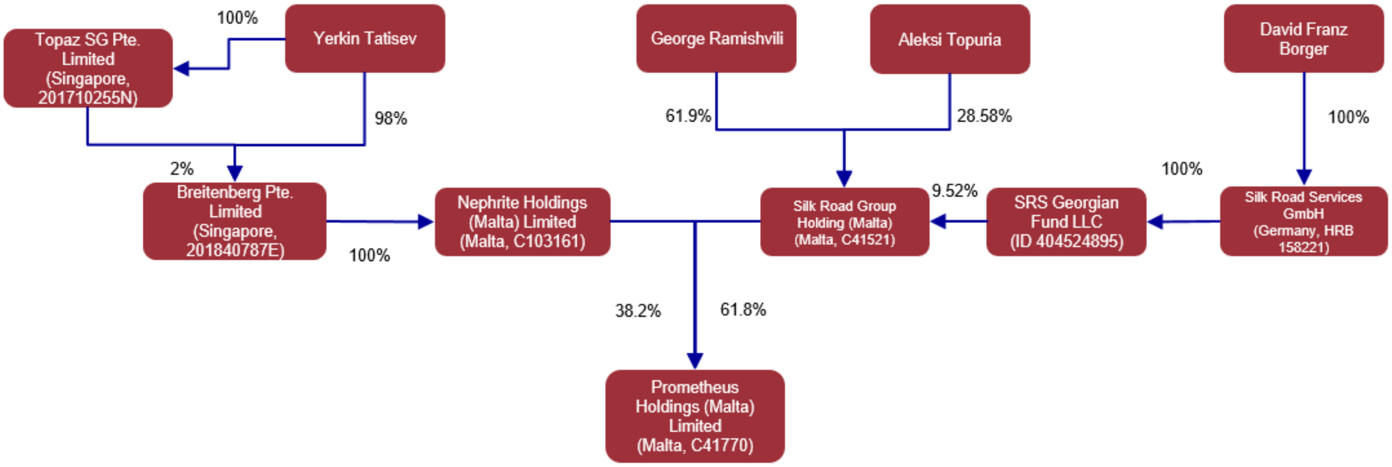
As of December 31, 2022, the issuer's 95% shareholder is the limited liability company Silk Road Group Holding LLC (ID 404579354), and the owner of the 5% share is Amphidon Holding (Malta) Limited, (C96531 - Malta). 90% of shares in Amphidon Holding are distributed among 4 partners who individually do 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%

Beneficial shareholders of Silk Road Group Holding (Malta) Limited:

Shareholoder	Share in Capital
George Ramishvili	61.90%
Aleksi Topuria	28.58%
David Borger	9.52%

Beneficial shareholder of Nephrite Holdings Limited:

Shareholder	Share in capital
Yerkin Tatishev	100%

As of December 31, 2022, 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 SRG 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 SRG 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 boards of various group companies.

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

Bondholder's representative: Suknidze & Partners LLC (ID 405413299). : info@suknidzeandpartners.com , Tel: 599 55 90 90, Address : Floor I, Entrance IV, 24 University Stree, Tbilisi, Georgia.

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).

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.

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

The Issuer 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 59.998% 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.

Key Financial Indicators

The table below summarizes the company's key financial indicators, which are based on the issuer's audited IFRS financial statements for 2021 and 2020, and 9 months unaudited IFRS financial statements for 2022 and 2021.

The auditor's opinion on issued IFRS financial statements for the year 2021 and 2020 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 September 30, 2022 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)	30-Sep-2022	31-Dec-2021	31-Dec-2020
	(Unaudited)	Audited	Audited
Assets			
Non-current assets			
Property and equipment	258,931	267,193	274,840
Investment property	313,383	309,771	303,748
Intangible assets	6,917	5,619	2,584
Prepayments for non-current assets	308	308	560
Loan receivable	221,513	237,275	267,651
Non-current assets	**801,052**	**820,166**	**849,382**
Current assets			
Inventories	6,634	4,873	3,739
Loans receivable	46,879	40,710	3,295
Trade and other receivables	7,809	8,966	16,445
Cash and cash equivalents	58,081	34,413	16,221
Prepayments and other assets	12,923	7,747	6,413
Current assets	**132,326**	**96,709**	**46,113**
Total assets	**933,378**	**916,875**	**895,495**
Equity			
Charter capital	671,140	671,140	671,140
Accumulated losses	(103,821)	(137,860)	(136,691)
Equity attributable to owners of the Company	**567,319**	**533,280**	**534,449**
Non-controlling interests	13,650	7,529	4,545
Total equity	**580,969**	**540,809**	**538,994**
Non-current liabilities			
Loans and borrowings	228,288	263,497	267,776
Trade and other payables	5,094	504	1,011
Put option liability	42,700	42,436	40,804
Non-current liabilities	**276,083**	**306,437**	**309,591**
Current liabilities			
Loans and borrowings	51,533	49,296	35,847
Trade and other payables	24,792	20,333	11,063
Current liabilities	**76,326**	**69,629**	**46,910**
Total liabilities	**352,409**	**376,066**	**356,501**
Total equity and liabilities	**933,378**	**916,875**	**895,495**

Consolidated Statement of Profit or Loss and Other Comprehensive Income (000' GEL)	**30-Sep-2022** **(Unaudited)**	**30-Sep-2021** **(Unaudited)**	**31-Dec-2021** **(Audited)**	**31-Dec-2020** **(Audited)**	**31-Dec-2019** **(Audited)**
Revenue	186,301	96,109	144,738	56,672	187,378
Other income	8,943	3,932	7,795	40,615	13,670
Operating costs	(58,703)	(33,643)	(59,607)	(30,234)	(82,470)
Wages and other employee benefits	(64,724)	(31,334)	(51,606)	(35,662)	(71,538)
Depreciation and amortization	(18,636)	(24,351)	(29,408)	(26,492)	(27,835)
Impairment loss of trade and other receivables and loans receivable	-	-	(374)	(350)	(1,299)
Other expenses	(11,252)	(6,691)	(2,250)	(4,307)	(3,029)
Results from operating activities	**41,929**	**4,023**	**9,288**	**242**	**14,877**
Interest income	13,356	14,256	19,655	18,932	17,515
Net foreign exchange gain/(loss)	1,393	4,073	3,032	2,414	(745)
Interest expense	(19,138)	(21,442)	(29,515)	(22,441)	(23,343)
Net finance costs	**(4,389)**	**(3,113)**	**(6,828)**	**(1,095)**	**(6,573)**
Profit/(loss) before income tax	**37,540**	**910**	**2,460**	**(853)**	**8,304**
Income tax	-	-	-	-	899
Profit/(loss) and total comprehensive income/(loss) for the year	**37,540**	**910**	**2,460**	**(853)**	**9,203**
Profit/(loss) and total comprehensive income/(loss) attributable to:					
Owners of the Company	31,419	(1,278)	463	1,830	7,503
Non-controlling interests	6,121	2,188	1,997	(2,683)	1,700

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 September 30, 2022 (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	30,961	15,994	14,298	61,253	(4,830)	56,423	87,217	49,629	136,846	-	136,846	20,261	(8,338)	11,922	205,191	3,218	-	3,218	-	208,409
Other operating income	-	-	2	2	-	2	708	475	1,183	-	1,183	-	-	-	1,184	3,515	(8)	3,507	(4,446)	246
Depreciation and amortization	(4,713)	(1,533)	(5,195)	(11,441)	-	(11,441)	(227)	(204)	(430)	-	(430)	(2,495)	-	(2,495)	(14,366)	(4,270)	-	(4,270)	-	(18,636)
Direct costs and expenses	(17,955)	(9,215)	(11,644)	(38,814)	5,090	(33,725)	(43,674)	(46,409)	(90,083)	5,096	(84,987)	(14,880)	2,983	(11,898)	(130,609)	(1,579)	-	(1,579)	4,446	(127,742)
Overhead costs	(2,266)	(1,134)	(1,338)	(4,738)	-	(4,738)	(197)	(122)	(319)	-	(319)	(11,479)	-	(11,479)	(16,536)	(3,820)	8	(3,812)	-	(20,348)
Segment operating profit	**6,027**	**4,112**	**(3,877)**	**6,262**	**259**	**6,522**	**43,827**	**3,369**	**47,196**	**5,096**	**52,292**	**(8,594)**	**(5,356)**	**(13,949)**	**44,864**	**(2,935)**	**(0)**	**(2,935)**	**0**	**41,929**
Interest income	1,691	24	-	1,715	(66)	1,649	2,390	-	2,390	(2,390)	-	18,641	(6,546)	12,094	13,744	3,480	(382)	3,097	(3,485)	13,356
Interest expense	(143)	-	(2,415)	(2,558)	160	(2,398)	-	-	-	-	-	(26,462)	8,842	(17,619)	(20,018)	(2,987)	382	(2,605)	3,485	(19,138)
Net FOREX	(2,501)	(58)	3,000	441	-	441	(75)	(16)	(91)	-	(91)	(1,640)	-	(1,640)	(1,290)	2,683	-	2,683	-	1,393
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	**5,075**	**4,078**	**(3,292)**	**5,860**	**353**	**6,214**	**46,141**	**3,353**	**49,494**	**2,706**	**52,201**	**(18,056)**	**(3,060)**	**(21,115)**	**37,299**	**241**	**(0)**	**241**	**-**	**37,540**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**5,075**	**4,078**	**(3,292)**	**5,860**	**353**	**6,214**	**46,141**	**3,353**	**49,494**	**2,706**	**52,201**	**(18,056)**	**(3,060)**	**(21,115)**	**37,299**	**241**	**(0)**	**241**	**-**	**37,540**
Net operating profit	**13,006**	**6,779**	**2,656**	**22,440**	**259**	**22,700**	**44,251**	**3,694**	**47,946**	**5,096**	**53,042**	**5,380**	**(5,356)**	**25**	**75,766**	**5,154**	**(8)**	**5,147**	**0**	**80,913**
Segment adjusted EBITDA	**10,740**	**5,644**	**1,318**	**17,703**	**259**	**17,962**	**44,054**	**3,572**	**47,626**	**5,096**	**52,722**	**(6,099)**	**(5,356)**	**(11,454)**	**59,230**	**1,335**	**(0)**	**1,335**	**0**	**60,565**

*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, 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	-	-	1,261	(903)	358	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)	-	-	(1,158)	-	(1,158)	980	1,363	2,343	1,132	1,833	-	1,833	67	3,032
Impairment of financial assets	(293)	-	-	(293)	-	(293)	-	-	98	-	98	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**	**30,059**	**4,237**	**34,296**	**(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**	**30,059**	**4,237**	**34,296**	**(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

Segment Report as of December 31, 2020

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	8,073	4,287	5,639	17,999	(1,948)	16,051	25,993	7,632	33,625	-	33,625	9,725	(522)	9,203	58,879	796	-	796	-	59,675
Other operating income	320	-	-	320	-	320	746	342	1,088	(21)	1,067	1,158	-	1,158	2,545	37,799	(33)	37,766	(1,372)	38,939
Depreciation and amortization	(6,139)	(1,757)	(6,610)	(14,506)	-	(14,506)	(1,981)	(971)	(2,952)	-	(2,952)	(2,476)	-	(2,476)	(19,934)	(2,942)	-	(2,942)	-	(22,876)
Direct costs and expenses	(7,776)	(3,903)	(7,254)	(18,933)	-	(18,933)	(24,495)	(9,747)	(34,242)	2,195	(32,047)	(7,974)	-	(7,974)	(58,954)	(308)	-	(308)	806	(58,456)
Overhead costs	(3,701)	(642)	708	(3,635)	98	(3,537)	(213)	(85)	(298)	68	(230)	(5,698)	130	(5,568)	(9,335)	(7,954)	33	(7,921)	566	(16,690)
Segment operating profit	**(9,223)**	**(2,015)**	**(7,517)**	**(18,755)**	**(1,850)**	**(20,605)**	**50**	**(2,829)**	**(2,779)**	**2,242**	**(537)**	**(5,265)**	**(392)**	**(5,657)**	**(26,799)**	**27,391**	**-**	**27,391**	**-**	**592**
Interest income	2,628	-	-	2,628	(92)	2,536	-	-	2,544	(2,060)	484	26,343	(9,704)	16,639	19,659	3,980	(498)	3,482	(4,209)	18,932
Interest expense	(217)	-	(3,282)	(3,499)	240	(3,259)	-	-	(11)	-	(11)	(31,376)	11,616	(19,760)	(23,030)	(4,118)	498	(3,620)	4,209	(22,441)
Net FOREX	3,103	(113)	(4,847)	(1,857)	-	(1,857)	-	-	3,647	-	3,647	1,641	-	1,641	3,431	(1,017)	-	(1,017)	-	2,414
Impairment of financial assets	(233)	-	-	(233)	-	(233)	-	-	-	-	-	(117)	-	(117)	(350)	-	-	-	-	(350)
Segment profit/loss before tax	**(3,942)**	**(2,128)**	**(15,646)**	**(21,716)**	**(1,702)**	**(23,418)**	**50**	**(2,829)**	**3,401**	**182**	**3,583**	**(8,774)**	**1,520**	**(7,254)**	**(27,089)**	**26,236**	**-**	**26,236**	**-**	**(853)**
Income tax expense	-	-	-	-	-		-	-	-											-
Segment profit/loss after tax	**(3,942)**	**(2,128)**	**(15,646)**	**(21,716)**	**(1,702)**	**(23,418)**	**50**	**(2,829)**	**3,401**	**182**	**3,583**	**(8,774)**	**1,520**	**(7,254)**	**(27,089)**	**26,236**	**-**	**26,236**	**-**	**(853)**
Net operating profit	**617**	**384**	**(1,615)**	**(614)**	**(1,948)**	**(2,562)**	**2,244**	**(1,773)**	**471**	**2,174**	**2,645**	**2,909**	**(522)**	**2,387**	**2,470**	**38,287**	**(33)**	**38,254**	**(566)**	**40,158**
Segment adjusted EBITDA	**(3,084)**	**(258)**	**(907)**	**(4,249)**	**(1,850)**	**(6,099)**	**2,031**	**(1,858)**	**173**	**2,242**	**2,415**	**(2,789)**	**(392)**	**(3,181)**	**(6,865)**	**30,333**	**-**	**30,333**	**-**	**23,468**
CAPEX and other additions	14,083	-	5,580	19,663	-	19,663	434	251	685	-	685	1,176	-	1,176	21,524	8,268	-	8,268	-	29,792

Segment Report as of December 31, 2019

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	41,567	15,097	9,938	66,602	(8,398)	58,204	96,431	39,165	135,596	(31)	135,565	8,753	(3,996)	4,757	198,526	4,611	-	4,611	(1,585)	201,552
Other operating income	1,108	-	323	1,431	-	1,431	1,077	2	1,079	-	1,079	2,031	-	2,031	4,541	2,717	(150)	2,567	-	7,108
Depreciation and amortization	(4,861)	(1,666)	(6,442)	(12,969)	-	(12,969)	(2,080)	(1,425)	(3,505)	-	(3,505)	(2,364)	-	(2,364)	(18,838)	(3,789)	-	(3,789)	-	(22,627)
Direct costs and expenses	(21,087)	(8,471)	(10,284)	(39,842)	85	(39,757)	(70,234)	(34,462)	(104,696)	8,398	(96,298)	(7,362)	-	(7,362)	(143,417)	(458)	-	(458)	-	(143,875)
Overhead costs	(7,947)	(1,484)	(1,812)	(11,243)	1,890	(9,353)	(2,467)	(351)	(2,818)	366	(2,452)	(9,113)	1,686	(7,427)	(19,232)	(8,485)	150	(8,335)	1,585	(25,982)
Segment operating profit	**8,780**	**3,476**	**(8,277)**	**3,979**	**(6,423)**	**(2,444)**	**22,727**	**2,929**	**25,656**	**8,733**	**34,389**	**(8,055)**	**(2,310)**	**(10,365)**	**21,580**	**(5,404)**	**-**	**(5,404)**	**-**	**16,176**
Interest income	3,229	40	36	3,305	(562)	2,743	-	-	1,280	(1,133)	147	23,680	(8,553)	15,127	18,017	2,088	(537)	1,551	(2,053)	17,515
Interest expense	(376)	-	(4,156)	(4,532)	158	(4,374)	-	-	(55)	-	(55)	(27,440)	10,090	(17,350)	(21,779)	(4,154)	537	(3,617)	2,053	(23,343)
Net FOREX	1,942	(168)	(2,641)	(867)	-	(867)	-	-	1,420	-	1,420	2,698	-	2,698	3,251	(3,996)	-	(3,996)	-	(745)
Impairment of financial assets	-	-	-	-	-	-	-	-	584	-	584	(1,883)	-	(1,883)	(1,299)	-	-	-	-	(1,299)
Segment profit/loss before tax	**13,575**	**3,348**	**(15,038)**	**1,885**	**(6,827)**	**(4,942)**	**22,727**	**2,929**	**28,885**	**7,600**	**36,485**	**(11,000)**	**(773)**	**(11,773)**	**19,770**	**(11,466)**	**-**	**(11,466)**	**-**	**8,304**
Income tax expense	-	-	-	-			899	-	899	-	899	-	-	-	899	-	-	-		899
Segment profit/loss after tax	**13,575**	**3,348**	**(15,038)**	**1,885**	**(6,827)**	**(4,942)**	**23,626**	**2,929**	**29,784**	**7,600**	**37,384**	**(11,000)**	**(773)**	**(11,773)**	**20,669**	**(11,466)**	**-**	**(11,466)**	**-**	**9,203**
Net operating profit	**21,588**	**6,626**	**(23)**	**28,191**	**(8,313)**	**19,878**	**27,274**	**4,705**	**31,979**	**8,367**	**40,346**	**3,422**	**(3,996)**	**(574)**	**59,650**	**6,870**	**(150)**	**6,720**	**(1,585)**	**64,785**
Segment adjusted EBITDA	**13,641**	**5,142**	**(1,835)**	**16,948**	**(6,423)**	**10,525**	**24,807**	**4,354**	**29,161**	**8,733**	**37,894**	**(5,691)**	**(2,310)**	**(8,001)**	**40,418**	**(1,615)**	**-**	**(1,615)**	**-**	**38,803**
CAPEX and other additions	2,440	359	3,775	6,574	-	6,574	6,301	862	7,163	-	7,163	2,823	-	2,823	16,560	9,877	-	9,877		26,437

Reconciliation of Reportable Segments

'000 GEL	2022 9 Months	2021 9 Months	2021	2020	2019
Total Revenue for Reportable Segments	208,409	104,447	160,132	59,675	201,552
Income from Casino Tips	(8,026)	(2,648)	(4,886)	(1,676)	(6,562)
Customer promotions and bonuses for Casinos	(14,083)	(5,690)	(10,508)	(1,327)	(7,612)
Consolidated Revenue	**186,301**	**96,109**	**144,738**	**56,672**	**187,378**

Revenues of GEL 2,966 thousand (2020: GEL 2,502 thousand; 2019: GEL 1,172 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 2,879 thousand (2020 and 2019: nil) is attributable to operations of Park Hotel Tsinandali, which is allocated to revenues from other unallocated "yellow box" entities for segment reporting purposes.

Revenues from Casino operations (for more information, please view the "*Operating Results"* subsection) is reported net-off customer promotions and bonuses. Income from Casino tips is recognized under other income.

Selected Key financial ratios:

		30-Sep-2022 LTM	31-Dec-2021	31-Dec-2020	31-Dec-2019
		Unaudited	Audited	Audited	Audited
	<u>Financial Leverage Ratios</u>				
1	Long-term debt / equity	0.39	0.49	0.50	0.39
2	Long-term debt / equity (w/o related party loan)	0.28	0.32	0.33	0.24
3	Total debt / EBITDA	4.00	8.27	12.94	6.78
4	Total debt / EBITDA (w/o related party loan)	3.26	6.41	9.99	4.95
5	Total debt ratio	30.0%	34.1%	33.9%	30.4%
6	Total debt ratio (w/o related party loan)	24.4%	26.4%	26.2%	22.2%
7	Total debt to equity	0.48	0.58	0.56	0.48
8	Total debt to equity (w/o related party loan)	0.36	0.40	0.39	0.31
	<u>Profitability Ratios</u>				
9	Return on assets	4.19%	0.27%	-0.10%	1.07%
10	Return on equity	6.97%	0.46%	-0.16%	1.67%
11	Return on capital employed	5.64%	1.04%	-0.38%	1.50%
12	EBITDA margin	31.02%	24.79%	24.12%	19.30%
13	EBIT margin	21.48%	5.51%	-3.11%	5.46%
14	Operating profit margin	21.48%	6.09%	0.25%	7.40%
15	Operating cashflow margin	18.03%	5.07%	-11.79%	5.88%
16	Net profit margin	19.23%	1.61%	-0.88%	4.58%
	<u>Liquidity Ratios</u>				
17	Liquid assets / current liabilities	1.65	1.32	0.90	0.86
18	Liquid assets / total assets	0.13	0.10	0.05	0.06
19	Current assets ratio	1.73	1.39	0.98	0.95

		<u>30-Sep-2022 After bond Issue</u>	30-Sep-2021	31-Dec-2021	31-Dec-2020
	<u>Key Financial Covenants on specific group companies</u>				
20	DSCR – Specific Group	1.95	2.15	1.67	N/A
21	DSCR – Hotels Tbilisi, Batumi	1.30	1.05	1.14	N/A
22	DSCR – Hotel Tsinandali	-	(0.19)	(0.69)	N/A
23	DSCR – Casinos	2.45	5.39	3.81	N/A
24	ICR – Specific Group	2.02	2.29	1.67	N/A
25	ICR – Hotels Tbilisi, Batumi	1.37	1.11	1.14	N/A
26	ICR – Hotel Tsinandali	-	(0.21)	(0.69)	N/A
27	ICR – Casino	2.51	5.70	3.81	N/A
28	Total debt / EBITDA – Specific Group	3.68	2.78	5.30	N/A
29	Total debt / EBITDA – Hotels	3.89	6.20	10.85	N/A
30	Total debt / EBITDA -Casinos	3.57	1.05	1.90	N/A

<u>Bonds Financial Covenants</u>

31	Net Debt / EBITDA (<3.5)	2.46	1.67	3.91	N/A

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 last 12 months (LTM) 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.

SRG 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 despite the fact that some of the coefficients fit into the aa category the highest rating that company can gat is bbb, as the company operates in the gaming sector.

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/sector-navigators-addendum-to-corporate-rating-criteria-28-10-2022

https://www.fitchratings.com/research/corporate-finance/corporate-rating-criteria-28-10-2022

	Potential Credit Rating	**30 September 2022 After Bonds Issuance**	**30 September 2022**	**31 December 2021**	**31 December 2020***	**31 December 2019***
EBITDA margin	aa	31.0%	31.0%	24.8%	24.1%	19.3%
EBITDA leverage	b	3.6	3.6	8.3	12.9	6.8
EBIT margin	aa	21.5%	21.5%	5.5%	-3.1%	5.5%
EBITDA net leverage	bb	2.8	2.8	7.4	12.2	6.0
FFO margin	aa	20.3%	20.3%	-2.9%	13.5%	
FFO leverage	bb	3.6	3.6	8.3	12.9	
FCF margin	aa	12.8%	12.8%	-9.8%	-37.2%	
EBITDA interest coverage	bb	3.16	3.16	1.28	1.05	

(CFO-Capex)/Net Debt	bbb	12.8%	12.8%	-5.4%	-12.6%	
FFO interest coverage	bb	2.07	2.07	(0.15)	0.59	

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 expense.

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

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

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

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

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

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

4.4.7 Further expansion cannot be guaranteed;

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

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

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;

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;

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 Registrar, the Bondholders' Representative and, where applicable, the nominal holders; 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.

Use of proceeds

Funds raised from the issue of Bonds will be used to refinance existing liabilities. With the funds received from the first issue, Tsinandali Savane LLC is planning to buy back the share from JSC Partnership Fund. Bank and other debt obligations will be refinanced with the remaining funds. Detailed information on the use of proceeds can be found in the subsection "Reasons of the Offering and Use of Proceeds".

The use of the funds raised by the second tranche will be specified in the relevant final offering term sheet document.

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.

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

The Issuer 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 59.998% 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.

Information about the Registrar is presented in the "Offering Term Sheet Document".

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 30 September 2022, the following ratings have been assigned to Georgia by international rating agencies:

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

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

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, hotel business revenues which represented approximately 30% of the total revenues as of the 9 months of 2022) 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. 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.

According to the National Bank of Georgia, its official reserves stood at US$ 4.9 billion as of 31 December 2022, showing an annual 14.7% increase. The level of current reserves is adequate for the country to handle crises in the short term, according to the International Monetary Fund. Furthermore, the reserves may be used if the national currency exchange rate significantly depreciates due to one-off factors, because the currency depreciation may adversely affect the country's economy.

Over the years, the exchange rate of 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. In addition, in order to neutralize sharply increased foreign currency inflows, the National Bank purchased a total of US$ 473 million during the first 11 months of 2022 through foreign exchange interventions.

