Limited Liability Company

“Georgian Leasing Company“

(Identification Code: 204972155)

Final Prospectus

Offering of USD 10,000,000 (ten million) Bonds (10,000 units) with fixed interest (coupon) rate. The Bonds mature in 2 years from the date of their issue. The nominal value of each Bond is USD 1,000 (one thousand). Issue price: 100% of the nominal value. Interest on the Bonds is payable semi-annually in arrears at the rate of 7.5% (for more information please see page 95). The Bonds represent unsecured and unsubordinated liability of the Company.

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

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

Persons responsible for preparation of the document:
CEO – Eldar Akhvlediani
Deputy CEO – Giorgi Jgarkava

Signed on behalf of LLC Georgian Leasing Company:

Signatory:

Name, surname: Eldar Akhvlediani
Position: General Director
signature:
Date:

Signatory:

Name, surname: Giorgi Jgarkava
Position: Deputy General Director
signature:
Date:

Signatory:

Name, surname: Giorgi Pailodze
Position: Chairman of the Supervisory Board
signature:
Date:

Signed on behalf of JSC Galt and Taggart:

Signatory:

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

IMPORTANT INFORMATION FOR THE INVESTORS:

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

Responsible body for approval of this Prospectus:

National Bank of Georgia - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge

Limitation of the liability:

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

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

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

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

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

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

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

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

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

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

Approved by the National Bank of Georgia

[date]

Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

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GENERAL OVERVIEW OF THE PROSPECTUS

Introduction:

Name of the Security	"Georgian Leasing Company" LLC Bonds
Name of the Issuer, legal form, identification number and contact information	Limited Liability Company "Georgian Leasing Company", ID 204972155. Address: Petre Melikishvili Avenue N8a/Erekle Tatishvili st N1, Tbilisi, Georgia
Name and contact informaion of the Placement Agent	JSC Galt & Taggart (Identification Code 211359206), Address: 79 D. Agmashenebeli Avenue, Tbilisi 0179, Georgia, Tel: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge
Name and contact information of the body responsible for approving the Prospectus	**National Bank of Georgia** - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge
Prospectus approval Date	●

Important references:

The general overview is an integral part of this Prospectus;

Any investment decision made by the investor should be based on the entire prospectus and not only on the information presented in the general overview;

The Issuer may become liable if the information represented in the general overview is misleading or inaccurate or is not relevant to the main prospect or does not provide the basic information to help the investors to make investment decisions with regard to the Bonds;

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

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

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

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

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

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

Warning

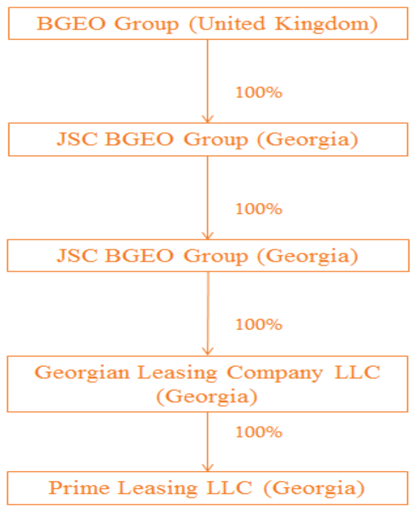
Bond Prospectus is not a simple document and it can be difficult for the investors to thoroughly understand and evaluate the product offered by this Prospectus. In making any investment decision, investors must rely on their own examination of the Company, the Bonds and the terms of this offering, including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

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

Information about the Issuer

The Company was established in 2001 by "Tbiluniversalbank" and was the first Georgian company to offer leasing services as an alternative source of financing to loans. In 2005, it became an affiliate company of Bank of Georgia as a result of a merger between the two banks. In August 2015, as a result of reorganization, JSC BG Financial separated from JSC Bank of Georgia and became 100% shareholder of Georgian Leasing Company LTD. In June 2017, JSC Bank of Georgia became 100% shareholder of Georgian Leasing Company LTD.

The Company currently (as of the date of this prospectus) has 74 employees. 17 out of this number are employed in "Turbo" offices in Tbilisi, Rustavi, Zugdidi, Batumi and Kutaisi. Its customer base comprises mainly of SMEs and Retail, and it also has a few larger customers. The Company's products aim to cater to the needs of different customers.
Group's vertical structure as of March 31, 2019 is as follows:



By May 29th, 2018 the demerger of UK based BGEO Group happened. After the demerger the shares of two different entities are listed on London Stock Exchange – Bank of Georgia Group PLC and Georgia Capital PLC, respectively.