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 (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 and at 11.9% in 2022. In view of the global increase of prices on food products and energy carriers, since the spring of 2021, inflation pressure has increased significantly, and in July 2021, annual inflation amounted to 11.9%. In response to rising inflation, the National Bank increased the monetary policy rate four times in the March-December period, by a total of 250 basic points, to 10.5%. From the beginning of 2022, inflation continued to rise amid the base effect of the previous year and the increased prices of food and energy caused by the Russia-Ukraine war. According to the data of the 9 months of 2022, the price increase for the main components of inflation is as follows: food and non-alcoholic beverages - 6.9%, transport - 2.3%, housing, water, electricity, gas and other fuels - 1.3%, restaurants and hotels - 0.6%, alcoholic beverages and tobacco - 0.6%, other - 1.8%. As of Spring 2022, rent prices also increased due largely to the increase in demand for real estate by migrants. In 2022, the average annual inflation amounted to 11.9%. In response to long-term high inflation, in March 2022, the National Bank increased the refinancing rate by another 0.5 percentage points to 11% and maintained the rate through the end of the year. Although the current high level of inflation is a global phenomenon and is mainly driven by supply-side factors, a tight monetary policy will help NBG to reduce inflation to its target level once price pressures have weakened relatively.

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

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

The Company's revenues are primarily dependent on Georgia. Therefore, the Company's performance is significantly affected by financial and economic developments taking place in or related to Georgia 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 domestic economic activity, growth expectations began to improve. The recovery of tourism is proceeding at a steady pace, parallel to the growth of raw material exports, which in turn is caused by the rapidly increasing prices of raw materials. The total demand in the domestic market remains robust, as evidenced by healthy growth in overall credit portfolios and fiscal spending. Based on preliminary data from Geostat, annual actual GDP growth was 10.1% in 2022. As for 2023, the International Monetary Fund and the National Bank predict a 4.0% growth, while the Georgian government expects a 5.0% growth. It should be noted that the given forecasts are still accompanied by high uncertainty. The Russia-Ukraine war, fears of a global recession and high inflation pose risks of lower-than-expected economic growth. On the other hand, a strong wave of migration, 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% in 2019, by 4.8% in 2018 and 2017, and by an average of 3% in 2015 and 2016.

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

2. Risks related to neighboring countries and the region:

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

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, since gaining independence in 1991, Georgia has had conflicts with the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated. Georgian troops engaged with local militias and Russian forces, and Georgia declared a state of war. The tension regarding these regions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia and Russia recognized the independence of these regions 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, raising negative expectations for the recovery process of the region's economies in 2021. On October 10, 2020, a ceasefire agreement was signed in Moscow, however, on October 11, Armenia and Azerbaijan reported shelling of cities from 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. The continuation of the Karabakh conflict may have a negative impact on the implementation of direct foreign investments and the tourism sector in the region including Georgia.

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.

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

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

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

The Georgian economy depends on the economies of other countries within the region (Azerbaijan, Armenia, Russia and Turkey). Azerbaijan and Armenia, historically, have been the two largest markets for Georgian exports and they accounted for 13.4% and 11.4%, respectively, of Georgia's total exports in 2019, according to Geostat data. In the post-pandemic period, the share of Azerbaijan has insignificantly increased whereas the share of Armenia has significantly decreased and comprised 12.5% and 6.1%, respectively, of Georgia's total exports in 2021. Russia remains one of the largest markets for Georgian exports. According to Geostat, it accounted for 13.1% of total exports in 2019, 13.2% in 2020 and 14.4% in 2021. Turkey represents the biggest importer to Georgia, accounting for 17.0% of Georgia's total imports in 2019, 17.5% in 2020 and 18.1% in 2021, according to Geostat. Ukraine is also an important trade partner, whose share in 2021 was 7.5% in exports and 4.5% in imports. Accordingly, significant dependence on the countries of the region and possible political and economic challenges in these countries represent potential obstacles for further economic growth. 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 the tourism income and remittances received from Russia amounted to 3.0% of the GDP, this indicator increased to 9.8% in the first 9 months of 2022. 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 subsequent economic failure or crisis in Georgia's neighboring countries may have a strong 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. The risk of new entrants to the market is mitigated by the fact that casino advertising is prohibited in Georgia and, thus, new players would face difficulties in popularization.

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 and ensuring that advertising reaches only the appropriate age groups and target segments can be challenging. Failing to do so can have negative impact on casinos and their reputation, and may also result in increased regulatory scrutiny and establishment of additional regulations.

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, and the Georgian market is no exception. 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. No one knows when the virus will be eliminated and there is no comparable historical example which makes it more difficult to predict the economic conditions. 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 6.8% in 2020 compared to 2019, affecting the majority of economic sectors.

Although a strict lockdown initially slowed down the spread of the virus in the first few months of 2020, a gradual easing of restrictions in the spring of that year was followed by a second wave of the pandemic in Georgia in the later half of the year. From late November 2020 to early February 2021, the government introduced partial restrictions, including a curfew from 9 p.m. to 5 a.m., closing of restaurants and other food facilities, suspension of public transportation, etc. These measures decreased the cases of infection which allowed the government to gradually open the economy from March 2021.

July and August of 2021 saw an increase in Covid-19 cases. As a result, certain restrictions were tightened, such as the compulsory wearing of face masks outdoors, the banning of large gatherings, and the suspension of municipal transport. Since July 2021, there was a notable increase in the vaccination rate, with the government ensuring an adequate supply of vaccines. The emergence of new Covid-19 variants is a risk that increases the probability of new restrictions both locally and internationally. A significant decrease in Covid-19 cases was observed in 2022, and the government lifted most of the pandemic-related restrictions.

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. Despite some significant recovery trends in the recent period, the pandemic had a significant negative impact on the Issuer's activities.

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

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. SRG 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. Although the Group has obtained a 15-year franchise agreement with 13 years remaining, 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 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.

4.4.2 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.

4.4.3 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.

4.4.4 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.

4.4.5 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.

4.4.6 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.

4.4.7 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.

4.4.8 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. 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.

4.4.9 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.

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. (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 (15% 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

Upon the public offering of bonds, the Company will become 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, electronic communications, energy sector) 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 2022, 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 USD. 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 USD. 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 USD 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. 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) shall be given priority over unsecured creditors (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 Registrar, the Bondholders' Representative and, where applicable, the nominal holders; 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 nominal holders registered on the relevant record date in the securities register maintained by the Registrar (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 Registrar and, where applicable, the nominal holder. The Company does not assume any responsibility for the accuracy of records in the securities register or for the receipt of funds by the beneficial owners of the bonds. 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 nominal holder) 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.

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

On the basis of this Prospectus, the Issuer plans to issue bonds with a nominal value of up to USD 40,000,000 (forty million) in two tranches: (i) *first issue* - bonds with a nominal value of USD 20,000,000 (twenty million) are planned to be issued in April 2023 (please see the "Terms and Conditions of the Bonds" and the "Final Term Sheet Document"); and (ii) *second issue* - bonds with a nominal value of up to USD 20,000,000 (twenty million) are planned to be issued in the second half of 2023 (information related to the second issue will be specified in the relevant term sheet document).

Tsinandali Savane LLC is planning to buy back the share from JSC "Partnership Fund" with the funds received from the first issue. Bank and other debt obligations will be refinanced with the remaining funds. The exact loans that will be refinanced after the issue are unknown at the date of the Prospectus. For more information on the Issuer's debt obligations, refer to the Capitalization and Indebtedness subsection of the Prospectus.

The use of proceeds received from the second tranche will be specified in the relevant final term sheet document.

As a result of both issues carried out on the basis of this Prospectus, the total net proceeds received from the issue and sale of bonds, will not be less than USD 39.4 million and will be fully used to refinance existing obligations.

The Company will refinance the existing specific obligations in accordance with the Terms and Conditions of the Bonds. The Company will have detailed information on these specific obligations at the relevant bond issue dates. Detailed information about the Company's capitalization and borrowings is presented in the subsection "Capitalization and Indebtedness".

Registration Document

Persons responsible for preparation of the document:

Mamuka Shurgaia – Director of SRG Real Estate LLC

George Ramishvili - Chairman of the Supervisory Board of SRG Real Estate LLC

Representation of responsible persons

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

Financial auditor of the Issuer

Issuer's financial auditor is 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 "SRG Real Estate". Address: Republic Square N1, Tbilisi 0108, Georgia. Country of registration: Georgia. Regulatory legislation: legislation of Georgia.

Overview & History

SRG Real Estate LLC (Company, Issuer, SRG 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, primarily 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 "SRG 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.

SRG Real Estate is the beneficial owner 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:

- **SRG 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.

SRG 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 near future, SRG Real Estate is planning several large-scale projects in different regions of Georgia, including the opening of another 5-star hotel, "Telegraph," in the center of the Georgian capital.

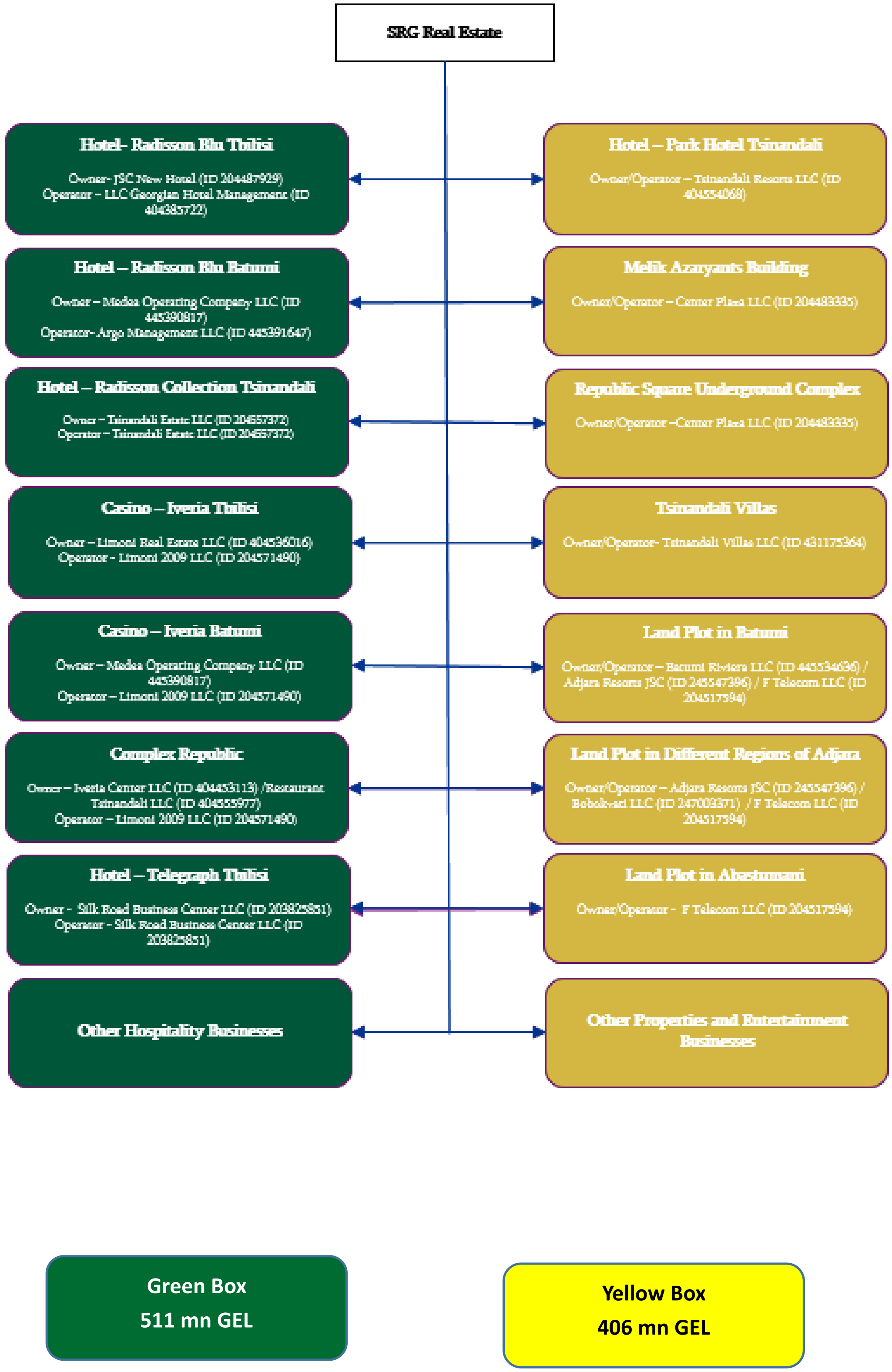
Since 2005, Silk Road Group has invested approximately 1 billion US dollars in the economy of Georgia.

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".

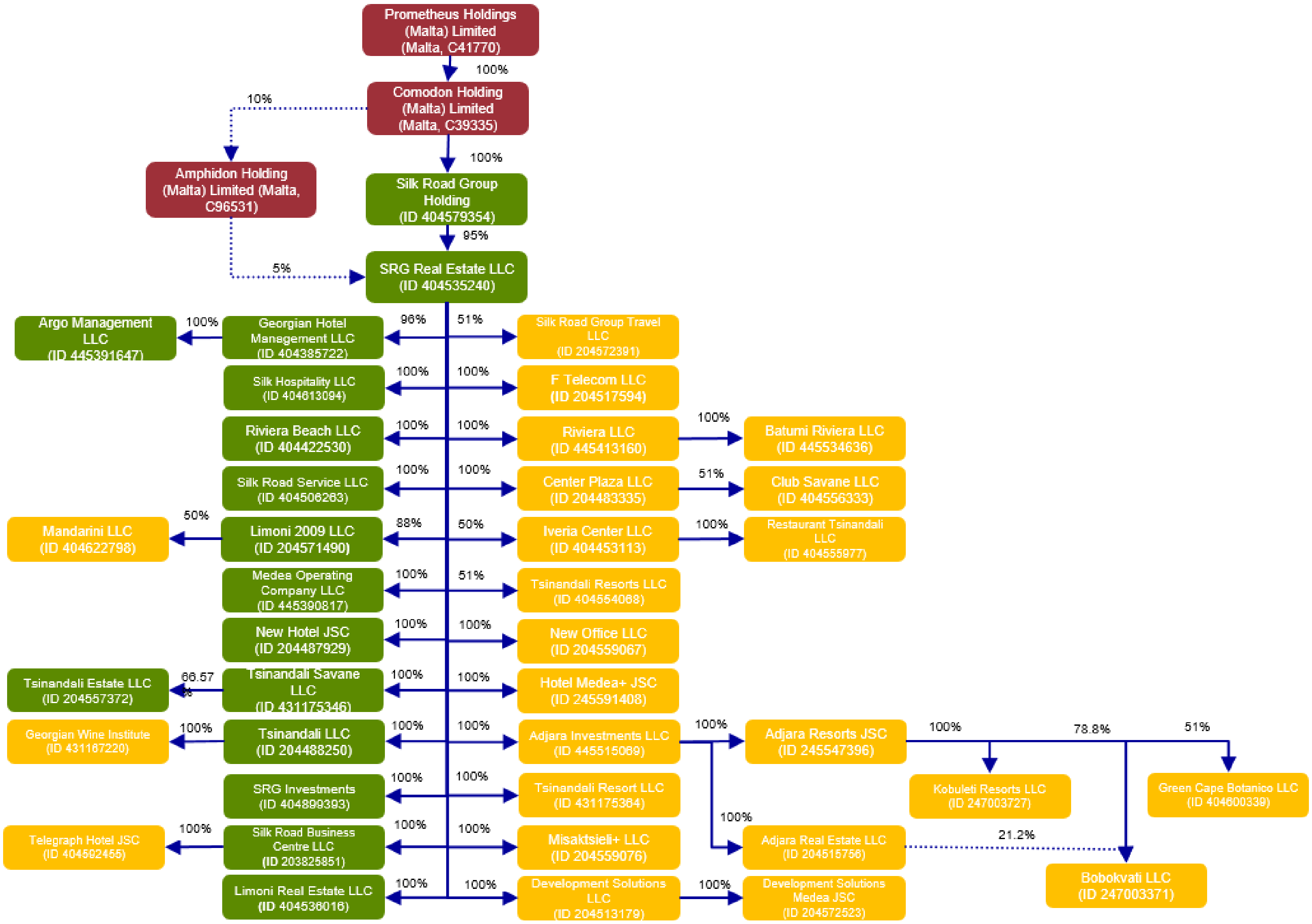
The company indirectly owns real estate in Georgia, which is estimated at 917 million GEL. The said valuation was made by Colliers, an international real estate appraiser, as of June 30, 2022.

The distribution of the company’s assets between “Green” and “Yellow” boxes is given below:

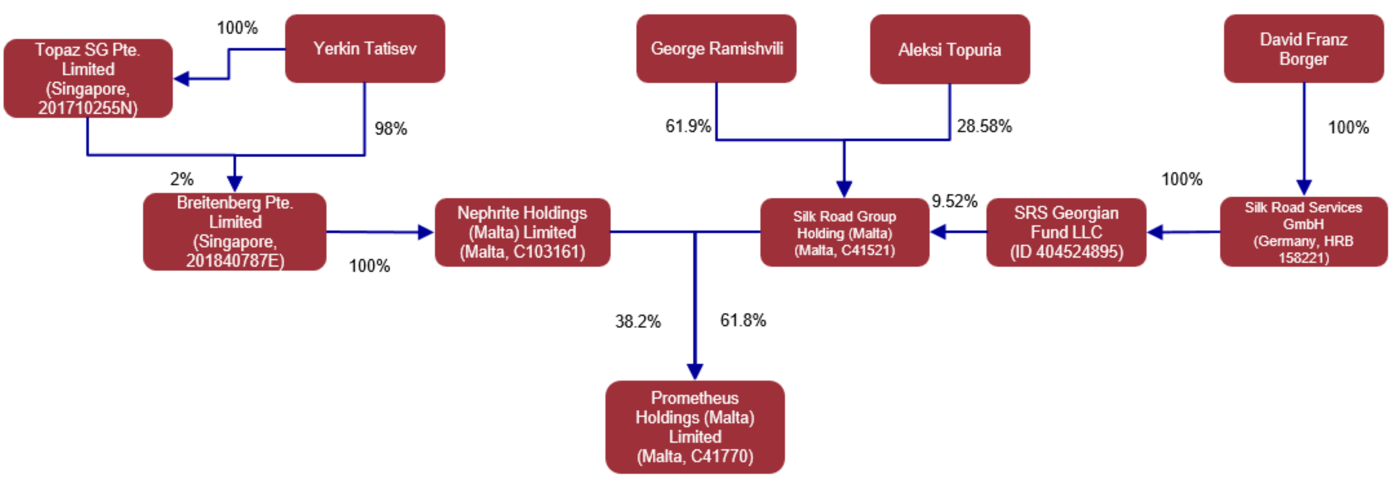


** The said asset valuation is made by Colliers, an international real estate appraiser, as of June 30, 2022.*

The structure of the Issuer group as of September 30, 2022 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 180 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 16 tables and more than 150 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

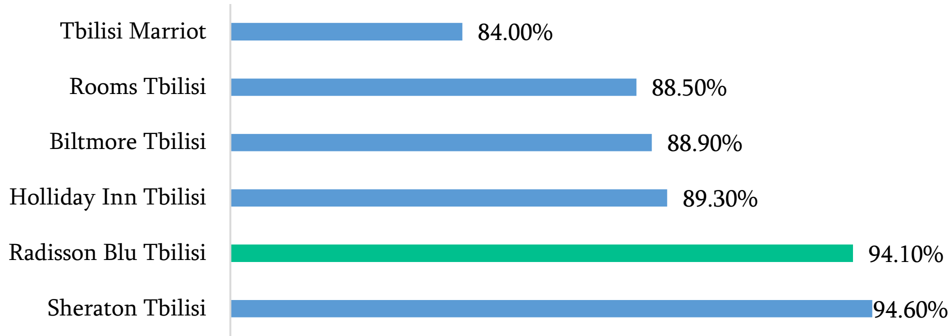
The Radisson Blu Iveria first opened in 2009. . This top-class 236-room hotel is located in the capital of Georgia - Tbilisi, overlooking the Mtkvari River. The hotel is conveniently located on the city's main avenue – Rustaveli -making it a major tourist attraction and destination. Guests at Radisson 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 2022, Radisson Blu Tbilisi is the highest-grossing high-class hotel in 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.

As of September 1, 2022, the hotel has received a rating according to the Global Assessment Index (GRI). The rating was compiled by the company ReviewPro (https://app.reviewpro.com/reviews). According to this rating, Radisson Blu Tbilisi shares the leading position with Sheraton Tbilisi and is ahead of hotels such as Tbilisi Marriott, Rooms Tbilisi, Biltmore Tbilisi and Holiday Inn Tbilisi.

ReviewPro Rankings per Global Review Index (GRI) as per 1st September 2022



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 ;
- Anne Semonin SPA ;
- Ball room and meeting facilities;
- Two restaurants.

As of September 1, 2022, the hotel has received a rating according to the Global Assessment Index (GRI). The rating was compiled by the company ReviewPro (https://app.reviewpro.com/reviews). According to the mentioned rating, Radisson Blu Batumi is better than others with 88.9% and is only 2.8% behind Wyndham Batumi, which is on the first place in the rating, which has 91.7%.

ReviewPro Rankings per Global Review Index (GRI) as per 1st September 2022

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.

According to GRI (Global Review Index), the Radisson ranks first among luxury hotels in Georgia (Radisson Collection Tsinandali, Paragraph, Lopota Resort). Although the hotel was initially opened in 2019, due to the pandemic and two years of restrictions that followed, the hotel is yet to reach its normalized level of revenue and is still in the growth phase.

- 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. 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.

Restaurant Republic

The Republic is a multi-functional building 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, and offers its guests gorgeous city views, a cozy atmosphere and a sophisticated menu of European cuisine The restaurant also has a Republic rooftop terrace and a bar that serves cocktails and wines.

Republic 24

Republic 24 is a 24-hour "diner" serving Georgian cuisine with a modern concept.

It should be noted that "Restaurant Republic" and “Republic 24” belong 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

SRG 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.

Melik Azariants

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"

This project will be built in the center of Batumi, adjacent to the Statue of Love and the Alphabet Tower, and covers a 6-hectare area owned by the company. The Masterplan, approved by Batumi municipality includes the aforementioned 6 hectares, a state-owned park with a total area of 2 hectares, and the territory of the yacht club under a long-term lease. The plan involves constructing 5 towers, creating an artificial central water mirror, modernizing the yacht club to meet modern standards, and enhancing the state-owned park through landscaping and other improvements. The complex is multi-functional and includes hotels, residential and/or relaxation units, entertainment, sports and recreational facilities, exhibition spaces, concert halls, as well as numerous café-bars, restaurants, and commercial areas. Construction is planned to commence in 2023.

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

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 project is expected to be completed in spring 2023.

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

SRG 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. SRG 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 September 30, 2022 is presented below:

Entity	ID Code	Groups ownership as at 30 September 2022	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	67%	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	51%	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	Joint venture (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
Tsinandali Resort LLC	404554068	51%	1 March 2018	Direct	Operation of Park Hotel Tsinandali	Yellow

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 670 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. For example, the marketing budget for the Tbilisi Radisson includes the budget for the Asian restaurant "Umami" and other restaurants in the hotel. The highest marketing budget is allocated to Tbilisi with GEL 450 thousand, followed by Batumi Radisson with GEL 255 thousand, and Complex Republic with GEL 191 thousand. 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 will take care of 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 greatly promoted the group's catering services.

Development Marketing

The marketing strategy for the construction segment, similar to hotels, is divided into two parts: local and international markets. Since Tsinandali Villas and Green Cape Botanico Apartments are premium products, direct marketing plays a crucial role. The company targets potential buyers in its niche market through personalized offers. Potential customers have the opportunity to visit the location, view the properties and receive premium quality services before making the decision to purchase. For Green Cape Botanico, outdoor advertisements are also utilized, targeting areas where high-income residents live. These include Vake, Saburtalo, Tskneti, etc. The company also creates TV spots several times a year to advertise promotions, especially during holidays. Additionally, customers can fill out a real estate purchase application online, and the company representatives will contact them personally. The development team also collaborates with banks to offer special packages to their Solo and high-end clients.

In terms of fundraising, the group aims to attract individuals interested in investing in real estate. To attract foreign clients, the company's marketing and sales team attend international exhibitions where potential investors gather.

It is important for the company to have projects on best locations and to design its buildings with well-known designers (both local and international) in order to offer the top product to its customers.

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 is one of the popular tourist destinations in the world, with the number of tourists significantly surpassing the country's population of 3.7 million before the pandemic. From 2003 to 2019, tourism revenues were on the rise, year after year, unlike comparable countries that faced reductions due to the global financial crisis of 2009 and the drop in commodity prices in 2015. Despite these challenges, tourism revenues in Georgia have been steadily increasing over the past 15 years. In 2019, the number of international visitors (tourists and one-day visitors) reached 7.7 million. An average increase amounted to 14.0% between 2011-2019. During the same period, tourism revenues by an average of 16.6%. In 2019 Georgia received USD 3.3 billion revenue from tourism, which represented a year-on-year increase of 1.4%.

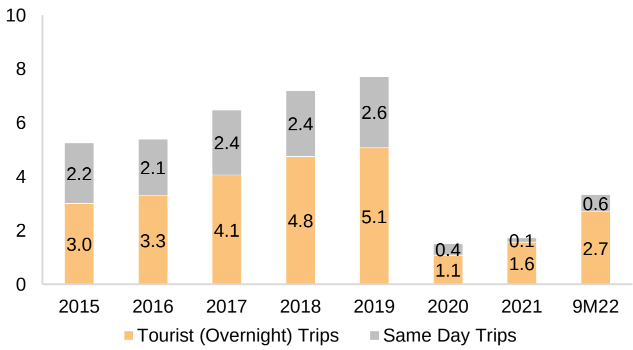
Since the beginning of the pandemic, the tourism sector has faced unprecedented challenges due to the closure of borders and almost complete suspension of international traffic. As a result, Georgia's tourism industry suffered significant losses: in 2020, the number of international visitors decreased by 80.4% (source: National Tourism Administration) and tourism revenues decreased by 83.4%. This has put tens of thousands of jobs and thousands of companies at risk despite the aid package offered to them by the state. It is expected that the recovery to 2019 figures will take time and the tourism sector will likely face challenges even in the post-pandemic period. However, it should also be noted that the hospitality and entertainment sectors among the fastest to recover after the pandemic. This is reflected in the high rate of nominal GDP growth: in the 9 months of 2022, the hospitality and entertainment sectors have grown 43% and 62% y-o-y respectively.

In 2020, the number of visitors from all countries decreased very sharply: the decrease of visitors from Azerbaijan amounted to 80.7% y/y; from Turkey 71.0%, from Armenia 80.9%, from Russia 85.8%, from non-resident citizens of Georgia 71.3%, and 84.1% from the rest of the countries. In 2020, the number of tourists and one-day visitors decreased by 78.6% y/y and 83.9% y/y respectively.

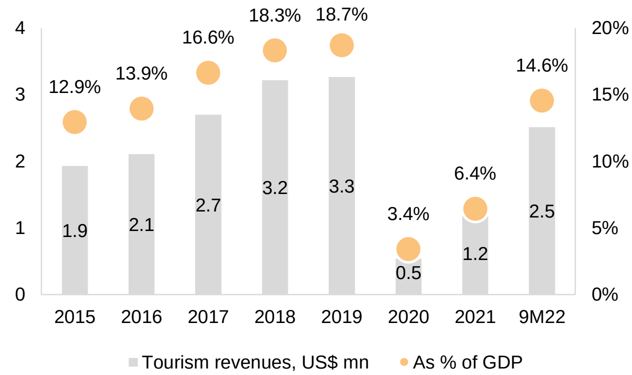
The recovery of the tourism sector started from the second half of 2021, when the borders with a number of countries were partially opened, which led to a gradual recovery of the sector. However, the sector metrics still lagged behind 2019 figures. The number of international visitors in 2021 was 1.7 million, and the income from tourism was USD 1.3 billion, which was 22.3% and 38.0% of the 2019 figures, respectively.

Figure 1: Number of international visitors, million people

Figure 2: Revenues from tourism



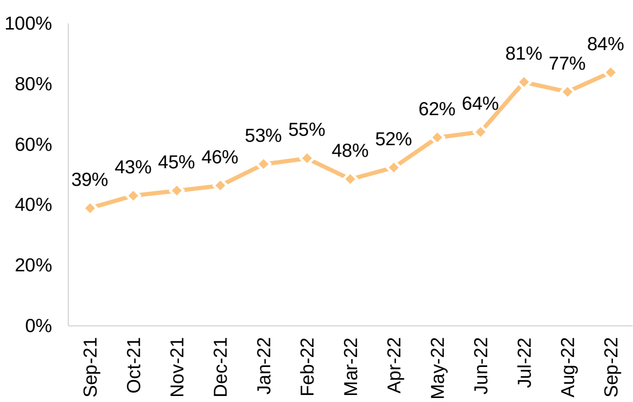
Source: GNTA



Source: NBG

The dynamics of the recovery improved in 2022, despite the aggravated geopolitical situation and related risks. In the first 9 months of 2022, 2.7 million international visitors visited Georgia, which is an annual increase of 147.5% and is 67.8% of the level of 2019.. The number of one-day visits is still small and amounted to 31.9% of the 2019 level in the first 9 months of 2022, which was due to continued border restrictions by neighboring countries. The largest number of visitors came from Russia (20.2% of the total), followed by Azerbaijan (19.6%) and Armenia (16.6%). It should be noted that the number of visitors from Kazakhstan, Belarus, Saudi Arabia and Uzbekistan exceeded the level of 2019.

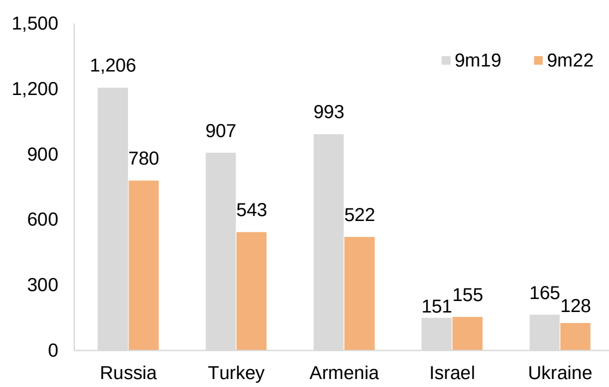
Figure 3: Recovery of tourist visits compared to 2019



Source: GNTA

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

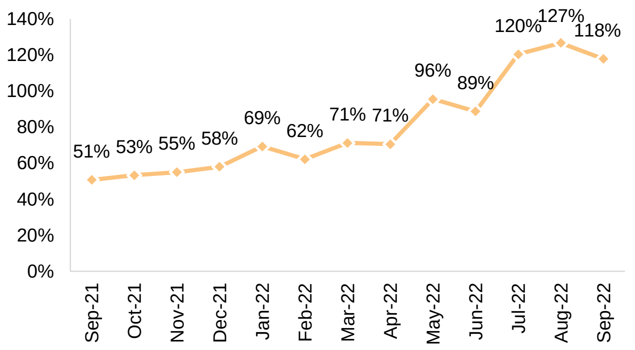
Figure 4: Visitors from top-5 countries, share in total visitors (by quantity)



Source: GNTA

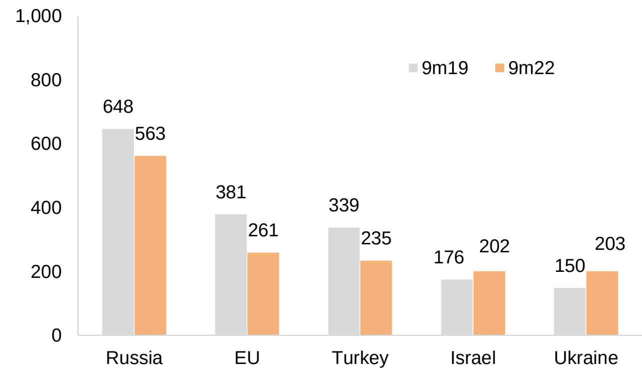
Along with the number of international visitors, the income from tourism has also increased significantly. Tourism revenue reached $2.5 billion (+190.8% y/y and 97.5% of 2019 level) in the nine months of 2022. It should be noted that tourism revenues also include the expenses of migrants (from Russia, Belarus, Ukraine). We estimate that 100,000-120,000 visitors stay in Georgia for a longer period of time than ordinary tourists. Most revenue was generated from Russia (22.4% of the total), followed by the European Union (10.4%), Turkey (9.4%), and Belarus (8.4%).

Figure 5: Recovery of tourism revenues compared to 2019, USD



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

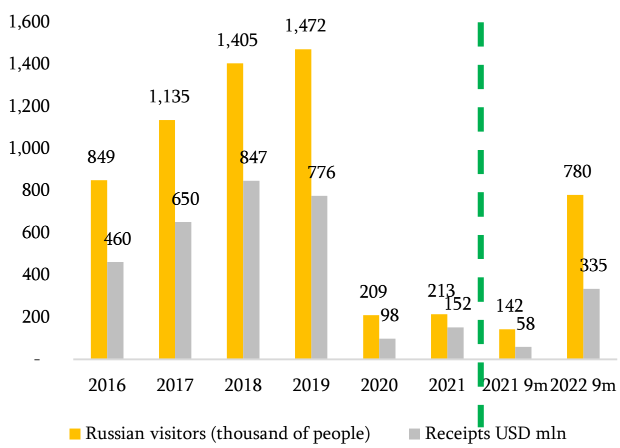
Figure 6: Visitors from top-5 countries, share of total visitors (by revenue)



Source: GNTA

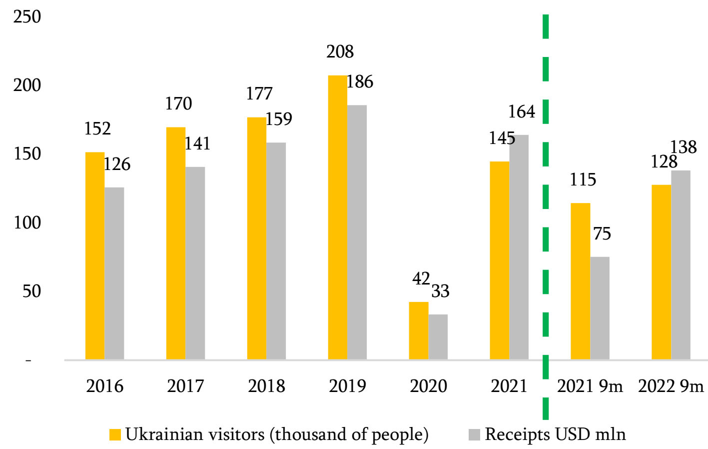
It is worth noting that against the background of the situation in Ukraine, visits from Russia and Ukraine increased sharply during 2022 (in the case of Ukraine, it exceeded the level of 2019). At the same time, the share of wealthy visitors (from Russia and Ukraine) in total visitors is high, which leads to even faster growth of tourism income. The trend is complemented by a significant increase in remittances, especially from Russia.

Visits from Russia and tourism receipts, USD



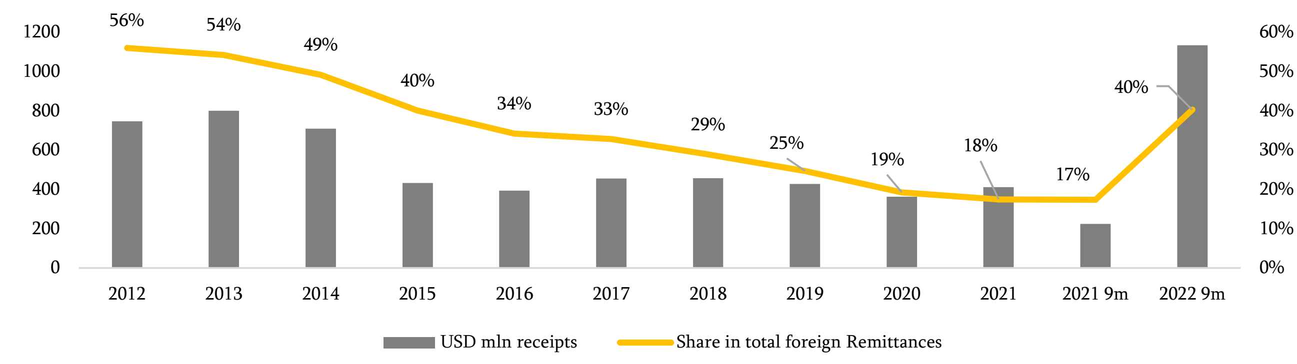
Source: NBG, GNTA

Visits from Ukraine and tourism receipts, USD



Source: NBG, GNTA

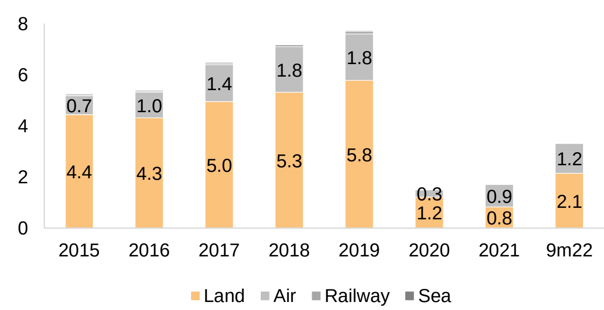
Remittances from Russia



Source: NBG, GNTA

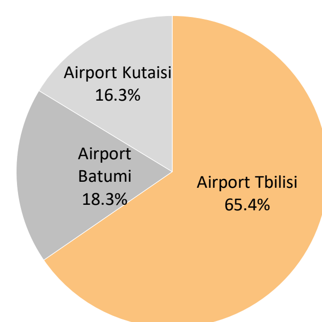
Until 2022, visitors arriving by road mostly prevailed in Georgia, and the number of visitors arriving by air did not exceed 25%. However, in the post-pandemic period, this trend changed, and the share of air arrivals equaled 34.7% (car - 64.3%), while the share of sea (0.4% of visitors) and rail (0.7% of visitors) transport was still very small. Tbilisi International Airport received the most visitors in the first 9 months of 2022 (0.8 million visitors), while Batumi and Kutaisi International Airports received 0.2-0.2 million visitors.

Figure 7: Visitors by vehicle, million



Source: GNTA

Figure 8: Distribution of visitors arriving by air by airport, 9M22

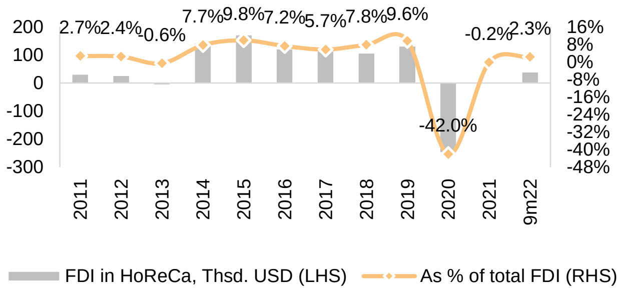


Source: GNTA

It is interesting that for the first nine months of 2022, share if international visitors in the total amount is high, specifically for the issuer's hotels in Tbilisi and Batumi. (86% and 84% respectively). This statistic is different for Tsinandali, where the significant portion of hotel guests are local tourists - 71% of the total volume of visitors.

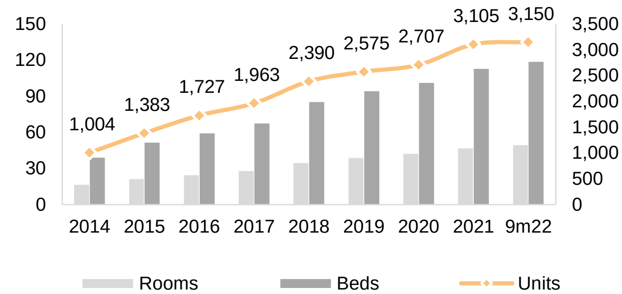
Due to the pandemic, the relevant investments in accommodation facilities have been drastically reduced. Foreign direct investment in hotels and restaurants amounted to USD 38.8 million in the first nine months of 2022, accounting for 2.3% of total foreign direct investment. For comparison, in 2019, the volume of foreign direct investments amounted to 131 million USD and 9.6% of total investments. Successive investments have led to an increase in the supply of accommodation facilities. As of the first 9 months of 2022, there were 3,150 registered accommodation facilities, 49,515 rooms and 118,824 beds in Georgia.

Figure 9: Foreign direct investment in hotels and restaurants



Source: Geostat

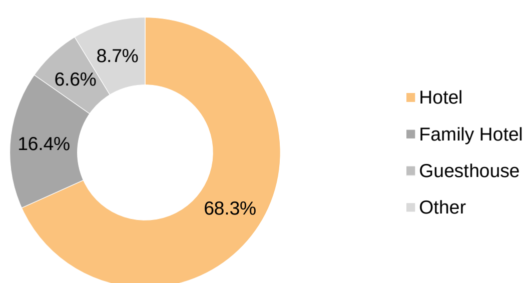
Figure 10: Provision of accommodation facilities in 2014-2022



Source: GNTA

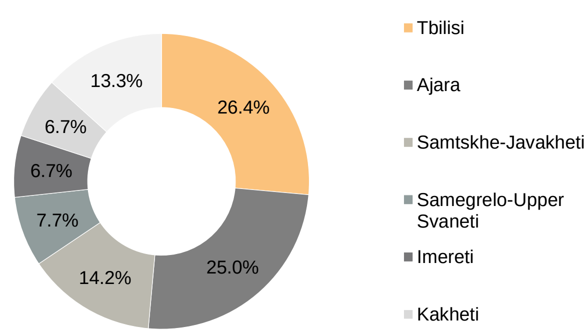
Most of the accommodation facility rooms are found in hotels (33,808 rooms or 68.3% of total rooms). Other forms of accommodation facilities include: family hotels (8,143 rooms or 16.4% of total), guesthouses (3,251 rooms or 6.6% of total rooms) and other forms (4,313 rooms or 8.7% of total rooms). Tbilisi 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 (26.4% of total rooms), followed by Adjara region (25.0% of total rooms). Samtskhe-Javakheti also has a large number of accommodation facilities (14.2% of total rooms).

Figure 11: Accommodation facility rooms by type, full year 2022



Source: GNTA

Figure 12: Accommodation facility rooms by region, full year 2022



Source: GNTA

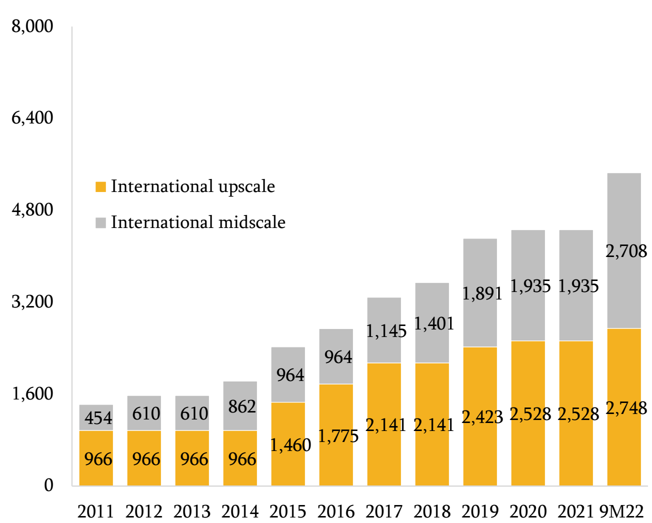
International brand hotels dominate the hotel market. Currently, there are 40 international branded hotels operating in Georgia, with a total of 5,456 rooms, most of which are located in Tbilisi and Batumi. The number of international branded hotels is set to increase further as 27 more hotels are scheduled to open by 2025-26, with a total of 4,000 rooms.

After competition intensified in Tbilisi, investors shifted their attention partially to the development of regional hotels. However, most of the branded hotels will still be in Tbilisi by 2025-26. Out of the planned 27 hotels, 14 are planned to be built in Tbilisi, while 5 hotels are planned to be built in Batumi, and the remaining 8 hotels are planned to be built in other regions of Georgia.

Hotels in Tbilisi have had to adjust their prices in recent years due to increased competition, although they still maintained high occupancy amid the increase in tourist flows. The exception was 2019, when due to the sanctions imposed by Russia on flights, the average occupancy rate decreased to 60-62% in hotels of different classes. Against the backdrop of reduced prices, the RevPar (revenue per room) naturally decreased during the years 2015-2019. (*Source: Galt&Taggart Research – September).*

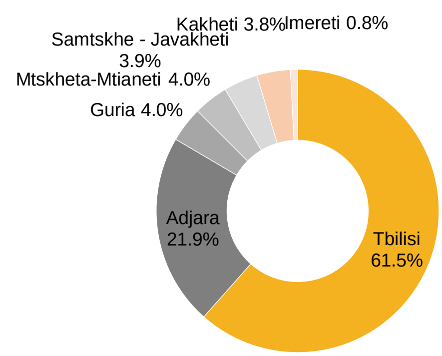
The covid pandemic has had a negative impact on branded hotel projects. In 2021, the number of rooms of branded hotels remained unchanged compared to 2020 and amounted to 1,935 thousand rooms. As of the 9 month of 2022, the number of branded hotel rooms increased by 8.7% and reached 2,748 rooms. As for distribution in regions, 61.5% of the total number of rooms in branded hotels comes from Tbilisi; Adjara region has the second largest share (21.9%); And the rest of the regions have a small contribution (Guria, Mtskheta-Mtianeti, Samtskhe-Javakheti, Kakheti and Imereti).

Branded hotel room stock, rooms



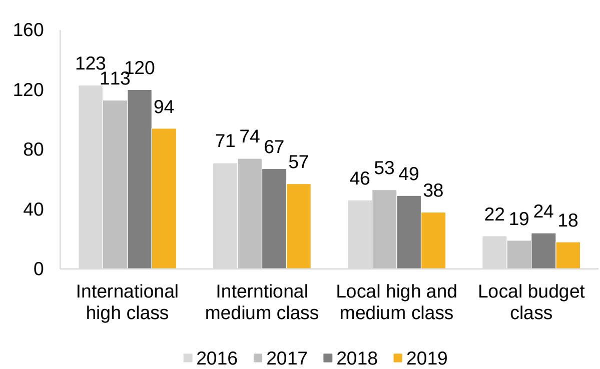
Source: GNTA

Branded hotel room stock by region in 9M22, rooms



Source: GNTA

Graph 13: Revenues per room (RevPar) in Tbilisi, USD

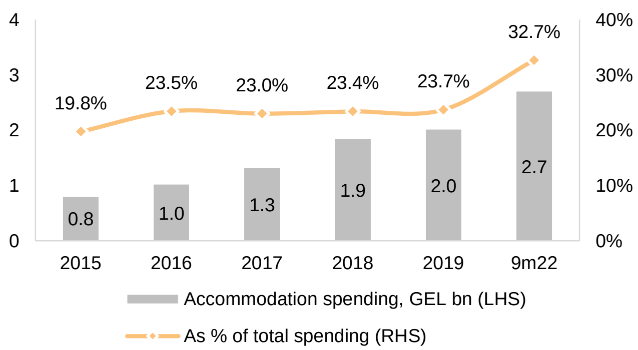


Source: Colliers International
Note: the Graph *wo* excludes *VAT*

Visitor spending on accommodation reached GEL 2.7 billion in 2019, which was 32.7% of total spending. Spending on accommodation grew 2.8 times in 2015-9M22 and is the second largest category of visitor spending after food & beverage.

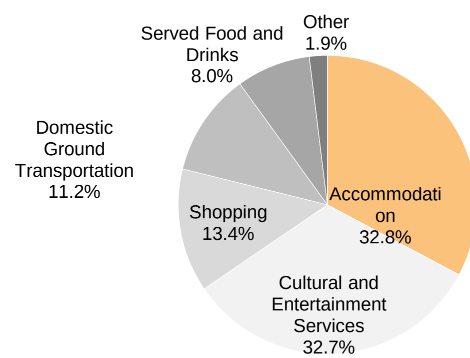
In the 9 months of 2022, the total expenditure of visitors equaled 8.3 billion GEL, which is 2.8% less than the expenditure of the full period of 2019. Guests spend the most on food and beverages (32.7% of total spending). Spending on food and beverages in 9 months of 2022 amounted to 2.7 billion GEL.

Figure 14: Visitor spending on accommodation



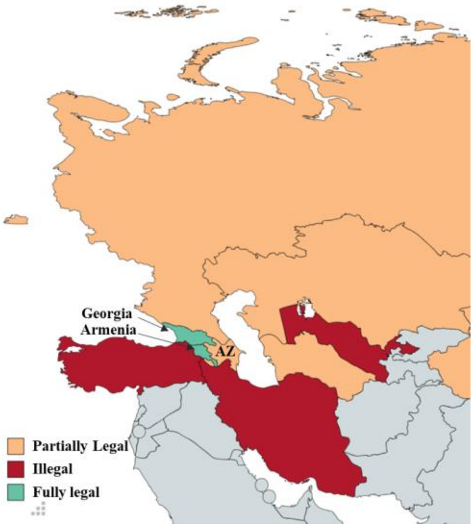
Source: GNTA

Figure 15: Distribution of visitor spending by category, 2022 9m



Source:GNTA

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 January 2023, up to 125 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 20 active Casino licenses, most of which are located in Batumi.

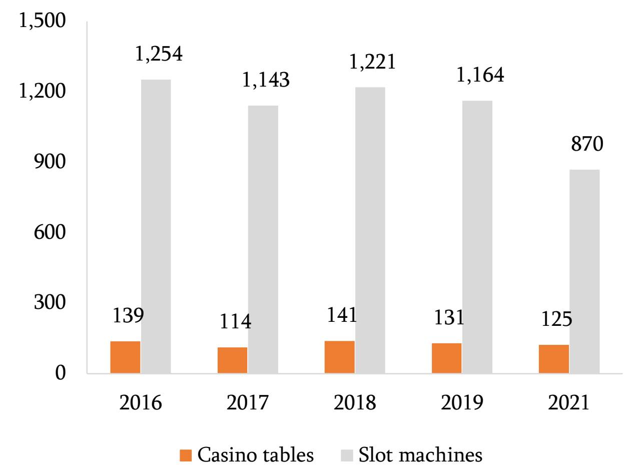
Active Gambling Permits, January 20203

	Tbilisi	Batumi	Others	Total
Casinos	7	12	1	**20**
Slot machine salon	20	20	33	**73**
Sportsbook	5	4	17	**26**
Lotto	1	0	0	**1**
Bingo	1	3	0	**4**

Source: Revenue Service

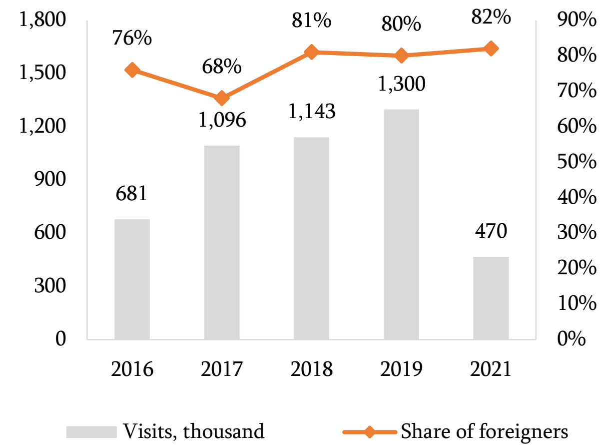
As of 2021, the total number of casino tables in Batumi was 125, and the number of slot machines was 870. In Adjara, the total number of casino visitors in 2021 was 470,000, and 82% of them were foreign nationals. Adjara includes approximately 40% of the casino tables located in Georgia.

Casino tables and gaming machines in Batumi casino



Source: Ministry of Finance of Adjara

Number of visits to Adjara Casino, thousand



Source: Ministry of Finance of Adjara

Before the pandemic, according to Galt & Taggart's estimates in 2019, Tbilisi and Batumi generated approximately 90% of the sector's revenues, while bookmakers and slot machine parlors located in other areas of Georgia accounted for 10% of the sector's revenues.

In 2019, unlike electronic gambling, more than 70% of casino's revenue was generated by foreign players. Accordingly, due to the tourism restrictions imposed during the pandemic in 2020, the income of the casino sector has decreased by approximately 80%.

With the restoration of tourism and the gradual opening of the economy in 2021, the revenues of the casino in Tbilisi were approximately equal to half of 2019, while the revenues of the sector in Batumi almost fully recovered compared to 2019. In total according to Galt&Taggart estimates, revenues for the casino sector have rebound by about 60% in 2021 compared to 2019.

According to the preliminary estimate of 2022(according to Galt&Taggart Research), against the background of increased tourism and economic growth, in Batumi it is expected that the revenues of casino will exceed the figure of 2019, and in Tbilisi the sector will be almost fully restored.

It is interesting that as of the 9 month of 2022, specifically in the case of visitors to the issuer's casinos, the share of foreign visitors in the total number of visitors is large - 74% of the total visitors come from foreign visitors. (Tbilisi - 65%, Batumi - 87%). The concentration of foreign visitors in terms of revenues is much higher - 84% of total revenues come from foreign visitors. (Tbilisi - 78%, Batumi - 94%).

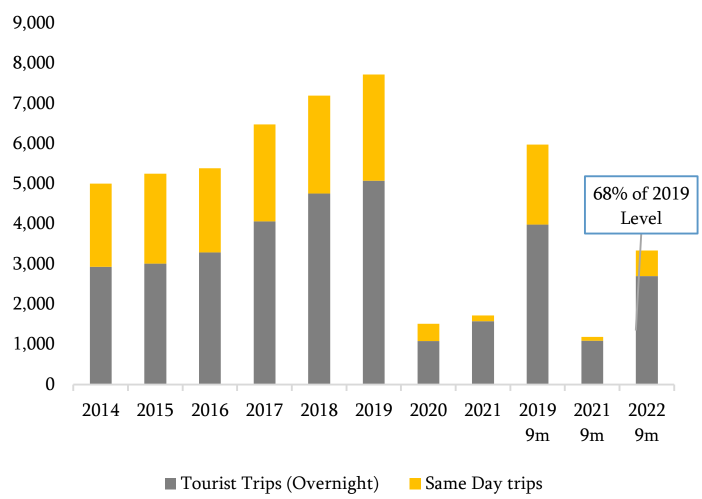
Tourism and Payments

Tourism plays a major role in the income of the casino sector. As mentioned above, with the recovery of tourism, casino revenues have almost fully returned to 2019 levels.

According to preliminary data for 2022, the number of international visitors in 2022 amounted to 4.7 million, which is 39% below the level of 2019. As for the revenues received from tourism, in 2022, this indicator amounted to USD 3.5 billion, which is 7.6%

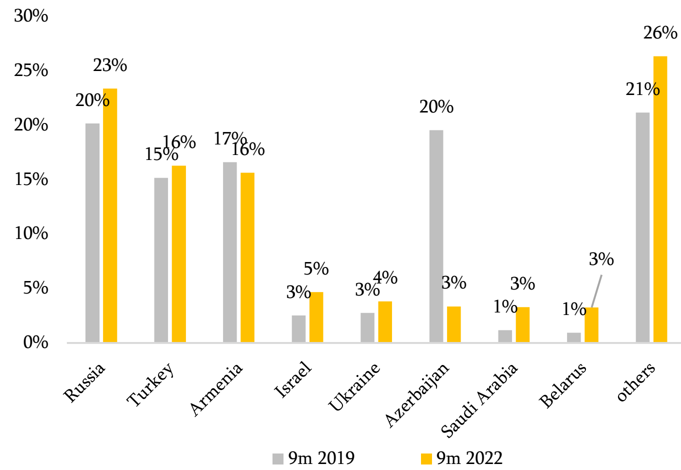
higher than the pre-pandemic level. In 2022, the distribution of the top 5 countries by the number of visitors is as follows: Russia (23.1%), Turkey (19.7%), Armenia (15.8%), Israel (3.6%), Ukraine (3.3%) and other countries (34.6%).

Income from tourism, billion GEL



Source: NBG

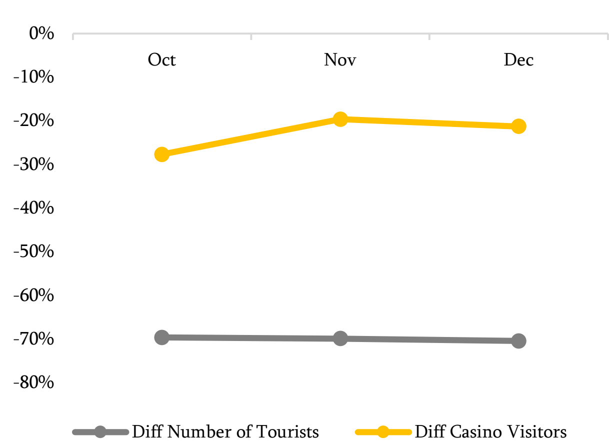
International visits, mln



Source:GNTA

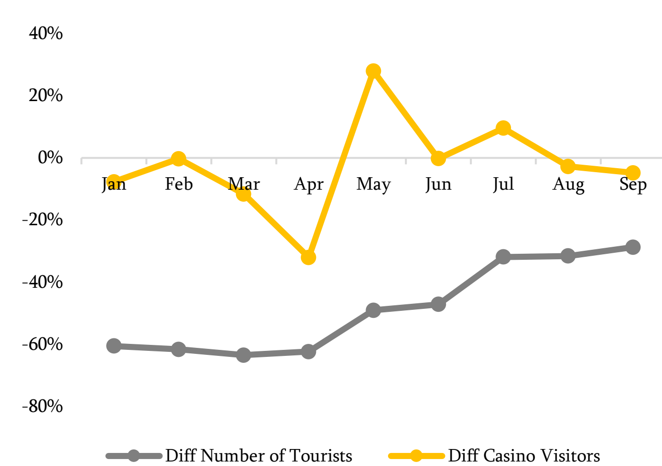
It should be noted that in the case of the issuer, the increase in the number of casino visitors significantly exceeded the increase in tourist visits.

Gap in company's casino visitors compared to gap in total number of visits to Georgia in 2021 vs 2019



Source: GNTA, Company information

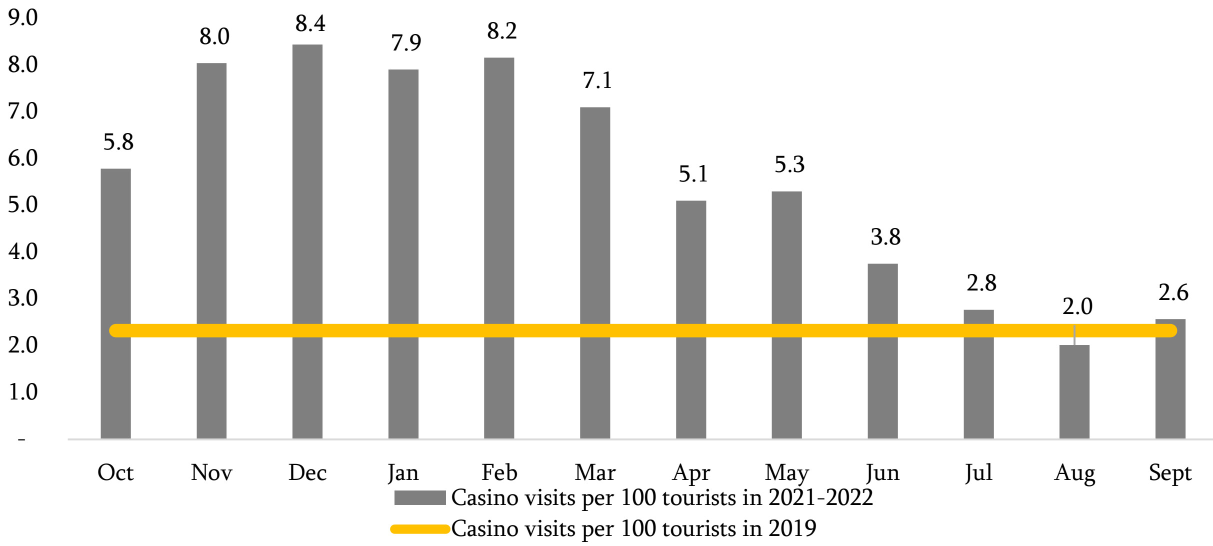
Gap in company's casino visitors compared to gap in total number of visits to Georgia in 2022 vs 2019



Source: GNTA, Company information

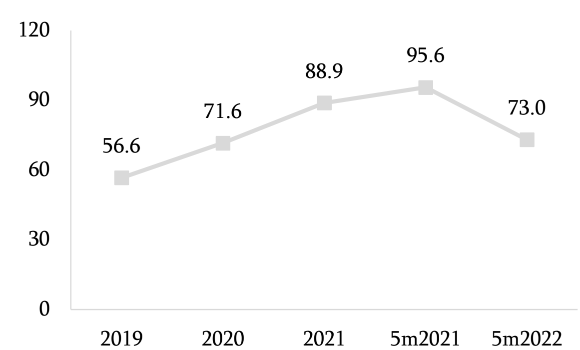
From October 2021 to September 2022 (twelve months), the ratio of company's casino visitors to the total number of international visitors to Georgia is significantly higher than the corresponding average of 2019.

Casino visitors include non-resident casino customers; Visits made by international visitors (including 1-day visits), include total visits excluding non-standard visits.



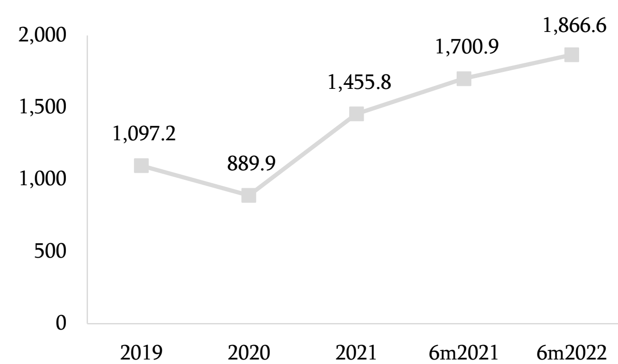
An important indicator of the development of the 'Land' gambling sector is the dynamics of payments at physical point-of-sale (POS) terminals. The average transaction size at POS terminals in gambling establishments during the first five months of 2022 was 73 GEL. In the case of foreigners, however, this figure was 1,867 GEL. The mentioned difference can be explained by two reasons: 1) foreign players only visit casinos, where the amounts they spend are generally higher, and 2) Georgians not only visit casinos but also bookmakers and gaming machine salons, where the average transaction size is lower.

Average transaction amount with Georgian cards, GEL



Source: Galt & Taggart, NBG
Note: Payments are accepted at physical POS terminals in gambling establishments

Average transaction amount with foreign cards, GEL



Source: Galt & Taggart, NBG
Note: Payments are accepted at physical POS terminals in gambling establishments

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.

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

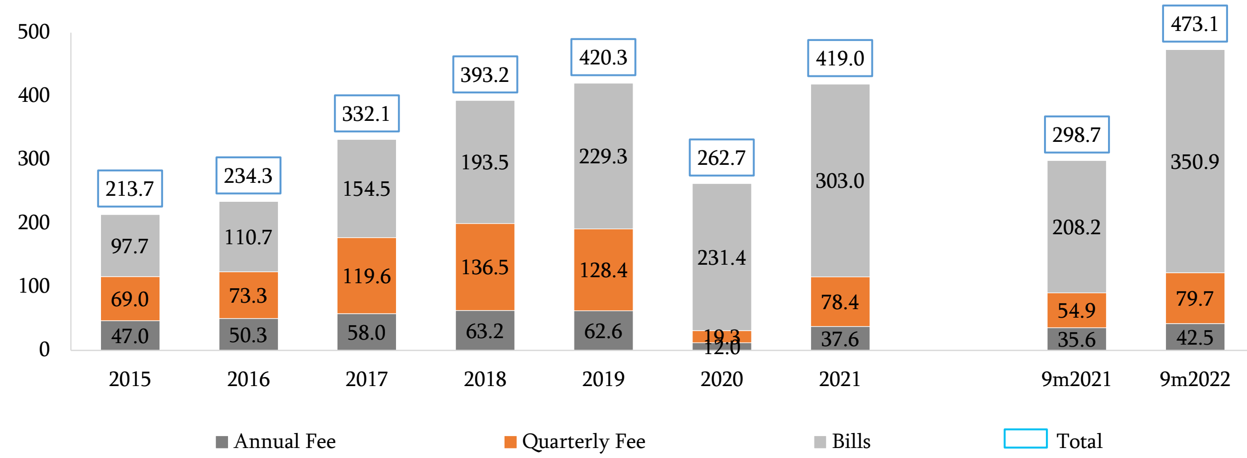
	Casino's annual permit fee	Quarterly fee of the Casino's table	Quarterly fee of the Slots
Tbilisi	5,000,000	40,000	4,000
Batumi	250,000	40,000	4,000

Source Legislative Herald of Georgia

In the first nine months of 2022, the gambling sector contributed a total of GEL 473.1 million in taxes and fees to the budget, representing a 58% increase compared to the previous year. The surge is mainly attributed to the new tax scheme for the electronic gambling sector implemented in 2022.

Despite the significant increase in revenue, the annual and quarterly fees remain below 2019 levels, suggesting that the number of physical gambling establishments, casino tables, and slot machines has not yet reached the 2019 level.

Budget revenues from gambling sector, million GEL



Source: State Treasury, Revenue Service

Residential real estate

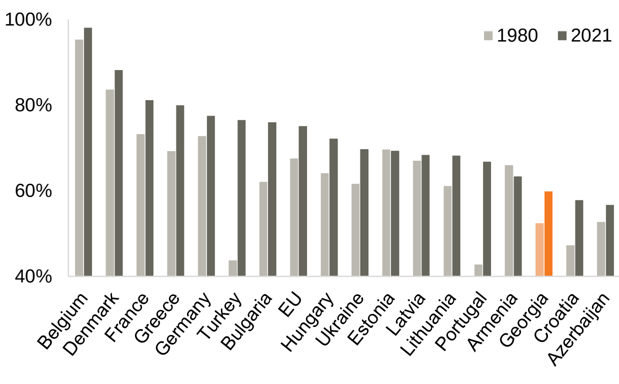
Since the mid-2000s, the residential real estate sector has been a major driving force behind Georgia's economy. Between 2011 and 2021, GDP per capita increased by an average of 4.2% annually, which had a positive impact on the purchasing power of the Georgian population. As a result, the combination 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.

There are several long-term and short-term factors that contribute to this growing demand. Long-term factors include increasing urbanization, changes in ownership structure and household size, while short-term factors include the availability of mortgages, demand from immigrants, remittances from Georgian emigrants, and the rapid growth of the Airbnb market.

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 59.9% in 2021, compared to 55.5% in 2010. Despite the growth, the urbanization rate in Georgia is still lower than the EU average (75.0%). The trend towards urbanization is expected to continue due to the population shift from less productive agricultural sectors to more productive ones.

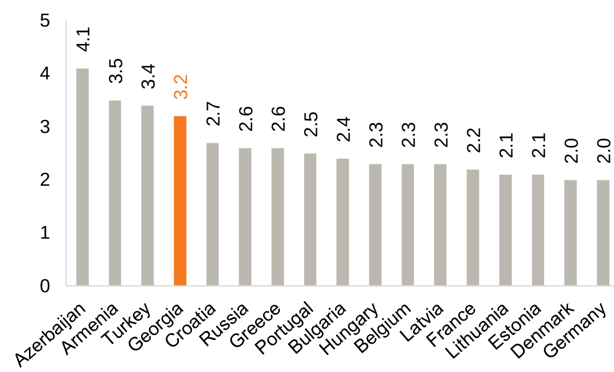
Increasing incomes have also contributed to the demand for residential real estate, as Georgians now have the means to live independently. In recent years, young people in particular have started to separate from their families, leading to increased demand for housing. This trend is not unique to Georgia, 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 2021.

Figure 16: Urbanization in comparable countries



Source: World Bank, Geostat

Figure 17: Household size in comparable countries, 2021



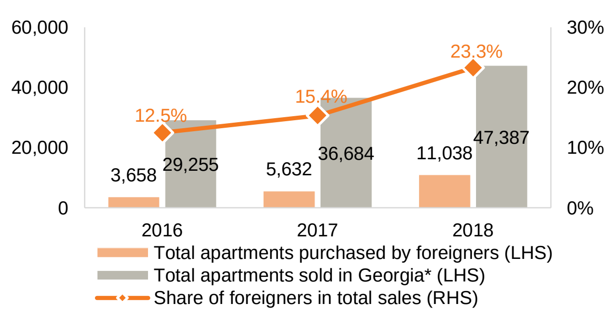
Source: Eurostat, Geostat, ახStatistics Offices of the respective countries

Compared to the European Union, the ownership structure in Georgia is markedly different. According to the General Population Census of 2014, the home ownership rate in Georgia stands at 92%, while in the EU, it is 70%, as reported by Eurostat. This stark contrast can be attributed to the disparity in average incomes between Georgia and the EU. Countries with high levels of welfare tend to have lower home ownership rates due to a larger proportion of the population living in rented accommodation. Furthermore, the propensity to reside in rented accommodation increases with the rise in average national income.

Tourism migration and investment opportunities have been major drivers of demand in the Georgian real estate market, but both have suffered significant setbacks due to the pandemic. Before the pandemic, tourist flows had been driving demand in the residential real estate, retail, and entertainment sectors. However, due to the imposition of travel restrictions worldwide, demand took a significant hit from 2020 to the first half of 2021. Nonetheless, the tourism sector has started to recover rapidly from the second half of 2021, contributing significantly to the real estate market's growth.

The residential real estate stock in Georgia is quite outdated and in need of replacement. The majority of residential buildings were constructed between 1961 and 1990, with only 30% of Tbilisi's housing stock built after 1991. A notable example of replacement projects is the "Khrushchevki" buildings, which are prevalent in Tbilisi with approximately 500 such buildings, each housing about 30 households. These buildings are mostly located in Saburtalo, Digomi, and Varketili.

Figure 18: Real estate purchased by foreigners

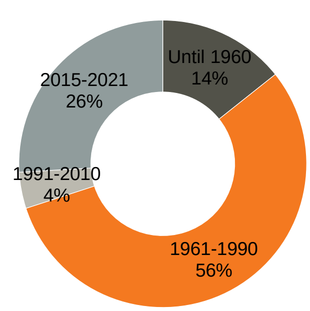


Source: Public Register, Galt & Taggart, Migration Profile 2019

Note: 1: Includes sales of Tbilisi, Batumi, Bakuriani and Gudauri

Note 2: The migration profile is published every 2 years

Figure 19: Real estate housing fund in Tbilisi



Source: Geostat, Galt & Taggart

After reaching record growth in 2018, apartment sales declined in 2019, with the number of apartment sales dropping from 36,906 units in 2018 to 35,333 units in 2019. The real estate market was severely impacted by the COVID-19 pandemic in the first half of 2020. Demand was strongly affected by the deteriorating economic outlook and uncertainty. However, sales began to recover relatively thanks to the government-initiated interest subsidy scheme. 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. Ultimately, sales were down 20.0% year-over-year in 2020.

Despite the COVID-19 pandemic, currency fluctuations, and uncertainty, the number of real estate sales in 2021 reached a record high, increasing by 35.1% YoY and 8.2% compared to 2019. Additionally, the volume of sold area also increased. The total volume of sold space in Tbilisi amounted to 2.5 million square meters, which is 34.8% YoY and 5.8% more than in 2019. As of the 6th month of 2022, the area of sold apartments increased by 23%, and the number of sold apartments increased by 22% compared to the same period of the previous year.

It is worth noting that the increase in the area sold (+5.8%) was lower than the increase in the number of apartments sold (+8.2%) in 2021 compared to 2019, reflecting a slight decrease in the average size of apartments. The average apartment size in 2021 was 66 square meters, compared to 68 square meters in 2019.

The growth of real estate sales has continued in 2022, with home sales posting double-digit growth in the first nine months of the year despite uncertainty and economic instability since the start of the Russia-Ukraine war. Strong demand for housing has been driven by an influx of foreigners, mainly from Russia, Ukraine, and Belarus, who have come to Georgia for longer periods of time than regular tourists. Additionally, apartment rents have increased (by 70-80%) since April 2022, attracting real estate investors to buy, renovate, and rent out old apartments.

Figure 20: Sales of apartments in Tbilisi, quantity

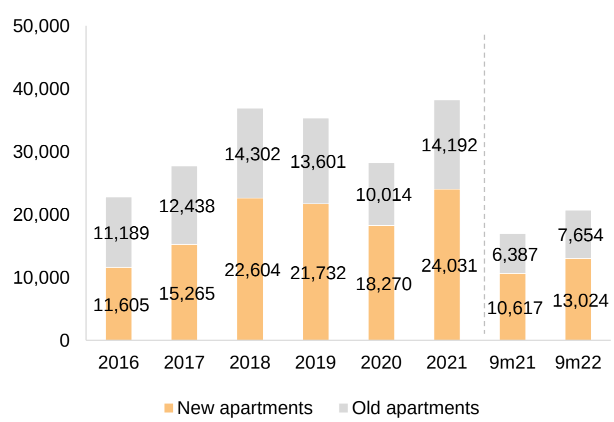
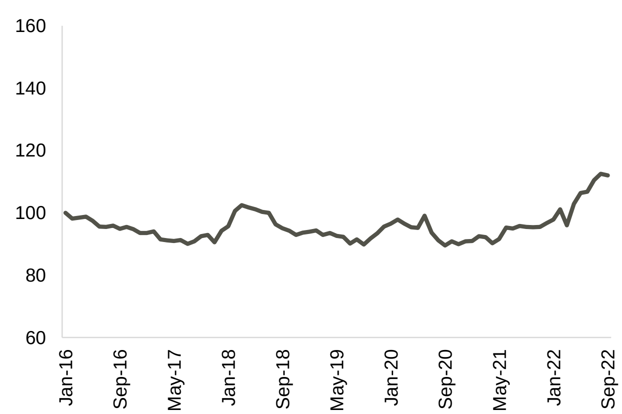


Figure 21: Real estate price index: Jan-16=100

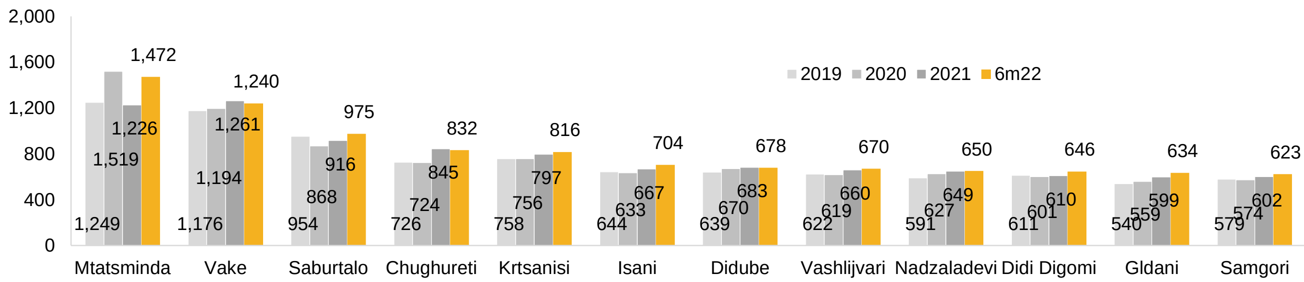


Source: Public Register, Galt & Taggart

Demand has increased for affordable apartments in the suburbs, which account for more than half of sales. Due to affordability, credit regulations and restrictions on construction in the central districts of Tbilisi, the sale of residential apartments in the suburbs will further increase. Although the suburban customer base is the most resilient and sensitive to economic fluctuations, the suburbs will continue to dominate sales in 2021. The share of Didi Digomi, Samgori and Gldani in total sales was 47%, which represents almost half of new apartment sales in 2021.

Apartment prices have increased in almost all districts. Compared to 2019, the most expensive district is Mtatsminda ($1,472 per 1 m²), followed by Vake ($1,240) and Saburtalo ($975). Areas with the most sales are usually the cheapest in terms of prices per square meter. In particular, the price per square meter in Gldani, Samgori and Didi Digomi was 634 US dollars, 623 US dollars and 646 US dollars, respectively. Real estate prices have started to rise in recent months, which is expected to continue due to building regulations (Decree 41) and rising costs of building materials.

Figure 22: Prices of new apartments by districts in Tbilisi, USD/sq.m.



Source: Public Register, Galt & Taggart

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 SRG 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.

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. 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 2023 and 2024. 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 SRG's real estate projects, which includes presenting new business concepts, coordinating with external companies for designs, hiring contractors for construction, and monitoring the construction process. In 2023 and 2024, the company will focus on developing several projects, with the largest one being the Telegraph project, which involves building a 241-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. The company is also working on several ongoing real estate development projects, which involve developing future concepts and business models, identifying necessary capital expenditures, mobilizing resources, and raising funds from local and foreign financial institutions.

Investments

Annually, SRG real estate and its subsidiary companies make primarily maintenance expenditures in Green Box projects, which mainly comprise of casinos, hotels, Complex Republic, and other assets within the group. The Yellow Box, on the other hand, includes assets that are under development and hence require higher capital expenditures than the developed assets. As of the first nine months of 2022, the group has invested a total of GEL 14,606 thousand, with approximately 41% of the capital expenditures being directed towards the Telegraph Hotel, which amounted to GEL 6,014 thousand in 2022. In 2021, the total amount of investments made in Green Box and Yellow Box was GEL 21,449 thousand, with 30% of the total costs stemming from investments made in Tsinandali Villas. Similar to 2021, the second largest asset by capital expenditure in 2022 was Casino Tbilisi Iveria, whose share in total investments was 24% and 12%, respectively.

Green Box ('000 GEL)	30-Sep-2022	31-Dec-2021	31-Dec-2020
	Unaudited	Unaudited	Unaudited

Limoni 2009 LLC (Tbilisi Casino)	1,755	5,239	434
Limoni 2009 LLC (Batumi Casino)	656	2,274	251
Georgian Hotel Management LLC (Radisson Tbilisi)	1,250	624	14,083
Argo Management LLC Radisson Batumi)	691	1,147	-
Tsinandali Estate LLC (Radisson Tsinandali)	622	1,991	5,580
Riviera Beach LLC	72	-	18
Silk Hospitality LLC	20	-	-
Tsinandali LLC	75	-	308
SRG Investments LLC	469	121	487
Development Solutions LLC	-	32	14
Limoni Real Estate LLC	4	-	-
Silk Road Business Center LLC (Hotel Telegraph)	6,014	894	68
Other	-	-	281
Total Green Box Investments	**11,627**	**12,322**	**21,524**

Yellow Box ('000 GEL)			
Iveria Center LLC	289	-	1,102
Tsinandali Resorts LLC	96	241	-
Club Savane LLC	3	-	-
Center Plaza LLC	392	492	2,047
Batumi Riviera LLC	835	1,901	4,477
Tsinandali Villas LLC	1,073	6,474	366
Adjara Resorts JSC	207	20	153
Silk Road Group Travel LLC	1	-	23
Riviera LLC	10	-	-
Bobokvati LLC	-	-	-
F Telecom LLC	73	-	-
Other	-	-	100
Total Yellow Box Investments	**2,979**	**9,128**	**8,268**
Total Investments	**14,606**	**21,449**	**29,792**

Future Projects

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. The hotel will have 241 rooms and 7 restaurants. The entrance to the hotel will be from Rustaveli Avenue. The first floor will be dedicated to the lobby, restaurant, bars, conference spaces and banquet hall. The hotel will offer standard, high-class and presidential rooms.

Up to 60 million euros will be invested in the project. The financing was secured by the founders of the company and the two local banks. Active works on the project are already underway. The hotel is planned to open in the first half of 2025.

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. 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 70 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.

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. The restaurant is currently being designed. The construction is planned to start in the spring of this year, and it should be possible to host the first guests in the fall of 2024.

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 Accounting, Reporting and Audit Supervision Service (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 SRG Real Estate).*

	2021	**2021**	**2021**
Key Indictors '000 GEL	**Iveria Tbilisi**	**Sunshine LLC**	**Georgian Casino Group LLC**
Profit-Loss Statement			
Revenues	49,966	22,940	17,079
EBITDA	23,844	11,194	4,144
EBITDA margin	47.7%	48,8%	24,3%
Balance Sheet			
Total Assets	54,771	56,591	15,463
Total Liabilities	16,065	62,780	5,760
Total Equity	38,705	(6,189)	9,703

Key Indictors '000 GEL	2021 Iveria Batumi	2021 Golden Lion LLC	2021 Peace LLC	2021 Grand Casino Batumi	2021 Empire LLC
Profit-Loss Statement					
Revenues	46,526	32,239	25,424	23,647	38,815
EBITDA	9,243	19,360	12,353	8,354	13,118
EBITDA margin	19.7%	59.9%	48.6%	35.3%	33.8%
Balance Sheet					
Total Assets	12,259	12,193	9,840	23,812	13,697
Total Liabilities	4,738	2,041	2,255	38,099	2,152
Total Equity	7,521	10,152	7,585	(14,287)	11,546

Key Indictors '000 GEL	2021 Radisson Blu Tbilisi	2021 Biltmore Tbilisi	2021 Marriot Tbilisi
Profit-Loss Statement			
Revenues	24,538	21,488	30,249
EBITDA	4,770	7,515	4,961
EBITDA margin	19.4%	34.97%	16.40%
Balance Sheet			
Total Assets	248,009	249,885	183,224
Total Liabilities	75,243	291,421	289,523
Total Equity	172,766	(41,536)	(106,299)
Total Loans	87,901	284,414	283,885

Source: SARAS, „reportal“

Key Indictors '000 GEL	2021 Radisson Blu Batumi	2021 Windham Batumi	2021 Sheraton Batumi	2021 Divan Suites Batumi
Profit-Loss Statement				
Revenues	14,483	9,291	23,062	2,340
EBITDA	4,863	3,513	6,583	231
EBITDA margin	33.57%	37.81%	28.54%	9.86%
Balance Sheet				
Total Assets	182,330	71,009	79,316	12,663
Total Liabilities	50,305	136,304	29,306	906

Total Equity	132,025	(65,296)	50,010	11,756
Total Debt	41,725	132,533	28,027	-

Source: SARAS, „reportal“

	2021	2021	2021
Key Indictors '000 GEL	**Radisson Collection Tsinandali**	**Lopota Resort**	**Paragraph Hotel**
Profit-Loss Statement			
Revenues	16,422	50,376	35,060
EBITDA	2,035	20,403	3,350
EBITDA margin	12.39%	40.50%	9.56%
Balance Sheet			
Total Assets	86,308	169,426	17,865
Total Liabilities	41,931	131,885	21,305
Total Equity	44,377	37,541	(3,440)
Total Debt	35,963	126,762	17,686

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 2021 and 2020, and unaudited IFRS financial statements for the 9 months of 2022 and 2021.

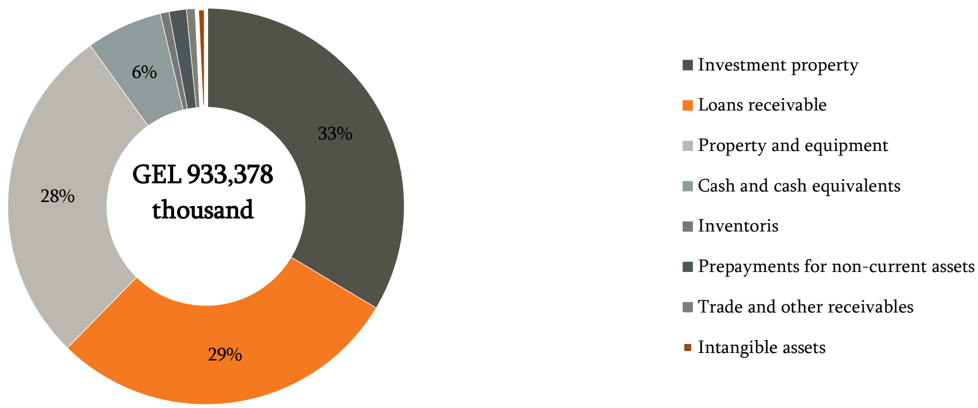
The auditor’s opinion on issude IFRS financial statements for the year 2021 is unqualified. The basis for the preparation of the report and additional details are accordingly indicated in the attached report.

Financial Overview

Consolidated Statement of Financial Position (000' GEL)	30-Sep-2022	31-Dec-2021	31-De-2020
	(Unaudited)	Audited	Audited
Assets			
Non-current assets			
Property and equipment	258,931	267,193	274,840
Investment property	313,383	309,771	303,748
Intangible assets	6,917	5,619	2,584
Prepayments for non-current assets	308	308	560
Loan receivable	221,513	237,275	267,651
Non-current assets	**801,052**	**820,166**	**849,382**
Current assets			
Inventories	6,634	4,873	3,739
Loans receivable	46,879	40,710	3,295
Trade and other receivables	7,809	8,966	16,445
Cash and cash equivalents	58,081	34,413	16,221
Prepayments and other assets	12,923	7,747	6,413
Current assets	**132,326**	**96,709**	**46,113**
Total assets	**933,378**	**916,875**	**895,495**
Equity			
Charter capital	671,140	671,140	671,140
Accumulated losses	(103,821)	(137,860)	(136,691)
Equity attributable to owners of the Company	**567,319**	**533,280**	**534,449**
Non-controlling interests	13,650	7,529	4,545
Total equity	**580,969**	**540,809**	**538,994**
Non-current liabilities			
Loans and borrowings	228,288	263,497	267,776
Trade and other payables	5,094	504	1,011
Put option liability	42,700	42,436	40,804
Non-current liabilities	**276,083**	**306,437**	**309,591**
Current liabilities			
Loans and borrowings	51,533	49,296	35,847
Trade and other payables	24,792	20,333	11,063
Current liabilities	**76,326**	**69,629**	**46,910**
Total liabilities	**352,409**	**376,066**	**356,501**
Total equity and liabilities	**933,378**	**916,875**	**895,495**

Total Assets

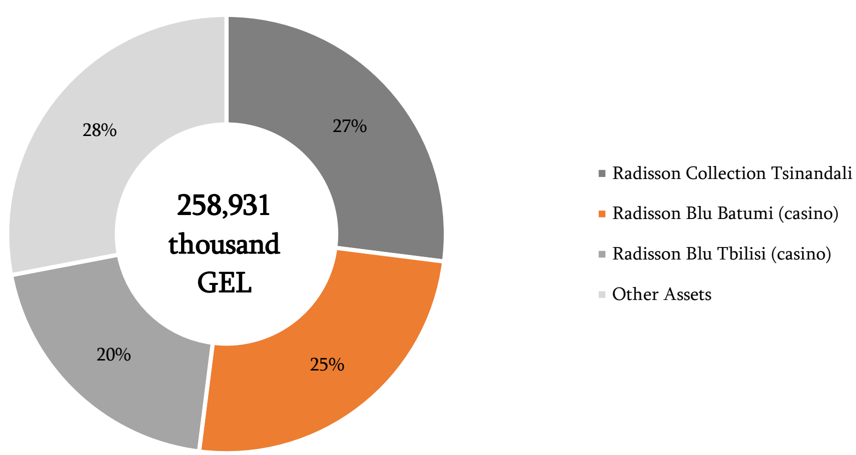
The company's total assets as of September 30, 2022 amount to GEL 933,378 thousand, which represents 2% increase compared to December 31, 2021 (31/12/2021: GEL 916,875 thousand). The mentioned increase in assets in 2022 is mainly attributable to 69% increase in cash and cash equivalents. As of the first nine months of 2022, the current and non-current portions of total assets are 14% and 86%, respectively (31/12/2021: 11% and 89%).



Property and equipment

Fixed assets consist of the consolidated assets of 39 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 28% of the total assets. (31/12/2021: 29%).

The management has identified 4 largest cash generating units in the company. These are:



- Hotel and Casino in Tbilisi (Radisson Blu Tbilisi/Casino Iveria Tbilisi);
- Hotel and Casino in Batumi (Radisson Blu Batumi/Casino Iveria Batumi);
- Hotel in Tsinandali (Radisson Collection Tsinandal);
- Complex Republic.

Intangible Assets

Intangible assets ('000 GEL)	30-Sep-2022	31-Dec-2021	31-Dec-2020
Casino license	4,174	1,897	145
Software for slot machines (licensing and others)	2,743	3,722	2,439
Total Intangible Assets	**6,917**	**5,619**	**2,584**

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 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. In 2021, Tbilisi casino license fee was reduced to GEL 2.5 million from GEL 5 million due to government benefits associated with Covid-19. For further information about casino licenses, please refer to the Regulatory Framework subsection.

As of the 9 months of 2022, intangible assets have increased by 23% compared to the year end of 2021 (31/12/2021: GEL 5,619 thousand).

Investment Property

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Investment property	313,383	309,771	303,748

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 the 9 months of 2022, the total value of investment property was GEL 313,383 thousand, which is an increase of 1.2% compared to 2021 (31/12/2021: GEL 309,771 thousand). Investment property accounts for 34% of total assets (31/12/2021: 34%)..

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 9 months of 2021 and 2022, no valuation has been done for the company's investment property. It should be noted that 88% of the company's total assets are pledged.

Loans Receivable

Loan receivables are unsecured related party loans. Loans are mainly denominated in US dollars. 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.

The breakdown of loans issued by the company as of September 30, 2022 is presented in the table below:

Company	Currency	Nominal interest rate	Year of maturity	Carrying amount
Related party loan	GEL	8%	31-Dec-2022	9,356
Related party loan	USD	12%	31- Dec -2024	61,993
Related party loan	USD	14%	31- Dec -2025	286
Related party loan	GEL	12%	31- Dec -2022	47
Related party loan	GEL	14%	31- Dec -2025	310
Related party loan	USD	11%	31- Dec -2025	108,181
Related party loan	USD	10%	31- Dec -2025	19,073
Related party loan	USD	10%	31- Dec -2025	257
Related party loan	GEL	14%	31- Dec -2022	981
Related party loan	USD	12%	31- Dec -2022	32,338
Related party loan	USD	10%	31- Dec -2025	23,813
Related party loan	GEL	14%	6-Jan-2025	424
Related party loan	USD	9%+Libor 6m	31-Dec-2025	1,025
Related party loan	GEL	3%	31- Dec -2025	185
Related party loan	GEL	13%	31- Dec -2022	3,413
Related party loan	GEL	13%	31- Dec -2023	745
Related party loan	USD	7%	31- Dec -2025	5,965
Total				**268,392**

Impairment losses on trade and other receivables

‘000 Gel	31-Dec-2021	31-Dec-2020
Balance on January 1st	**(5,850)**	**(6,157)**
Recovery/(growth) during the year	(203)	307
Balance on December 31st	**(6,053)**	**(5,850)**

In the fiscal year 2020-21, impairment losses on trade and other receivables amounted to GEL 5,850 thousand and GEL 6,053 thousand respectively, as of December 31st. The balance of the impairment provision remained unchanged in 2022 compared to December 31st, 2021, as it is anticipated that the loans granted to related parties will be offset against equity in 2023. Please find the specific transaction details below.

The issuer and it subsidiaries have claims and liabilities towards Parent Companies . The plan is to offset these claims and liabilities up to USD 90 million. For the moment, the company is waiting for the preliminary decision from the tax authority before completing the transaction. These transactions will not affect interest bearing debt of the Green Box. As a result subordinated liabilities of subsidiaries will be reduced, which are not considered in covenants.

Inventory

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Inventory	6,634	4,873	3,739

As of September 30, 2022, inventory has increased by approximately 36% and amounted to GEL 6,634 thousand (31/12/2021: GEL 4,873 thousand).

Prepayment and other assets

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Prepayment and other assets	12,923	7,747	6,413

The majority of the company's prepayments consist of tax assets and paid advances. As of September 30, 2022, tax assets and advanced payments amounted to GEL 12,923 thousand, which is 67% higher compared to December 31, 2021 figure (31/12/2021: GEL 7,747 thousand). This increase is mainly attributable to advances related to consulting services, furniture and its restoration, fire and security systems, and marketing services. Additionally, it is worth noting that the capital expenditure for the Telegraph project amounted approximately GEL 750 thousand as of 9 months of 2022.

Trade and other receivables

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Trade and other receivables	7,809	8,966	16,445

The balance of trade and other receivables as of September 30, 2022 was GEL 7,809 thousand, which is 13% lower compared to the same figure of the year end of 2021 (31/12/2021: GEL 8,966 thousand).

Cash and cash equivalents

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Cash and cash equivalents	58,081	34,413	16,221

Cash and cash equivalents balance as of September 30, 2022 was GEL 58,081 thousand, which was 69% higher than the respective balance of December 31, 2021 (31/12/2021: GEL 34,413 thousand).

Total equity

Charter capital represents the nominal amount that shareholders have invested since the company's establishment. As of September 30, 2022, the charter capital amounts GEL 671,140 thousand. The charter capital was at GEL 670,989 thousand up until 2020, after which an additional GEL 151 thousand was contributed, bringing it to GEL 671,140 thousand.

Charter capital	30-Sep-2022	31-Dec-2021	31-Dec-2020
Balance at the beginning of the period	671,140	671,140	671,989
Increase in charter capital	-	-	151
Total	**671,140**	**671,140**	**671,140**

As of 9 months of 2022, the total equity of the company is GEL 580,969 thousand, which has increased by 7.4% compared to December 31, 2021 (GEL 540,809 thousand). The increase in equity is primarily due to an increase in non-controlling interest, which amounted to GEL 13,650 thousand and grew by 81%. This increase was mainly caused by a reduction in the accumulated loss (retained earnings) in 2022. (A loss of GEL 103,823 thousand as of September 30, 2022; -25%).

Non-controlling interest

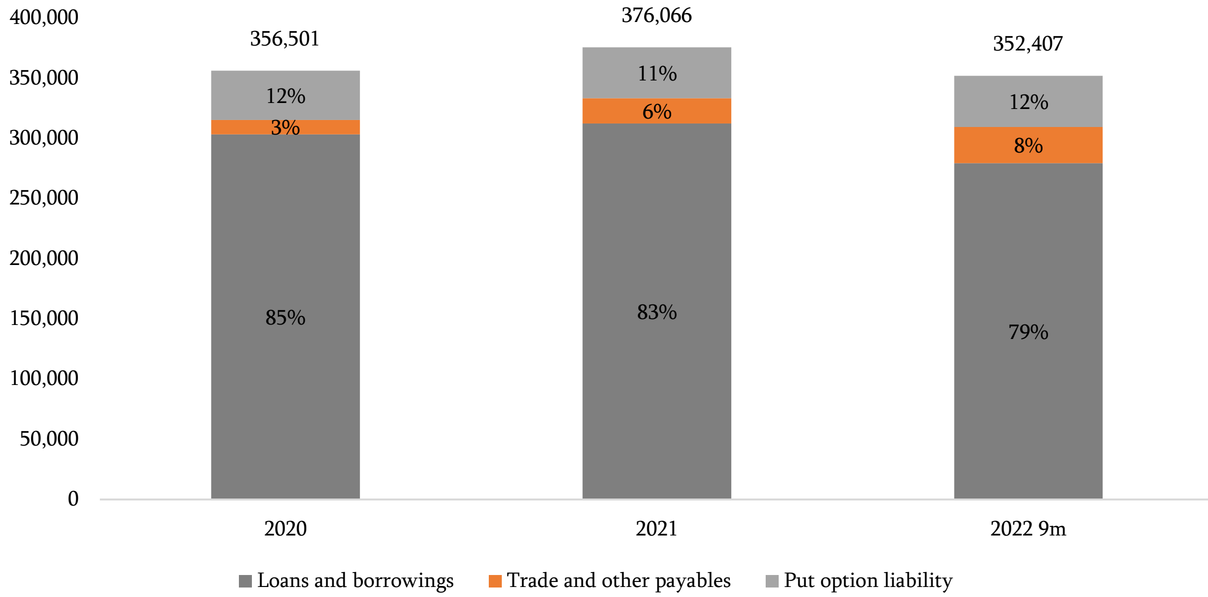
As of September 30, 2022, the non-controlling interest of the company amounted to GEL 13,650 thousand, which is an 81% increase compared to December 31, 2021 (GEL 7,529 thousand). The non-controlling interest is held in four subsidiaries of the company: Georgian Hotel Management, Iveria Center, Limoni 2009, and Tsinandali Resort.

In 2021, the company acquired 51% stake in Tsinandali Resort. In 2020, the company acquired the remaining 4.75% stake of JSC "New Hotel" from Warkham Holding Limited, the parent company, for a capital contribution of GEL 151 thousand. This resulted in the cancellation of recognition of the non-controlling interest of GEL 5,126 thousand and an adjustment of the retained earnings of the company by the same amount.

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

As of September 30, 2022, the company's total liabilities amounted to GEL 352,408 thousand, which is 6% lower compared to the same figure of December 31, 2021 (GEL 376,066 thousand). The current and long-term portions of the total liabilities are 22% and 78%, respectively, compared to 19% and 81% as of December 31, 2021. 72% of the total liabilities are loans (please refer to Capitalization and Indebtedness for details).



As of September 30, 2022, long-term borrowings of the company amounted to GEL 228,288 thousand, which represents is 13% lower compared to December 31, 2021 figure of GEL 263,497 thousand.

Trade and other payables

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Current trade and other payables	24,792	20,333	11,062
Non-Current trade and other payables	5,094	504	1,011
Total	**29,887**	**20,837**	**12,073**

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.

In the first nine months of 2022, the total short-term and non-current trade and other payables amounted to GEL 29,887 thousand, which is 43% higher compared to amount as of December 31, 2021 (GEL 20,837 thousand).

The non-current trade and other payables consist of payables for the purchase of fixed assets. Also from 2022 it consists the dividend payable from the casino, which will not be repaid in short-term period. In 2021 aformentioned payable was classified as current trade and other payables, which was reclassified in 2022 as non-current trade and other payables.

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	30-Sep-2022	31-Dec-2021	31-Dec-2020
Put option liability	42,700	42,436	40,804

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 4 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.

The Group believes that from an economic perspective, the option will be exercised in substantially all cases. Additionally, the sensitivity of the exercise price to the variations in the fair value of the ownership interest is low, and therefore substantially all of that variation accrues to the parent. Consequently management believes that the non-controlling shareholder does not have present access to the returns associated with the underlying ownership interest in Tsinandali Estates LLC and therefore applies anticipated-acquisition method to the investment. Furthermore, the Group has recognised put option liability of GEL 42,436 thousand and GEL 40,804 thousand as at 31 December 2021 and 31 December 2020, respectively. The present value of the exercise price of the option was discounted at approximately 12% for each year.

As of September 30, 2022 and in 2021, 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% for each year.

Capitalization and Indebtedness

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

('000 GEL)	31-Dec-2022[1]	31-Dec-2022	31-Dec-2021	31-Dec-2020
	Unaudited	**Unaudited**	**Audited**	**Audited**
Liabilities:				
Loans and borrowings	155,921	263,921	312,793	303,623
Issued bonds	108,000	-	-	-
Total interest bearing liabilities	**263,921**	**263,921**	**312,793**	**303,623**
Equity:				
Charter capital	671,140	671,140	671,140	671,140
Accumulated losses	(103,821)	(103,821)	(137,860)	(136,691)
Equity attributable to owners of the company	**567,319**	**567,319**	**533,280**	**534,449**
Non-controlling interest	13,650	13,650	7,529	4,545
Total equity	**580,969**	**580,969**	**540,809**	**538,994**
Total capitalization	**844,890**	**844,890**	**853,602**	**842,617**

[1] Adjusted with assumption that the company issues $40 million in bonds and covers loans of the same amount. (for more information on loan refinancing and use of proceeds, see Reasons for Offering and Use of Proceeds). Equity items as of December 31, 2022 are left unchanged from September 30, 2022, since updated data is unavailable/impossible to estimate as of the date of preparation of the prospectus.

Loans and borrowings as of December 31, 2022 amount GEL 263,921 thousand (31/12/2021: GEL 312,793 thousand), accounting for 31% of total assets. The company uses various sources of financings:

('000 GEL)	31-Dec-2022	31-Dec-2021	31-Dec-2020
	Unaudited	Audited	Audited
Non-current loans and borrowings:			
Bank loans	190,167	216,544	180,115
Related party loans	56,429	27,435	69,129
Third party loans		19,518	18,532
Total non-current loans and borrowings	**246,596**	**263,497**	**267,776**
Current loans and borrowings			
Current portion of bank loans	5,646	4,702	35,032
Current portion of related party loans	-	43,087	32
Current portion of third party loans	11,679	1,507	783
Total current loans and borrowings	**17,325**	**49,296**	**35,847**
Total loans and borrowings	**263,921**	**312,793**	**303,623**

Loans and borrowings as of December 31, 2020:

Lender	Carrying amount	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
TBC Bank	18,062	US Dollar	Amortizing	Libor 6m+7.85%	156 m	Real Estate
TBC Bank	2,213	US Dollar	Amortizing	Libor 6m+7.85%	156 m	Real Estate
TBC Bank	22,616	US Dollar	Amortizing	Libor 6m+7.85%	156 m	Real Estate
TBC Bank	34,589	US Dollar	Amortizing	Libor 6m+9%	156 m	Real Estate
TBC Bank	1,007	US Dollar	Amortizing	USD Libor 6m+8.5%	84 m	Real Estate
TBC Bank	5,891	US Dollar	Amortizing	USD Libor 6m+8.5%	84 m	Real Estate
TBC Bank	4,698	US Dollar	Amortizing	USD Libor 6m+8.5%	84 m	Real Estate
TBC Bank	51,947	Euro	Amortizing	Euribor 6m+7.5%	156 m	Real Estate
TBC Bank	3,380	Euro	Amortizing	Euribor 6m+7.5%	156 m	Real Estate
TBC Bank	11,237	GEL	Amortizing	Ref+5.25%	156 m	Real Estate
TBC Bank	795	GEL	Amortizing	Ref+5.25%	156 m	Real Estate
TBC Bank	23,468	GEL	Amortizing	Ref+5.25%	156 m	Real Estate
TBC Bank	3,160	GEL	Amortizing	Ref+6%	84 m	Real Estate
TBC Bank	11,439	GEL	Amortizing	Ref+6%	84 m	Real Estate
TBC Bank	20,468	GEL	Amortizing	Ref+5.25%	84 m	Real Estate
TBC Leasing	164	Euro	Amortizing	11%	36 m	Real Estate
TBC Leasing	175	US Dollar	Amortizing	9%	12 m	Real Estate
Caspian Finance Limited (Malta)	4,011	US Dollar	Bullet	0%	60 m	Unsecured
Caspian Finance Limited (Malta)	427	US Dollar	Bullet	Libor 12m+0.75%	120 m	Unsecured
Caspian Finance Limited (Malta)	8,192	US Dollar	Bullet	Libor 12m+0.75%	60 m	Unsecured
Caspian Finance Limited (Malta)	3,611	US Dollar	Bullet	4%	60 m	Unsecured

Georgian Co-investment Fund (GCF)	12,109	US Dollar	Bullet	9.00%	36 m	Real estate
Silk Bank	1,994	GEL	Amortizing	12.00%	180 m	Real estate
Silk Bank	1,101	US Dollar	Amortizing	12.00%	180 m	Real estate
Silk Bank	2,274	US Dollar	Amortizing	9%	180 m	Real estate
Eilamedi LLC	507	US Dollar	Bullet	15%	24 m	Unsecured
Eilamedi LLC	77	GEL	Bullet	14%	60 m	Unsecured
Meskheti LLC	109	GEL	Bullet	16%	48 m	Unsecured
Iveria Group LLC	5,567	GEL	Bullet	14%	60 m	Unsecured
Meskheti LLC	783	GEL	Bullet	13.60%	On demand	Unsecured
Comodon Holding (Malta) Limited	47,503	US Dollar	Bullet	4%	24 m	Unsecured
Silk Road Group Holding	49	US Dollar	Bullet	10%	60 m	Unsecured
Total	**303,623**					

Loans and borrowings as of December 31, 2021:

Lender	Carrying amount	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
TBC Bank	16,059	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
TBC Bank	2,748	US Dollar	Amortizing	Libor 6m+7.7%	144 m	Real estate
TBC Bank	2,013	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
TBC Bank	1,340	US Dollar	Amortizing	Libor 6m+8.2%	144 m	Real estate
TBC Bank	20,178	US Dollar	Amortizing	Libor 6m+7.85%	144 m	Real estate
TBC Bank	3,399	US Dollar	Amortizing	Libor 6m+8.2%	144 m	Real estate
TBC Bank	30,158	US Dollar	Amortizing	Libor 6m+9%	144 m	Real estate
TBC Bank	2,960	US Dollar	Amortizing	Libor 6m+9.45%	144 m	Real estate
TBC Bank	929	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
TBC Bank	5,154	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
TBC Bank	4,110	US Dollar	Amortizing	Libor 6m+8.5%	72 m	Real estate
TBC Bank	1,045	US Dollar	Amortizing	Libor 6m+8.83%	144 m	Real estate
TBC Bank	42,762	Euro	Amortizing	Euribor 6m+7.5%	144 m	Real estate
TBC Bank	3,438	Euro	Amortizing	Euribor 6m+7.5%	144 m	Real estate
TBC Bank	3,134	Euro	Amortizing	7.5% inc Euribor	144 m	Real estate
TBC Bank	2,193	Euro	Amortizing	7.5% inc Euribor	144 m	Real estate
TBC Bank	716	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
TBC Bank	21,553	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
TBC Bank	3,773	GEL	Amortizing	Ref + 5.75%	144 m	Real estate
TBC Bank	10,579	GEL	Amortizing	Ref + 5.25%	144 m	Real estate
TBC Bank	2,820	GEL	Amortizing	Ref + 6%	72 m	Real estate
TBC Bank	10,215	GEL	Amortizing	Ref + 6%	72 m	Real estate
TBC Bank	18,386	GEL	Amortizing	Ref+ 5.25%	72 m	Real estate
TBC Bank	4,449	GEL	Amortizing	Ref+ 5.75%	72 m	Real estate
Pasha Bank	7,135	US Dollar	Amortizing	Libor 6m+6.5%	84 m	Real estate
TBC Leasing	141	Euro	Amortizing	10.50%	24 m	Real estate
Silk Bank	2,214	US Dollar	Amortizing	9%	168 m	Real estate
Silk Bank	1,994	GEL	Amortizing	12.00%	168 m	Real estate
Caspian Finance Limited (Malta)	3,792	US Dollar	Bullet	0%	48 m	Unsecured
Caspian Finance Limited (Malta)	407	US Dollar	Bullet	Libor 12m+0.75%	108 m	Unsecured
Caspian Finance Limited (Malta)	3,476	US Dollar	Bullet	4%	48 m	Unsecured
Georgian Co-Investment Fund (GCF)	12,521	US Dollar	Bullet	9.00%	24 m	Real estate

Secured loans from related parties	1,040	US Dollar	Bullet	12.00%	168 m	Real estate
Comodon Holding (Malta) Limited	43,133	US Dollar	Bullet	4%	12 m	Unsecured
Comodon Holding (Malta) Limited	6,332	Euro	Bullet	Libor 12m+0.75%	48 m	Unsecured
Meskheti LLC	143	GEL	Bullet	16%	48 m	Unsecured
Meskheti LLC	853	GEL	Bullet	13.60%	On demand	Unsecured
Eilamedi LLC	511	US Dollar	Bullet	15%	12 m	Unsecured
Ivedria Group LLC	6,856	GEL	Bullet	14%	48 m	Unsecured
Caspian Finance Limited (Malta)	8,134	US Dollar	Bullet	Libor 12m+0.75%	48 m	Unsecured
Total	**312,793**					

Loans and borrowings as of December 31, 2022:

Lender	Carrying amount	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
TBC Bank	12,696	US Dollar	Amortizing	Libor 6m+7.85%	132 m	Real estate
TBC Bank	994	US Dollar	Amortizing	Libor 6m+7.77%	132 m	Real estate
TBC Bank	11,219	US Dollar	Amortizing	Libor 6m+7.85%	132 m	Real estate
TBC Bank	25,790	US Dollar	Amortizing	Libor 6m+9%	132 m	Real estate
TBC Bank	2,582	US Dollar	Amortizing	Libor 6m+9.45%	60 m	Real estate
TBC Bank	2,612	Euro	Amortizing	Euribor 6m+7.5%	132 m	Real estate
TBC Bank	32,756	Euro	Amortizing	Euribor 6m+7.5%	132 m	Real estate
TBC Bank	5,646	Euro	Amortizing	Libor 6m+7.5%	12 m	Real estate
TBC Bank	10,347	GEL	Amortizing	Ref + 5.25%	60 m	Real estate
TBC Bank	21,538	GEL	Amortizing	Ref + 5.25%	60 m	Real estate
TBC Bank	10,215	GEL	Amortizing	Ref + 6%	60 m	Real estate
TBC Bank	18,278	GEL	Amortizing	Ref + 5.25%	60 m	Real estate
TBC Bank	2,821	GEL	Amortizing	Ref + 6%	60 m	Real estate
Pasha Bank	5,884	US Dollar	Amortizing	Libor 6m+6%	72 m	Real estate
Bank of Georgia	5,148	Euro	Amortizing	Euribor 6m+7.5%	132 m	Real estate
Bank of Georgia	3,801	US Dollar	Amortizing	Libor 6m+7.85%	132 m	Real estate
Bank of Georgia	1,200	US Dollar	Amortizing	Libor 6m+8.5%	132 m	Real estate
Bank of Georgia	4,640	GEL	Amortizing	Ref + 5.75%	132 m	Real estate
Bank of Georgia	4,557	GEL	Amortizing	Ref + 5.75%	60 m	Real estate
Bank of Georgia	8,048	GEL	Amortizing	Ref + 3%	60 m	Real estate
Georgian Co-Investment Fund (GCF)	11,679	US Dollar	Bullet	9.00%	6 m	Real estate
Sild Bank	1,852	US Dollar	Amortizing	9.00%	156 m	Real estate
Sild Bank	881	US Dollar	Amortizing	12.00%	156 m	Real estate
Sild Bank	1,904	GEL	Amortizing	12.00%	156 m	Real estate
Sild Bank	405	US Dollar	Amortizing	Libor 6m+9.5%	72 m	Real estate
Comodon Holding (Malta) Limited	34,934	US Dollar	Bullet	3.5%	96 m	Unsecured
Comodon Holding (Malta) Limited	5,251	Euro	Bullet	Libor 12m+0.75%	36 m	Unsecured
Caspian Finance Limited (Malta)	1,648	US Dollar	Bullet	Libor 12m+0.75%	96 m	Unsecured
Caspian Finance Limited (Malta)	6,272	US Dollar	Bullet	Libor 12m+0.75%	96 m	Unsecured

Caspian Finance Limited (Malta)	327	US Dollar	Bullet	3.5%	36 m	Unsecured
Caspian Finance Limited (Malta)	3,308	US Dollar	Bullet	0%	96 m	Unsecured
Iveria Group LLC	4,689	GEL	Bullet	14%	36 m	Unsecured
Total:	**263,921**					

Breakdown of loans for Green Box and Yellow Box

'000 GEL	31-Dec-22	30-Sep-22	31-Dec-21	31-Dec-20
Green Box (financial institutes)	184,887	187,517	216,246	217,305
Green Box	46,457	50,878	67,323	64,278
Yellow Box	32,577	41,426	29,224	22,040
Total	**263,921**	**279,821**	**312,793**	**303,623**

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-20

Currency / Maturity	0-1	1-3	3+
Euro	-	164	55,327
US Dollar	-	60,119	108,741
GEL	958	-	78,314
Total	**958**	**60,283**	**242,382**

31-Dec-21

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

31-Dec-22

Currency / Maturity	0-1	1-3	3+
Euro	5,646	5,251	40,516
US Dollar	11,679	327	113,466
GEL	0	4,689	82,347
Total	**17,325**	**10,267**	**236,329**

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

	31-Dec-22	31-Dec-21	31-Dec-20
GEL	16.0%	13.4%	15.70%
US Dollar	9.3%	7.8%	6.4%
Euro	10.1%	7.0%	7.9%

Management review

It is worth noting that the hospitality and gambling sectors have been hit the hardest by the restrictions caused by Covid-19. The financial results for 2020 and 2021 were significantly impacted by pandemic-induced lockdowns. As a result, the company's management compares operational results to the pre-Covid pandemic period of 2019. This operational overview refers to the standalone results of the group.

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	2022 9 m	2019 9 m	2021	2020	2019
Total Revenue	**226,277**	**163,338**	**174,571**	**102,510**	**222,820**
Hotel revenue	61,255	52,464	55,443	18,319	68,033
Room revenue	*31,638*	*32,700*	*29,434*	*8,834*	*41,547*
Other revenue	*29,615*	*19,763*	*26,009*	*9,485*	*26,486*
Casino revenue	138,028	102,473	97,811	34,713	136,675
GGR tables	*91,183*	*66,138*	*68,298*	*23,197*	*89,858*
GGR slots	*37,637*	*30,457*	*23,505*	*8,621*	*38,645*
Other	*8,026*	*5,877*	*6,108*	*2,898*	*8,774*
Other revenue	26,994	10,821	21,317	49,478	18,112
Total EBITDA	**60,565**	**26,713**	**37,819**	**23,469**	**38,803**
Hotel EBITDA	17,703	13,522	11,668	(4,249)	16,948
Casino EBITDA	47,626	21,332	33,087	173	29,161
Other	(4,764)	(8,141)	(6,936)	27,544	(7,306)
EBITDA Margin	**27%**	**16%**	**22%**	**23%**	**17%**
Hotel EBITDA margin	29%	26%	21%	-23%	25%
Casino EBITDA margin	35%	21%	34%	0%	21%
Other	-18%	-75%	-33%	56%	-40%

*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.

During the periods presented in the table above, hotel revenue accounted for an average of 27% of total revenue, while casino revenue accounted for 61% and other revenue - 12% of total revenue.

In 2020, 48% of the company's revenue was attributable to other income, which was primarily related to asset disposals. This had a positive impact on income, offsetting the negative effects of the Covid lockdown. In 2019, a group sold a significant portion of a land plot (measuring 20,314 square meters) located in Tbilisi, Georgia. The book value of the land was GEL 30,309 thousand, and the sale was made to a related party - JSC Silknet for GEL 29,461 thousand. An independent appraiser (Colliers Georgia LLC) determined the market value of the land. As part of the purchase agreement, the group had access to an additional contingent consideration of USD 9,960 thousand. This amount would be paid if the regulatory development plan, which involves constructing a total area of 60,000 square meters on the land, was approved by the municipal authorities. The group did not have control over the approval of the plan as of December 31, 2019, and there was no doubt that it would be approved. Therefore, the corresponding income was not recognized in 2019. In 2020, the municipal authorities approved the Development Regulatory Plan. As a result, the group received an additional consideration of GEL 30,912 thousand (USD 9,790 thousand) from the counterparty. The group recognized the related income in 2020.

In 2021, the company experienced a significant increase in revenue, by 70% y-o-y, which translates to around 78% of 2019. This increase was driven by a 203% growth in hotel revenues, thanks to relatively active tourist traffic and relaxed Covid regulations. Additionally, casino income increased by 182% during the same period. Notably, the company's Tbilisi and Batumi casinos were among the first to resume operations after the lockdown.

It's important to note that the company's results for the first 9 months of 2022 have significantly improved, even compared to the same period in 2019. Total income during this period was 39% higher than in 2019, with hotel income increasing by 18%. This increase can be attributed to two key factors - despite the relatively low occupancy rate, hotels have improved revenues by increasing service fees. Additionally, it's worth mentioning that Tsinandali Radisson and Park Hotel both became fully operational in 2022, unlike in 2019.

Casino income has also increased significantly, with a 36% increase in the first 9 months of 2022 compared to 2019.

Along with the decrease in revenues in 2020, the company's EBITDA also decreased significantly. The decrease compared to the previous year was 40%. However, in 2021, EBITDA increased by 61% and, despite the smaller Revenue, almost matched the 2019 figure (EBITDA 2021: GEL 37,818; 2019: GEL 38,804). The EBITDA margin for 2021 was 22%, an improvement compared to the 2019 figure of 17%. In 2022, the company's profitability has increased even further, with EBITDA reaching GEL 60,565 in the first 9 months - a 152% increase compared to the same period in 2019.

During the same period, casino EBITDA increased by 191%, and the EBITDA margin reached 35%. The margin improvement can be attributed to both a reduction in the operating cost base and a post-pandemic concession in the Tbilisi casino license fee, which had a one-time effect in the first half of 2022. The hotel business also saw significant improvement in EBITDA during the first 9 months of 2022. EBITDA doubled compared to the same period in 2019, and the EBITDA margin increased from 21% to 29%.

The open currency position of the company by periods was as follows:

GEL '000	**Denominated in US dollar 30-Sep-22**	**Denominated in US dollar 31-Dec-21**	**Denominated in US dollar 31-Dec-20**	**Denominated in US dollar 31-Dec-19**
Loans receivable	261,841	268,023	265,039	218,403
Trade and other receivables	3,359	533	1,549	5,096
Cash and cash equivalents	21,847	13,330	9,134	11,581
Loans and borrowings	(196,743)	(172,456)	(169,034)	(142,659)
Trade and other payables	(7,376)	(3,709)	(8,068)	(9,484)
Put-option liability	(42,700)	(42,436)	(40,804)	(31,820)
Net currency position	**40,227**	**63,285**	**57,816**	**51,117**

The company's liquidity profile by period is given below:

30 September 2022 (*'000 GEL)*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	49,748	37,702	120,637	145,723
Trade and other payables	5,901	1,475	-	-
Put-option liability	-	-	42,700	-
	55,649	**39,177**	**163,337**	**145,723**

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
Trade and other payables	20,333	601	-	-
Put-option liability	-	-	63,696	-
	94,343	**54,217**	**217,611**	**193,438**

31 December 2020 (*000 GEL)*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	55,248	140,480	123,547	79,605
Trade and other payables	10,372	-	1,011	-
Put-option liability	-	-	50,403	-
	65,620	**140,480**	**174,961**	**79,605**

31 December 2019 (*000 GEL)*	**Less than 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Loans and borrowings	57,555	114,881	86,317	97,206
Trade and other payables	14,758	-	-	-
Put-option liability	-	-	-	-
	72,313	**114,881**	**86,317**	**97,206**

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	**30-Sep-2022 (Unaudited)**	**30-Sep-2021 (Unaudited)**	**31-Dec-2021 (Audited)**	**31-Dec-2020 (Audited)**	**31-Dec-2019 (Audited)**

Comprehensive income (000' GEL)					
Revenue	186,301	96,109	144,738	56,672	187,378
Other income	8,943	3,932	7,795	40,615	13,670
Operating costs	(58,703)	(33,643)	(59,607)	(30,234)	(82,470)
Wages and other employee benefits	(64,724)	(31,334)	(51,606)	(35,662)	(71,538)
Depreciation and amortization	(18,636)	(24,351)	(29,408)	(26,492)	(27,835)
Impairment loss of trade and other receivables and loans receivable	-	-	(374)	(350)	(1,299)
Other expenses	(11,252)	(6,691)	(2,250)	(4,307)	(3,029)
Results from operating activities	**41,929**	**4,023**	**9,288**	**242**	**14,877**
Interest income	13,356	14,256	19,655	18,932	17,515
Net foreign exchange gain/(loss)	1,393	4,073	3,032	2,414	(745)
Interest expense	(19,138)	(21,442)	(29,515)	(22,441)	(23,343)
Net finance costs	**(4,389)**	**(3,113)**	**(6,828)**	**(1,095)**	**(6,573)**
Profit/(loss) before income tax	**37,540**	**910**	**2,460**	**(853)**	**8,304**
Income tax	-	-	-	-	899
Profit/(loss) and total comprehensive income/(loss) for the year	**37,540**	**910**	**2,460**	**(853)**	**9,203**
Profit/(loss) and total comprehensive income/(loss) attributable to:					
Owners of the Company	**31,419**	**(1,278)**	**463**	**1,830**	**7,503**
Non-controlling interest	**6,121**	**2,188**	**1,997**	**(2,683)**	**1,700**

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.

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 9 months 2022, 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). The significant increase in income is attributed to the fact that the company and its subsidiaries fully resumed operations in 2022 after lifting of Covid-19 restrictions.

Revenue breakdown

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

Revenue, '000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Revenue from casino operations	**128,820**	**53,242**	**81,460**	**30,622**	**121,391**
Revenue from casino live games	91,183	41,538	57,955	21,870	82,246
Revenue from slot machines	37,637	11,704	23,505	8,618	38,645
Other revenue	-	-	-	134	500
Revenue from hotel and Complex Republic operations	**56,423**	**37,570**	**56,964**	**18,553**	**59,376**
Food and beverage revenue	24,487	15,607	24,850	9,968	20,942
Room revenue	27,428	19,039	27,744	6,856	33,731
Other hotel revenue	4,508	2,924	4,370	1,729	4,703
Other revenue	**1,058**	**5,296**	**6,314**	**7,497**	**6,611**
Total	**186,301**	**96,109**	**144,738**	**56,672**	**187,378**

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. Since the hotel business operates mainly on a cash basis, 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 2022, income from casinos accounted 69% of the total income, and the income from the activities of hotels and complex "Republic" - 29%. In 2019, casino and hotel revenues had approximately the same shares - 65% and 32% respectively. (30/09/2021: 56% and 38%).

Other Revenue, '000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Other revenue	8,943	3,932	7,795	40,615	13,670

The group's other income includes: casino service fees, property sales, property tax recovery, and additional services such as spa treatments and massages. In the first 9 months of 2022, other income amounted to GEL 8,943 thousand, which represents a significant increase of 127% compared to the same period of the previous year (30/09/2021: GEL 3,932).

In 2019, the group sold a substantial portion of land located on Sanapiro Street in Tbilisi, measuring a total area of 20,314 sq.m., with a book value of GEL 30,309 thousand GEL. The sale was made to a related party for GEL 29,461 thousand in cash. The corresponding income was received by the group in 2020. In 2021, the funds received from the sale of assets decreased significantly - to GEL 2,987 thousand. Additionally, in the same year, loans granted to related parties increased by almost 2.5 times. Consequently, in 2021, the company spent GEL 21,962 thousand on investment activities. In 2019, the cash flows used from investment activities amounted to GEL 13,098 thousand, which was attributable to the loans issued to the related party in the amount of GEL 21,748 and for the purchase of fixed assets and intangible assets totaling GEL 34,377 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	**30-Sep-2022**	**30-Sep-2021**	**31-Dec-2021**	**31-Dec-2020**	**31-Dec-2019**
Interest income	13,356	14,256	19,655	18,932	17,515

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.

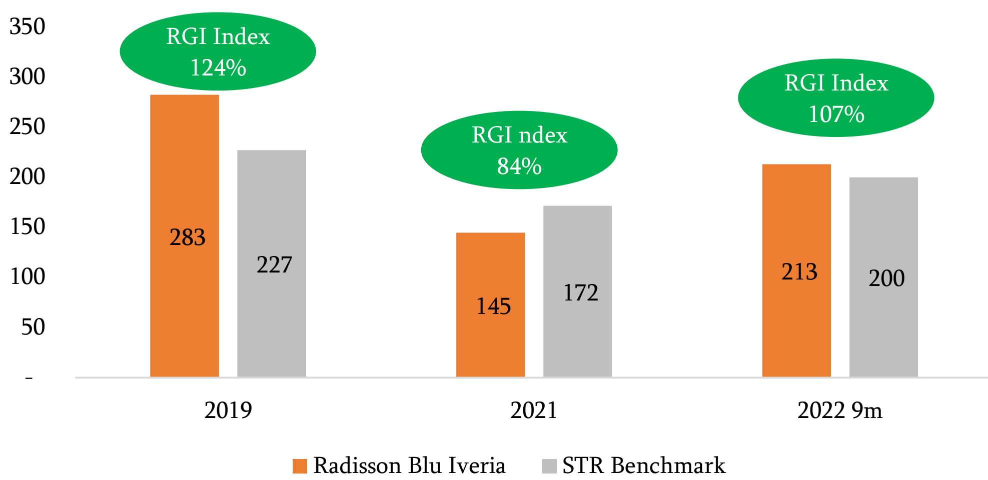
Hotel Revenues

Radisson Blu Tbilisi

‘000 GEL	**30-Sep-2022**	**30-Sep-2021**	**31-Dec-2021**	**31-Dec-2020**	**31-Dec-2019**
Room revenue	15,261	9,278	13,127	3,945	25,677
Other revenue	15,700	7,796	11,411	4,448	16,998
Total	**30,961**	**17,074**	**24,538**	**8,393**	**42,675**

In 2020, the Tbilisi hotel experienced a sharp decline in revenues due to the COVID-19 pandemic and the related lockdown, with revenue dropping from GEL 42,675 thousand to GEL 8,393. However, with the easing of restrictions in 2021, revenue increased threefold, albeit only to about 95% of the 2019 revenue level. In the first 9 months of 2022, there was a significant increase in revenue, with an increase of 81% compared to the same period in the previous year. The 9m 2022 metric reached 95% of the 2019 level (30/09/2019: GEL 32,725 thousand). It is noteworthy that historically, the hotel's revenue has been at a higher level compared to its competitors.

RevPar comparison with benchmark



Source: Deloitte/STR, Company information

**RGI Index – Revenue Generation Index*

As of the first nine months of 2022, the majority of Radisson Blu Tbilisi's total revenues came from room revenues, which accounted for 49% and amounted to GEL 15,261 thousand. This figure represents a substantial increase of 64% compared to the same period in the previous year, where room revenues amounted to GEL 9,278 thousand in the first 9m 2021.

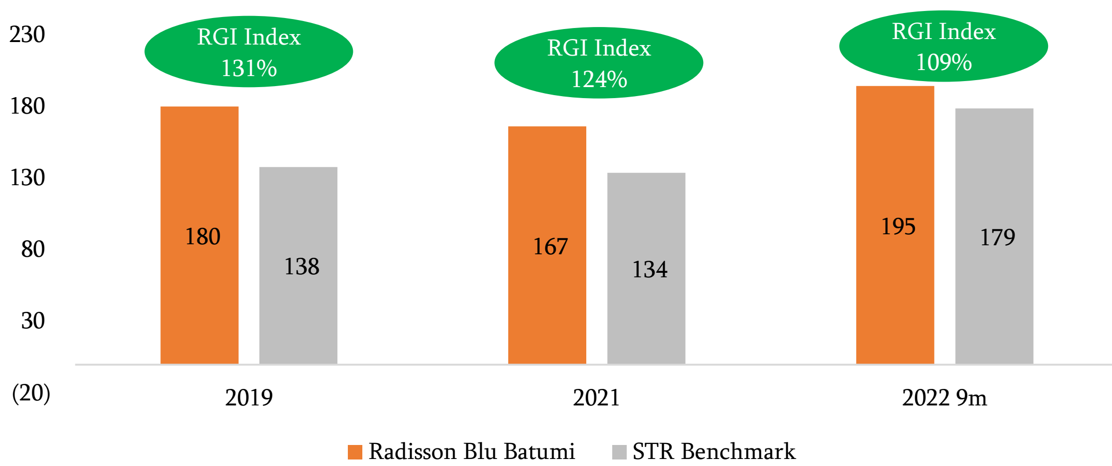
The revenues display a slight seasonality, with the first quarter of the year having relatively low revenues, making up only 23% of the total revenues (30/09/2021: 11%). The main part of the revenues is generated in the summer months and May, accounting for 54% of the total 9-month revenues (30/09/2021: 67.9%). 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 and approaching pre-pandemic levels. Other revenues include revenues from restaurants and other services provided to customers, which amounted to GEL 15,598 thousand during the 9 months of 2022, a 100% increase compared to the same period of the previous year (30/09/2021: GEL 7,796 thousand).

Radisson Blu Batumi

'000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Room revenue	10,659	7,629	10,039	2,863	11,063
Other revenue	5,335	3,170	4,444	1,424	4,034
Total	**15,994**	**10,799**	**14,483**	**4,287**	**15,097**

In the first 9 months of 2022, Radisson Batumi generated 67% of its revenues from room bookings, amounting to GEL 10,659 GEL and representing 40% increase compared to the same period of the previous year (30/09/2021: GEL 7,629 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 23% of total revenues. Summer months account for 53.4% of the 9-month room revenues (30/09/2021: 62.0%). Despite the seasonal fluctuations, data for the first 9 months of 2022 displays an increase of 33% compared to the same period in 2019 (30/09/2019: GEL 12,019 thousand), attributable to the recovery of tourism and the economy. This has had a positive effect on operating results of Radisson Blu Batumi. Moreover, the rise in the number of tourists in the Adjara region and Batumi throughout the year has reduced seasonality. Other sources of income include revenue from the hotel's restaurant and other services. As of September 2022, these sources of income totaled GEL 5,335 thousand, which represents a 68% increase compared to the same period of the previous year (30/09/2021: GEL 3,170 thousand). It is worth noting that this figure exceeds the hotel's total income for the full year of 2019 by 31% (31/12/2019: GEL 4,034 thousand). It is also noteworthy that historically Radisson Blu Batumi has always performed better than its competitors in terms of revenue.

RevPar comparison with competitors set



Source: Deloitte/STR, Company information

**RGI Index – Revenue Generation Index*

Radisson Collection Tsinandali

'000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Room revenue	5,718	4,602	6,268	2,027	5,041
Other revenue	8,582	7,752	10,154	3,612	5,220
Total	**14,300**	**12,354**	**16,422**	**5,639**	**10,261**

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 the 9 months of 2022, the hotel's room services accounted for 40% of its total revenue, while the restaurant services accounted for 35%. Due to the fact that the hotel has been established in 2019, it has been in the upswing phase and has not yet reached its maximum occupancy. Nevertheless, 2022 has been the most lucrative year for the hotel to date.

During the first 9 months of 2022, room services accounted for 40% of the hotel's total revenue, amounting to GEL 5,718 thousand. This is a 24% increase compared to the same period of the previous year, and an 86% increase compared to the same period of 2019. Tsinandali revenues are characterized by relatively small seasonality, with revenues being lower in the first quarter of the year (16% of total revenues in the 9 months of 2022, which is a slight decrease from the corresponding share of 20% in the same period of 2021). The main part of revenues is generated in the summer and autumn, as the hotel is located in the Kakheti region, where the main season is autumn. In the first 9 months of 2022, the highest month of income was September, with GEL 1,014 thousand. This is an increase from the same month in 2021, which generated GEL 723 thousand. As mentioned, the hotel is newly established, and its operational results are improving year by year.

Casino Revenues

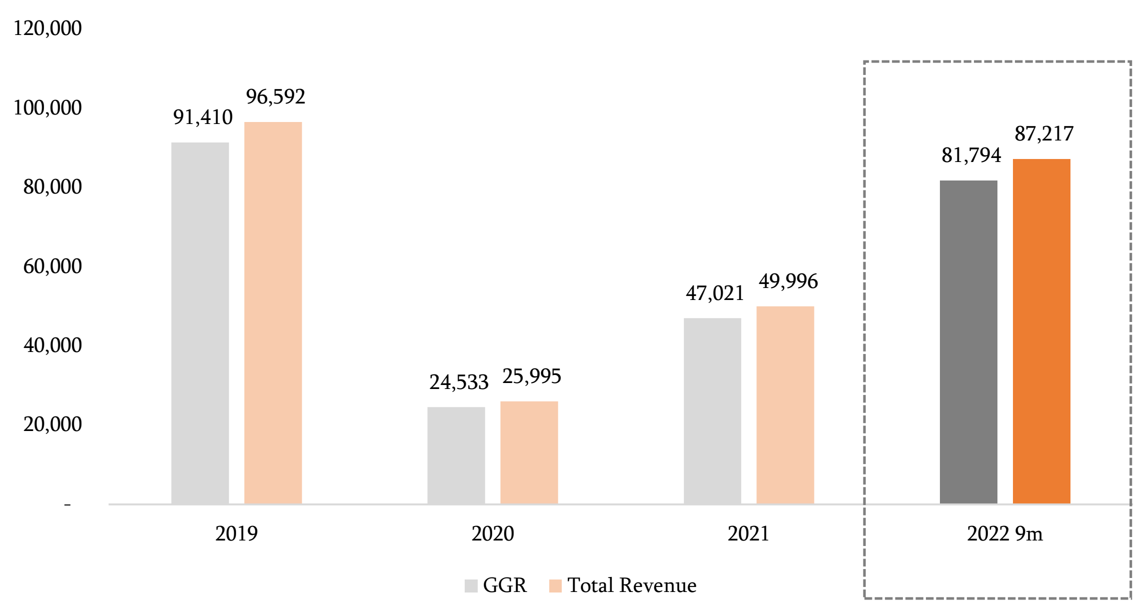
Casino Iveria Tbilisi

	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Average number of tables	22	7	11	8	30
‘000 GEL					
Gross Gaming Revenue (GGR)	81,794	23,449	47,021	24,533	91,410
Tips	6,131	1,288	3,400	1,462	6,098
Total Revenue	**87,925**	**24,737**	**50,421**	**25,995**	**97,504**

Iveria Tbilisi generates its income from gross gaming revenue (GGR) and tips. Tips accounted for 7% of total revenue as of 9 months 2022 (compared to 6% on 31/12/2019). The total revenues of Casino Iveria Tbilisi as of the 9 months of 2022 were GEL 87,925 thousand, representing a 19.2% increase compared to the same period in 2019 (GEL 74,002 thousand). The gross gaming revenue for 9 months of 2022 surpassed the same period in 2019 by 18% (GEL 69,287 thousand).

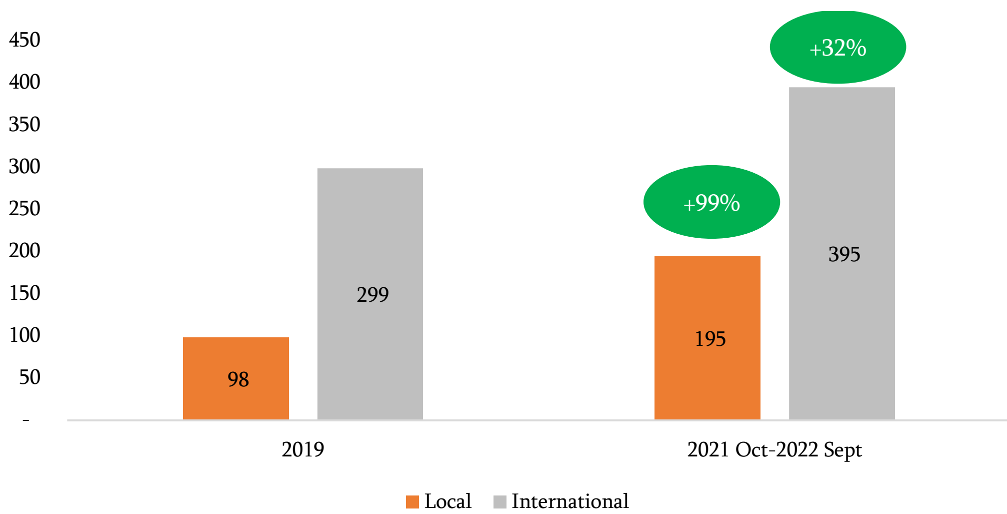
The casino's operations were suspended at the beginning of 2021 due to Covid restrictions, which is why the 9 months of 2022 have shown a 73% increase over the full year of 2021(31/12/2021: GEL 50,421 thousand). The recovery of tourism and the economy is expected to have a positive effect on the company's revenues since a significant portion of the casino's visitors come from international visitors who also utilize the hotel's services.

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



As mentioned earlier, visitor numbers are still below 2019 figures. However, there has been an increase in gross gaming revenue (GGR), which is due to each player generating more GGR. It's worth noting that new foreign visitors tend to spend more, leading to an increase in GGR per visit. Spending by both local and foreign casino visitors has increased. Furthermore, the rise in the flow of visitors from new markets is supported by an increase in international flights. You can see an illustration of this in the graph below:

Average GGR by domestic and international visitors



Source: Company Information

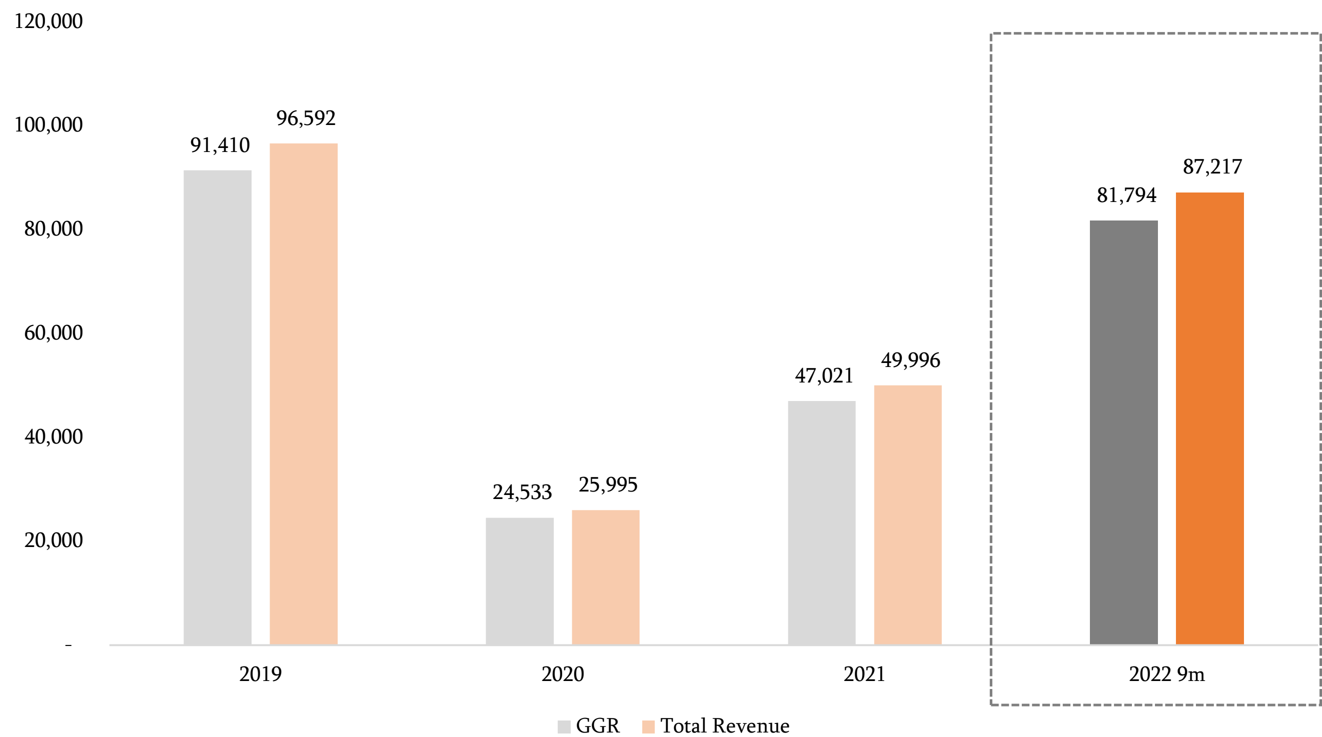
Casino Iveria Batumi

	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Average number of tables	19	11	13	4	16
'000 GEL					
Gross Gaming Revenue (GGR)	47,026	29,794	44,782	7,285	37,094
Tips	3,078	1,360	2,608	689	2,073
Total Revenue	**50,104**	**31,154**	**47.390**	**7,974**	**39,167**

The total revenue of Casino Iveria Batumi amounted to GEL 50,104 thousand in the first 9 months of 2022. This marks a 61% increase compared to the same period in 2021 (30/09/2021: GEL 31,154 thousand), a 76% increase compared to the same period in 2019 (30/09/2019: GEL 28,470 thousand), and a 28% increase compared to the full year of 2019 (31/12/2019: GEL 39,167 thousand). Furthermore, the gross gaming revenue for the 9 months of 2022 has exceeded the same period in 2019 by 72% (31/12/2019: GEL 27,309 thousand).

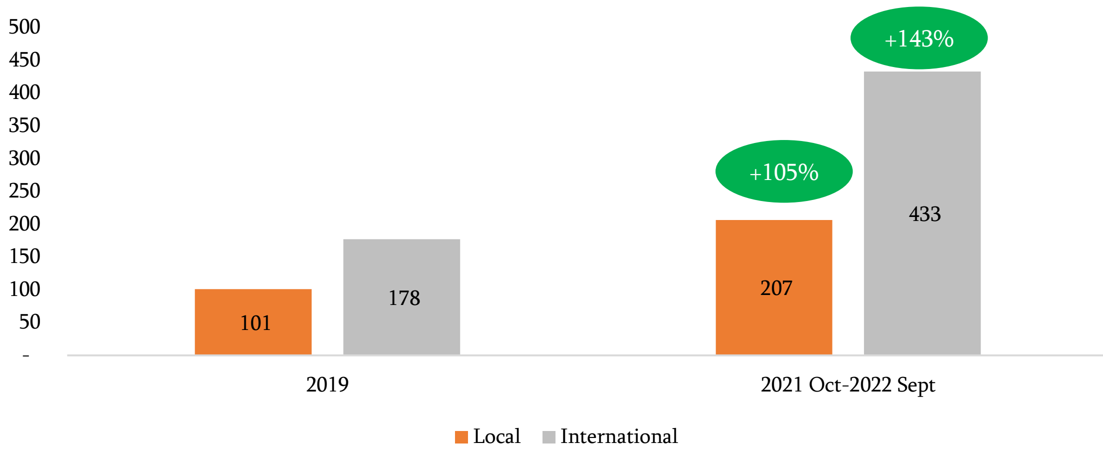
Casino operations resumed in 2021 after the pandemic and surpassed the 2019 revenue in the same year. In 2021, the total revenue amounted to GEL 47,390 thousand. In the first 9 months of 2022, the gross gaming revenue reached GEL 47,026 thousand and tips represented 6% of the total revenue (31/12/2021: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

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



As mentioned earlier, visitor numbers in 2022 are still lower than the 2019 figures, but gross gaming revenue (GGR) has increased due to an increase in GGR generated by each player. Notably, new foreign visitors spend more, resulting in an increase in GGR per visit, even though their average dwell time in Batumi is lower than in 2019. Spending by local casino visitors and foreign visitors has increased as well. Additionally, the increase in the flow of visitors from new markets is supported by the increase in international flights to Batumi and Kutaisi. You can see an illustration of this in the graph below:

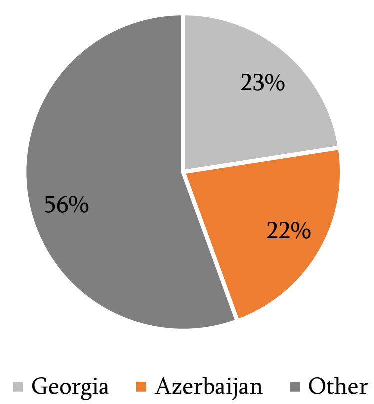
Average GGR by domestic and international visitors



Source: Company Information

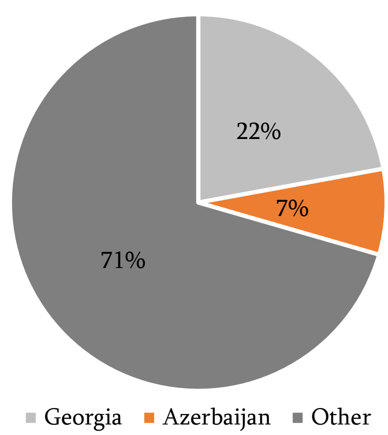
Before the pandemic, Azerbaijan visitors made up a significant portion of the total visitors at Casino Iveria Tbilisi. However, due to the continued closure of Azerbaijan's borders, the share of visitors from Azerbaijan in the company's total visitors has significantly decreased. It is estimated that this decrease in the number of visitors from Azerbaijan in 2022 has resulted in approximately GEL 10 million reduction in GGR. Nevertheless, it is expected that the number of visits from this market will return to historical figures in the future following the opening of the borders, providing additional potential for revenue growth for the company.

Casino Iveria Tbilisi GGR by nationality of visitors, 2019



Source: Company Information

Casino Iveria Tbilis GGR by nationality of visitors. Oct. 2021 - Sep. 2022



Source: Company Information

Operating Expenses

in the first 9 months of 2022, operating expenses increased by 75% compared to the same period of the previous year and amounted to GEL 80,860 thousand (30/09/2021: GEL 46,803 thousand). A detailed breakdown of these costs is provided in the table below:

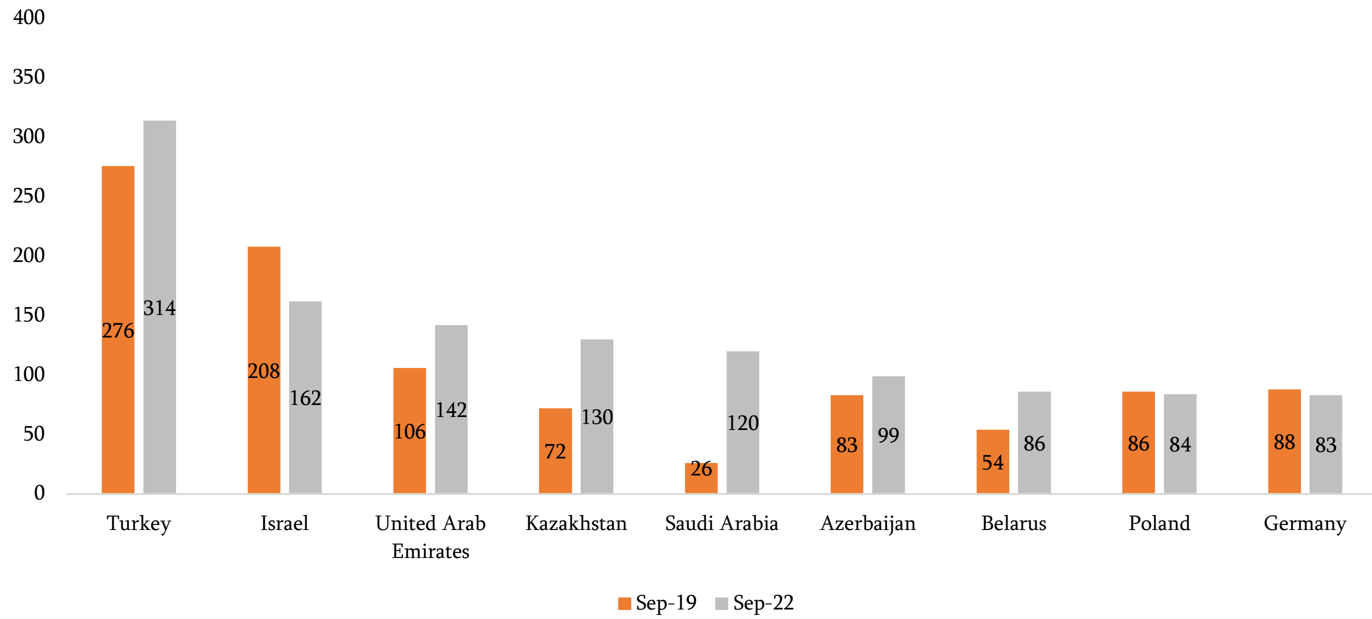
‘000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-dec-2019
Customer related cost**	12,507	3,930	9,911	4,912	17,339
Consumption of inventories	8,444	5,236	7,784	2,926	6,441
Utility expenses	4,703	3,489	5,488	2,671	3,419
Quarterly permission fee expenses*	6,643	2,382	4,555	2,909	11,845
Hotel supplies	2,658	1,980	3,594	1,911	3,542
Lease expenses	3,470	2,178	3,216	2,089	6,630
Marketing expenses	5,338	2,975	2,870	2,054	5,168
Bank and other commissions	2,111	1,593	2,830	824	3,203
Taxes other than on income tax	3,230	277	2,802	938	4,520
Consulting and professional fees	552	646	2,259	1,158	3,431
Repair and maintenance	1,407	857	2,141	1,556	3,485
Contractor service fees	1,162	799	1,648	715	-
Royalty fees	1,677	1,112	1,530	-	-
Security expenses	577	229	855	791	1,413
Hotel management fees***	-	-	-	516	5,405
Other operating costs	4,224	5,958	8,124	4,264	6,629
Total	**58,703**	**33,643**	**59,607**	**30,234**	**82,470**

** 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.*

**** For management of certain Hotels’ operations, the Group entities pay management fees to Rezidor Hotels annually. Management fees are variable and determined based on operating results of the Hotels. Until 2020, the Hotels were managed by Radisson Hotels under different International Management Agreements (“IMA”). On 20 March 2020, Tsinandali Estates LLC has formed International License Agreement (“ILA”) with Radisson Hotel Aps Danmark and received a license to operate a hotel with a brand name of “Radisson Collection Hotel”. The license agreement matures on 31 December 2035. In 2021, IMAs on management of Tbilisi and Batumi Hotels were also terminated and ILA’s were formed with Radisson Hotel Aps Danmark. After concluding the ILA, the International Management Agreement on the operation of the hotels was terminated and Tsinandali, Tbilisi and Batumi Hotels are operated by the Group’s management under “Radisson Collection” brand.*

The largest share of operational expenses is customer-related costs, which in the first 9 months of 2022 amounted GEL 12,507 thousand - 3.2 times increase compared to the same period of the previous year (30/09/2021: GEL 3,930 thousand). One of the reasons of the increase is the fact that in 2022 the operation of hotels was fully restored, unlike in 2021. Additionally, the increase in foreign tourists in the country and the resumption of international flights led to an increase in the number of hotel and casino visitors, which in turn affected the increase in operating costs. Customer-related expenses accounted for 21% of the total operating expenses (30/09/2021: 12%). Number of monthly flights in 2019 and 2022 9m are presented below:



Quarterly permission fee expenses amounted to GEL 6,643 thousand in the first 9 months of 2022 - 179% increase compared to the same period last year (30/09/2021: GEL 2,382 thousand), this is due to legislative changes and benefits during the pandemic, which were established by the state (one-time fee reduction).

Marketing expenses in the first nine months of 2022 totaled GEL 5,338 thousand, marking a 79% increase compared to the same period in 2021 (30/09/2021: 2,975 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	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Salaries and other benefits	64,724	31,334	51,606	35,662	71,538

The group's operating expenses include salaries and other employee benefits, which amounted to GEL 64,724 thousand as of the first nine months of 2022, representing a two-fold increase compared to the same period in the previous year (as of 30/09/2021: GEL 31,334 thousand). This increase can be partially attributed to the restoration of full-scale operations in 2022 compared to the previous year.

Costs by segment (before eliminations)

Direct Costs and Expenses '000 GEL	30-Sep-2022	30-Sep-2021	31-Dec-2021	31-Dec-2020	31-Dec-2019
Hotels	(38,814)	(27,581)	(37,667)	(18,933)	(39,842)
Casinos	(90,083)	(34,171)	(64,368)	(34,242)	(104,696)
Other unallocated Green Box entities	(14,880)	(9,842)	(8,283)	(7,974)	(7,372)
Oher unallocated Yellow Box entities	(1,579)	(2,529)	(2,418)	(308)	(458)

Total Direct Costs	**(145,356)**	**(74,123)**	**(112,736)**	**(61,457)**	**(153,368)**
Overhead Costs					
Hotels	(4,738)	(3,129)	(6,108)	(3,635)	(11,243)
Casinos	(319)	(178)	(356)	(298)	(2,818)
Other unallocated Green Box entities	(11,479)	(3,702)	(2,918)	(5,698)	(9,113)
Oher unallocated Yellow Box entities	(3,820)	(3,401)	(14,634)	(7,954)	(8,485)
Total Overhead Costs	**(20,356)**	**(10,410)**	**(24,016)**	**(17,585)**	**(31,659)**
Total direct and overhead costs	**(165,712)**	**(84,533)**	**(136,752)**	**(79,042)**	**(184,027)**

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

During the historical period, direct costs accounted for 83% of the company's operating expenses, while the remaining 17% 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 65% of the group's revenues come from the casino segment, direct expenses are correspondingly the highest in this segment. During the first 9 months of 2022, 62% of the total direct expenses account for the casino segment, amounting to GEL 90,083 thousand, 2.6 times higher compared to the same period of the previous year. During the first nine months of 2022, the company incurred total direct costs of GEL 145,356 thousand, which reflects a substantial increase of 96% compared to the same period of the previous year.(30/09/2021: GEL 74,123 thousand).

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.

The total direct and overhead expenses in the first 9 months of 2022 have increased by 96% compared to the previous year, amounting to GEL 20,356 thousand (30/09/31: GEL 10,410 thousand).

Finance expenses comprise interest expenses on financial liabilities and foreign currency exchange rate losses on financial assets and liabilities. In the first 9 months of 2022, the interest expense amounted to GEL 19,138 thousand, decreased by 11% compared to the same period of the previous year (30/09/2021: GEL 21,442 thousand).

Overview of the cash flow statement

('000 GEL)	30-Sep-2022 Unaudited	30-Sep-2021 Unaudited	31-Dec-2021 Audited	31-Dec-2020 Audited	31-Dec-2019 Audited
Cash flows from operating activities					
Profit before income tax	**37,540**	**910**	**2,460**	**(853)**	**8,304**
Depreciation and amortisation	18,636	24,351	29,408	26,492	27,835
Impairment loss of trade and other receivables and loan receivable	-	-	374	350	1,299
(Gain)/loss on disposal of property and equipment, investment property and intangible assets	-	(777)	(777)	(33,231)	2,970
Net finance costs	4,389	3,113	6,828	1,095	6,573
Write of PPE	-	-	-	1,295	-
Cash flows from operating activity before changes in assets and liabilities	**60,565**	**27,597**	**38,293**	**(4,852)**	**46,981**
Inventories	(1,973)	(1,001)	(1,134)	1,671	316
Trade and other receivables	908	9,823	7,279	203	(2,703)

Prepayments and other assets	(5,589)	(3,251)	(1,334)	3,131	995
Trade and other payables	3,667	10,494	8,108	(1,330)	(2,568)
Cash flows from/(used in) operations before income taxes and interest paid	**57,578**	**43,663**	**51,212**	**(1,177)**	**43,021**
Interest paid	(22,377)	(31,484)	(43,132)	(10,297)	(31,190)
Net cash (used in)/from operating activities	**35,201**	**12,179**	**8,080**	**(11,474)**	**11,831**
Cash flows from investing activities					
Proceeds from sale of property and equipment, investment property and intangible assets	-	2,987	2,987	30,912	29,461
Issuance of related party loans	(8,253)	(9,672)	(10,186)	(4,176)	(21,748)
Repayments of issued related party loans	10,659	7,052	7,116	-	12,207
Interest received	1,443	841	841	-	1,359
Acquisition of property and equipment, intangible assets and investment property	(10,165)	(15,258)	(22,720)	(24,750)	(34,377)
Net cash from/(used in) investing activities	**(6,316)**	**(14,051)**	**(21,962)**	**1,986**	**(13,098)**
Cash flows from financing activities					
Proceeds from issue of share capital	-	-	-	-	48
Proceeds from borrowings	18,230	25,900	34,587	18,978	234,457
Repayment of borrowings	(23,880)	-	(1,821)	(23,975)	(227,960)
Acquisition of non-controlling interest	-	-	-	(1,670)	-
Dividends paid	-	-	-	-	(4,781)
Net cash from/(used in) financing activities	**(5,650)**	**25,900**	**32,766**	**(6,667)**	**1,764**
Net (decrease)/increase in cash and cash equivalents	**23,235**	**24,028**	**18,884**	**(16,155)**	**497**
Cash and cash equivalents at 1 January	34,413	16,221	16,221	30,600	30,568
Effect of movements in exchange rates on cash and cash equivalents	432	(486)	(692)	1,776	(465)
Cash and cash equivalents at 31 December	**58,081**	**39,762**	**34,413**	**16,221**	**30,600**

Cash from operating activities

During the first nine months of 2022, net cash flows from operating activities showed a significant increase of 2.9 times, reaching GEL 35,201 thousand (compared to GEL 12,179 thousand as of 30/09/2021). This improvement can be attributed to the company's higher revenue and increased profitability in 2022. Specifically, the profit before taxation for the mentioned period was GEL 37,540 thousand, which was about 40 times higher than the profit before taxation in the first 9 months of 2021 30/09/2021: GEL 910 thousand).

In 2021, net cash flows from operating activities amounted to GEL 8,080 thousand. In 2020, these funds were negative at GEL 11,474 thousand. The difference between the two periods can be partly attributed to the higher profitability achieved in 2021. Net cash from operating activities, before interest payments, was GEL 51,212 thousand in 2021 and negative GEL 1,177 thousand in 2020. This difference was largely offset by the 4-fold increase in interest payments in 2021.

In 2019, the cash flow from operating activities before the payment of interest totaled GEL 43,021 thousand. However, the net cash from operating activities in 2019 was GEL 11,831 thousand, decrease can be caused to the payment of GEL 31,190 thousand in interest expenses.

Cash from investing activities

In 2022, cash flows received from investment activities amounted to GEL 6,316 thousand, which is a 56% decrease compared to the same period of the previous year (30/09/2021: GEL 14,051 thousand). Loans disbursed to related parties were repaid in the amount of GEL 10,659 thousand in 2022 (30/09/2021: GEL 7,052 thousand). Additionally, expenses incurred on the purchase of fixed assets and intangible assets decreased by 33% during the same period, totaling GEL 10,659 thousand. The changes mentioned above were the main cause of the increased cash flows from investing activities in 2022.

In 2019, the group sold a large portion of land located on Sanapiro Street in Tbilisi, Georgia with a total area of 20,314 sq.m. and a book value of GEL 30,309 thousand, to its related party company for a cash consideration of GEL 29,461 thousand. The corresponding income was received by the company in 2020. In 2021, the funds received from the sale of assets were significantly lower, totaling GEL 2,987 thousand. Additionally, loans issued to related parties increased by almost 2.5 times during the same year. As a result, the company used GEL 21,962 thousand in investment activities in 2021. In 2019, cash flows received from investing activities amounted to GEL 13,098 thousand, primarily due to GEL 21,748 thousand loans issued to related parties and high costs incurred for the purchase of fixed assets and intangible assets totaling GEL 34,377 thousand.

Cash from financing activities

In the first 9 months of 2022, the company received 30% less income from borrowings. Also, a loan in amount of GEL 23,880 thousand was repaid. As a result, the funds used in the financial activities of the company amounted to GEL 5,650 thousand. In 2021, the income received from loans taken by the company amounted to GEL 34,587, 82% higher than the previous year. On the other hand, the company made significantly less loan repayments in the same period. In 2019, the funds from financial activities amounted to GEL 1,764 thousand. In the mentioned year, the authorized capital increased slightly (by GEL 48 thousand) and the company issued dividends in the amount of GEL 4,781 thousand.

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-2020	31-Dec-2021	30-dec-2022	After issuing bonds	Limit, 2022	In compliance Yes/No
1	DSCR - a specific group	N/A	1.67	2.15	1.95	>1.20	Yes
2	Hotel – Tbilisi, Batumi	N/A	1.14	1.05	1.30	>1.20	No
3	Hotel Tsinandali	N/A	(0.69)	(0.19)	-	>1.20	No
4	Casino	N/A	3.81	5.39	2.45	>1.20	Yes
5	ICR - a specific group	N/A	1.67	2.29	2.02	>2.50	No
6	Hotel - Tbilisi, Batumi	N/A	1.14	1.11	1.37	>2.50	No
7	Hotel Tsinandali	N/A	(0.69)	(0.21)	-	>2.50	No
8	Casinos	N/A	3.81	5.70	2.51	>2.50	Yes
9	Debt / EBITDA - a specific group	N/A	5.30	2.78	3.68		
10	Debt / EBITDA - Hotels	N/A	10.85	6.20	3.89	<4.50	No
11	Debt / EBITDA - Casino	N/A	1.90	1.05	3.57	<4.50	Yes
	Bond Financial Covenants						
12	Net Debt /adjusted EBITDA	N/A	3.91	1.67	2.46	<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 - Loan payment (interest plus principal) devided by CFAD (DSCR calculations do not include prepaid principal repayments)

5-8 ICR – Interest coverage ratio - Loan Interest devided by CFAD;

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)).

** 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, SRG Real East 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*)).

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) compliance with which is a covenant applicable to the Issuer and its Restricted Subsidiaries upon incurrence of Indebtedness. 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
Law of Georgia on Advertising	18/02/1998
Law of Georgia on Broadcasting	23/12/2004
Law of Georgia on Personal Data Protection	28/12/2011
Law of Georgia on Copyright and Related Rights	22/06/1999
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

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, 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;
- in the territory of Akhaltsikhe municipality – GEL 100,000.

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;
k) In the territory of Zugdidi municipality - 100,000 GEL;

k) In the territory of Ozurgeti municipality - 100,000 GEL;
m) In the territory of Akhaltsikhe municipality - 100,000 GEL;
n) In the territory of Khashuri municipality - 100,000 GEL;
n) In the territory of Kobuleti municipality - 100,000 GEL;
p) In the territory of Khelvachauri municipality - 100,000 GEL;
j) In the territory of Senaki municipality - 100,000 GEL;
r) 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;
- electronic-system games (excluding incentive draws);
- The difference between the total value of sold lottery tickets and the prize fund;
- Gambling and/or profitable gaming cash registers located outside of the facility that is authorized to organize gambling and/or profitable games, but still equipped with an electronic system.

Fee rate:

	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 advertisement is placed on a website where gambling or sportsbook activities are permitted in 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.

On December 16, 2022, a resolution was issued (Decree N33 of the City Council of the Municipality of Batumi), according to which the table and gaming machine fees in the city of Batumi were changed. The fees became equal to the established upper limits and the rates established in the city of Tbilisi. The said resolution will come into effect on January 1, 2023.

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 on approval of the "Safety Rules for Buildings and Structures".), which was adopted in 2017 and is effective since 2019, imposes stricter safety regulations for developers and stricter quality standards for producers/importers of construction products.
- Tbilisi City Hall announced in the beginning of 2019 that sale of K2 coefficient will be banned. 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.
- 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.

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.

Upon issuance of the bonds, the Company will become a "reporting company" for the purposes of the Law of Georgia on Securities Market. This means that the Company will have to comply 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 SRG 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 the group companies.

Mamuka Shurghaia was appointed/registered as the director of "SRG 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 Real Estate

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 matser'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 2023, 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 2023, 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 SRG Real Estate LLC and Silknet JSC. He has more than 25 year experience of business development. Mr. Ramishvili is the member of the honorary legion of France, the 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 "SRG Real Estate" LLC for a period of 3 years from December 5, 2022. His main duties include chairingthe 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.

Girogi Marr - Deputy Chairman of the Supervisory Board

Giorgi Marr is the director of SRG Real Estate LLC and the deputy chairman of the supervisory board. Giorgi Marr graduated from ESM Tbilisi with the bachelor’s degree in business administration, Berufsakademie Mosbach (Germany) with business administration diploma (Dimplom Betriebswirt) and INSEAD with the manster’s degree in business administrayion.

Giorgi Marr was registered as the deputy chairman and member of the Supervisory Board of "SRG Real Estate" LLC for a period of 3 years from December 5, 2022. His main duties include chairing the meetings of the Supervisory Board during the chairman's absence and performing the functions stipulated by the company's charter, including participation in the meetings of the Supervisory Board.

Alexsi Topuria - Member of the Supervisory Board

Alexsi Topuria joined Silk Road Group in the late 1990s. He is the shareholder of Silk Road Group, the member of te supervisory boards of SRG Real Estate LLC and Silknet JSC and also a major beneficial owner pf FC Club Locomotive.

Alexsi Topuria was registered as a member of the Supervisory Board of "SRG 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 SRG Real Estate LLC and Silknet JSC.

David Borger was registered as a member of the Supervisory Board of "SRG 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 "SRG 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 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 SRG Real Estate.

Wolfgang Neumann was registered as a member of the Supervisory Board of "SRG 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 "SRG 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.

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), Giorgi Marr (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), Giorgi Marr (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, 12.2014 - until today; 2. Member of the Supervisory Board, 01.2018 - until today; 3. Director, 09.2019 - until today; 4. Director, 06.2014.	**1. JSC "Silk Bank" (Silk Bank)** (ID 201955027) **2. JSC "Silknet"** (ID 204566978) **3. "Silk Road Group Holding" LLC** (ID 404579354); **4. "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 – until today; 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 – until today; 6. Director, 06.2022 - until today. 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
Giorgi Marr	1. Member of the Supervisory Board, 12.2014 – 07.2019;	**1. JSC "Silk Bank" (Silk Bank)** (ID 201955027);	No

	2. Member of the Board, 02.2017 - until today; 3. Director, 06.2014 - until today.	**2. N(N)LE "Tsinandli Festival"** (ID 431177022); **3. "Prometheus Holdings (Malta) Limited"** (Registration #C 41770)	
George Ramishvili	1. Chairman of the Supervisory Board 07.2010 - until today; 2. Chairman of the Board, 04.2012 - until now; 3. Chairman of the Board, 02.2017 - until today; 4. Chairman of the Board, 07.2018 - until today;	**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 - until today. 2. Member of the Supervisory Board: 08.2016 - until today; 3. Member of the Board, 02.2017 - until today; 4. Director, 12.2016 - until today; 5. Director and founder, 07.2005 - until today;	**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
Aleksi Topuria	1. Member of the Supervisory Board 07.2010 - until today; 2. Member of the Board, 02.2017 - until today; 3. Member of the Board, 07.2018 - until today; 4. Director, 01.2023 – until today.	**1. JSC "Silknet"** (ID 204566978) **2. N(N)LE "Tsinandli Festival"** (ID 431177022) **3. N(N)LE "Wounded Warrior Support Foundation"** (ID 402093051) **4. JSC "Silk Holding"** (ID 405496404)	არა

Berna Ulman	Independent member of the Supervisory Board	Akis Real Estate Investment Trust, SEV Education, Health Foundation	No
Wolfgang 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

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.

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

As a result of issuing "bonds," the company will become 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 for the 2023 reporting year. The cCde 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 December 31, 2022, 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.

Below is shown full shareholding structure of the group

Shareholder of Prometheus Holdings (Malta) Limited:

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

Beneficial shareholders of Silk Road Group Holding (Malta) Limited:

Shareholoder	Share in Capital
George Ramishvili	61.90%
Aleksi Topuria	28.58%
David Borger	9.52%

Beneficial shareholder of Nephrite Holdings Limited:

Shareholder	Share in capital
Yerkin Tatishev	100%

As of December 31, 2022, the final beneficial owners of the Issuer are George Ramishvili (36.51%), Yerkin Tatishev (36.51%), Alexi Topuria (16.86%) and David Borger (5.62%), which together make up 95.5% of the beneficial ownership of the Issuer; The shares are distributed with Prometheus Holding's 95.5% stake in SRG Real Estate. Beneficial owners of the remaining 4.5% are the partners holding an insignificant share - members of the main management team of the company. George Ramishvili is the founder and controlling shareholder of the company. In the holding structure, no company owner has a different voting right.

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). No remuneration was paid to the Director of the company

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
Salaries and other benefits	3,772	6,279	5,415	5,928

As of the 9 months of 2022, the salaries and other benefits paid to related parties amounted to 3,772 thousand GEL.

'000 GEL	*Transaction value at the end of the period*			Outstanding balance		
	30-Sep-2022	31-Dec-2021	31-Dec-2020	30-Sep-2022	31-Dec-2021	31-Dec-2020
Other revenue and income						
Entities under common control	3,249	5,619	5,146		2,943	3,022
Operating expenses						
Entities under common control	(189)	(2,965)	(3,541)		(1,410)	(1,278)
Sale of investment property:						
Entities under common control	-	-	30,912		-	90
Joint venture	-	-	-		-	5,283
Loans issued						
Entities under common control	-	(9,292)	(4,176)	263,393	267,670	253,905
Parent company	-	(894)	-		10,315	17,040
Loans received						
Entities under common control	-	-	(3,081)	55,108	(21,057)	(21,658)
Parent company	-	(6,758)	(12,754)	1,753	(49,465)	(47,503)

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.

'000 GEL	30-Sep-2022	31-Dec-2021	31-Dec-2020
Interest income on loans to related parties			
Interest income	13,052	19,443	18,847
Interest expense on loans and borrowings from related parties			
Interest expense	19,138	3,250	3,999

As of the 9 months of 2022, interest income in the amount of GEL13,052 thousand was accrued to loans granted to related parties (31/12/2021: GEL 19,443 thousand). Interest accrued on loans and borrowings taken from related parties in 9 months of 2022 amounted to 19,138 thousand GEL (31/12/2021: GEL 3,250 thousand).

Balance Sheet

Consolidated Balance Sheet (000' GEL)	30-Sep-2022	31-Dec-2021	31-De-2020
	(Unaudited)	Audited	Audited
Assets			
Non-current assets			
Property and equipment	258,931	267,193	274,840
Investment property	313,383	309,771	303,748
Intangible assets	6,917	5,619	2,584
Prepayments for non-current assets	308	308	560
Loan receivable	221,513	237,275	267,650
Non-current assets	**801,052**	**820,166**	**849,382**
Current assets			
Inventories	6,634	4,873	3,739
Loans receivable	46,879	40,710	3,295
Trade and other receivables	7,809	8,966	16,445
Cash and cash equivalents	58,084	34,413	16,221
Prepayments and other assets	12,923	7,747	6,413
Current assets	**132,235**	**96,709**	**46,113**
Total assets	**933,378**	**916,875**	**895,495**
Equity			
Charter capital	671,140	671,140	671,140
Accumulated losses	(103,821)	(137,860)	(136,691)
Equity attributable to owners of the Company	**567,319**	**533,280**	**534,449**
Non-controlling interests	13,650	7,529	4,545
Total equity	**580,969**	**540,809**	**538,994**
Non-current liabilities			
Loans and borrowings	228,288	263,497	267,776
Trade and other payables	5,094	504	1,011
Put option liability	42,700	42,436	40,804
Non-current liabilities	**276,083**	**306,437**	**309,591**
Current liabilities			
Loans and borrowings	51,533	49,296	35,847
Trade and other payables	24,792	20,333	11,063
Current liabilities	**76,326**	**69,629**	**46,910**
Total liabilities	**352,408**	**376,066**	**356,501**
Total equity and liabilities	**933,378**	**916,875**	**895,495**

Statement of Profit and Loss

Consolidated Statement of Profit or Loss and Other Comprehensive Income (000' GEL)	30-Sep-2022 (Unaudited)	30-Sep-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)	31-Dec-2019 (Audited)
Revenue	186,301	96,109	144,738	56,672	187,378
Other income	8,943	3,932	7,795	40,615	13,670
Operating costs	(58,703)	(33,643)	(59,607)	(30,234)	(82,470)
Wages and other employee benefits	(64,724)	(31,334)	(51,606)	(35,662)	(71,538)
Depreciation and amortization	(18,636)	(24,351)	(29,408)	(26,492)	(27,835)
Impairment loss of trade and other receivables and loans receivable	-	-	(374)	(350)	(1,299)
Other expenses	(11,252)	(6,691)	(2,250)	(4,307)	(3,029)
Results from operating activities	**41,929**	**4,023**	**9,288**	**242**	**14,877**
Interest income	13,356	14,256	19,655	18,932	17,515
Net foreign exchange gain/(loss)	1,393	4,073	3,032	2,414	(745)
Interest expense	(19,138)	(21,442)	(29,515)	(22,441)	(23,343)
Net finance costs	**(4,389)**	**(3,113)**	**(6,828)**	**(1,095)**	**(6,573)**
Profit/(loss) before income tax	**37,540**	**910**	**2,460**	**(853)**	**8,304**
Income tax	-	-	-	-	899
Profit/(loss) and total comprehensive income/(loss) for the year	**37,540**	**910**	**2,460**	**(853)**	**9,203**
Profit/(loss) and total comprehensive income/(loss) attributable to:					
Owners of the Company	**(31,419)**	**1,278**	**463**	**1,830**	**7,503**
Non-controlling interest	**(6,121)**	**(2,189)**	**1,997**	**(2,683)**	**1,700**

Cash Flow Statement

('000 GEL)	30-Sep-2022 Unaudited	30-Sep-2021 Unaudited	31-Dec-2021 Audited	31-Dec-2020 Audited	31-Dec-2019 Audited
Cash flows from operating activities					
Profit/(loss) before income tax	**37,540**	**910**	**2,460**	**(853)**	**8,304**
Depreciation and amortisation	18,636	24,351	29,408	26,492	27,835
Impairment loss of trade and other receivables and loans receivable	-	-	374	350	1,299
Gain on disposal of property and equipment, investment property and intangible assets	-	(777)	(777)	(33,231)	2,970
Net finance costs	4,389	3,113	6,828	1,095	6,573
Write of PPE	-	-	-	1,295	-
Cash flows from operating activity before changes in assets and liabilities	**60,565**	**27,597**	**38,293**	**(4,852)**	**46,981**
Inventories	(1,973)	(1,001)	(1,134)	1,671	316
Trade and other receivables	908	9,823	7,279	203	(2,703)
Prepayments and other assets	(5,589)	(3,251)	(1,334)	3,131	995
Trade and other payables	3,667	10,494	8,108	(1,330)	(2,568)
Cash flows from/(used in) operations before income taxes and interest paid	**57,578**	**43,663**	**51,212**	**(1,177)**	**43,021**
Interest paid	(22,377)	(31,484)	(43,132)	(10,297)	(31,190)
Net cash (used in)/from operating activities	**35,201**	**12,179**	**8,080**	**(11,474)**	**11,831**
Cash flows from investing activities					
Proceeds from sale of property and equipment, investment property and intangible assets	-	2,987	2,987	30,912	29,461
Issuance of related party loans	(8,253)	(9,672)	(10,186)	(4,176)	(21,748)
Repayments of issued related party loans	10,659	7,052	7,116	-	12,207
Interest received	1,443	841	841	-	1,359
Acquisition of property and equipment, intangible assets and investment property	(10,165)	(15,258)	(22,720)	(24,750)	(34,377)
Net cash from/(used in) investing activities	**(6,316)**	**(14,051)**	**(21,962)**	**1,986**	**(13,098)**
Cash flows from financing activities					
Proceeds from issue of share capital	-	-	-	-	48
Proceeds from borrowings	18,230	25,900	34,587	18,978	234,457
Repayment of borrowings	(23,880)	-	(1,821)	(23,975)	(227,960)
Acquisition of non-controlling interest	-	-	-	(1,670)	-
Dividends paid	-	-	-	-	(4,781)
Net cash from/(used in) financing activities	**(5,650)**	**25,900**	**32,766**	**(6,667)**	**1,764**
Net (decrease)/increase in cash and cash equivalents	**23,235**	**24,028**	**18,884**	**(16,155)**	**497**
Cash and cash equivalents at 1 January	34,413	16,221	16,221	30,600	30,568
Effect of movements in exchange rates on cash and cash equivalents	432	(486)	(692)	1,776	(465)
Cash and cash equivalents at 31 December	**58,081**	**39,762**	**34,413**	**16,221**	**30,600**

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.

The company has not distributed dividends in the last 3 years, even though the financial condition of the company would have allowed it.

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 the casino	1,301,326.64 GEL	18/10/2019	Proceedings pending in the court of first 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	-	December, 2017	Claim was satisfied by the courts of first and second instances.

		at Republic Square)			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

The Issuer and its subsidiaries have liabilities and claims towards the parent companies. The plan is to offset these claims and liabilities up to $90 million. Currently, the Company is awaiting a advance tax ruling from the tax authority before completing the transaction. These transactions will not effect the calculation of the Green Box covenant, as the deductible liabilities are subordinated and are not taken into account in the financial provisions.

Share Capital

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: B22151755)
- Extract from the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities (view number: B23018272)
- 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 September 30, 2022 was 56,000 thousand GEL (30/09/2021: 47,638 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.

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

The Issuer 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 C41521) - also holds 59.998% 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 registrar is provided in the bond term sheet document.

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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*Mergers*) and Condition **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**) (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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** 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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**;

(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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** and Condition **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**, 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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** and the aggregate amount of payments under Condition **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**, 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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** and the aggregate amount of payments under Condition **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**, 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 **Error! Reference source not found.Error! Reference source not found.**(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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**, 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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** and **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** 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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.**.

(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 **Error! Reference source not found.Error! Reference source not found.**.

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 4th Business Day after the date of mailing.

For the avoidance of any doubt, in case of sending the notice provided for in this Condition **Error! Reference source not found.** (*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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**;

"**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 **Error! Reference source not found.** (*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 SRG 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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**;

"**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 **Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.**;

"**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 **Error! Reference source not found.Error! Reference source not found.** (*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). Further, the abovementioned interest taxed at source shall not be included by a recipient resident individual in his gross income.

Payments of interest on the Bonds will be exempt from withholding tax at the source and such payments will not be included in gross income of 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 paid to Bondholders that are registered in countries having preferential taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15% (fifteen percent).

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

Taxation of Bond Alienation

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

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

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

Profit of non-resident legal entities (taxable object - difference between initial and sale prices) will be taxed at a 15% (fifteen percent) tax rate. If such sale triggers a tax exposure, the selling non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

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

Profit of non-resident individuals (taxable object - difference between initial and sale prices) is taxed at a 20% (twenty percent) rate. If such sale triggers a tax exposure, a relevant non-resident individual will be under an obligation to properly report and pay such income tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than 2 (two) calendar years and not use them in economic activity.

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

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

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

Income from resident individuals (taxable object - difference between initial and sale prices) will be taxed at a 20% (twenty percent) rate. If the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than 2 (two) calendar years and not use them in economic activity.

Tax on Payment of Principal

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

Value Added Tax

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