The issuer is "Georgian Leasing Company" LLC

Briefly about the Company

The company offers various types of financial products that are customized to different segments. The company has specific products for small and medium sized businesses for small and high income individuals. For example, in 2015, in partnership with "Caucasus Auto Import", the company has developed an attractive product for second-hand automobile users. Since September 2017, the company has launched another product in the form of a low-segment segment - lubricant type financing.

Brief overview of the Georgian leasing sector:

The history of Georgian leasing sector starts from 2001, when Tbiluniversalbank established the first leasing company – the Issuer. After the merger between Tbiluniversalbank and JSC Bank of Georgia ("Bank of Georgia" or "BOG") in 2005 the Company became a 100%-owned subsidiary of BOG. In August 2015, as a result of reorganization, JSC BG Financial separated from JSC Bank of Georgia and became 100% owner of Georgian Leasing Company LTD. Since June 2017, JSC Bank of Georgia became 100% shareholder of Georgian Leasing Company LTD.

Leasing sector in Georgia has experienced significant growth over the last decade, with the sector's total portfolio almost tripling to US$ 132.1mn over 2007-18. The sector was significantly affected by the crisis of 2008-09, following the conflict between Russia and Georgia. Total lease portfolio almost halved to US$ 17.1mn and US$ 14.8mn in 2009 and 2010, respectively. The changes in legislation in 2011 (discussed below) helped the sector, with the total lease portfolio increasing 3.0x in 2011. The commodity price slump of 2014-16 and the associated GEL's depreciation slowed down the sector's growth. However, Georgian economy remained resilient to negative developments in most of its trading partners. From 2017 the sector's growth accelerated, with the total lease portfolio growing 63.1% y/y and 46.5% y/y in 2017 and 2018, respectively.

Despite significant growth achieved by the sector (26.1% CAGR over 2012-18) the share of Georgia's total leasing portfolio in GDP still remains quite low at 0.9% in 2018 up from 0.6% in 2017. By this measure Georgia ranks significantly lower compared to the regional countries, well below the levels found in Russia (1.3%), Bulgaria (2.1%) and Latvia (3.3%). Considering the small size of the sector in Georgia, the potential for further healthy growth remains significant.

Company Shareholders

The company is 100% owned by JSC "Bank of Georgia"

Directors of the Issuer

General Director of the Company is Eldar Akhvlediani. He has been holding this position since April 1, 2015. He has 16 years of work experience in the banking sector, out of which, for over 11 years he was working on different positions at JSC Bank of Georgia. During the past 8 years, Eldar was leading the largest business sectors of Corporate Banking at JSC Bank of Georgia. His professional career covers the years when the banking sector has undergone the most important development stages, enabling him to get vast experience. Eldar holds degree in Banking and Finance, from Batumi Shota Rustaveli State University.

Deputy General Director of the Company is George Jgharkava. He has been holding this position since May 15, 2015. He has been working in the banking sector since 2006, and from 2010 he was managing Credit, Retail and Corporate Banking Departments at JSC Kor Standard Bank. He also has successful experience in business consulting and strong skills in crisis management. In 2012, George Jgharkava received Master's degree from Free University of Tbilisi and BP Project Management College. In 2014 he earned an MBA from Free University of Tbilisi.

Chief Financial Officer of the Company is Nestan Mikeladze since July 1, 2019. Nestan has 10 years experience in the financial sector. He worked at "Bank of Georgia" in the position of corporate banker from 2009 to 2013 and covered a number of important sectors. From June 2013 to June 2019, Nestan worked in JSC "Galt & Taggart" on the position of Investment Banking Associate and Senior Investment Banking Associate. She got a Bachelor's Degree in Caucasus School of Business in 2008, where she studied since 2004.

Issuer Auditors and third parties involved/mentioned in the Prospectus

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

The change of financial auditor did not occur during given periods

Third persons and experts

The company's real and movable assets are evaluated by the "Georgian Valuation Company" through its representatives Giorgi Lezhava and Lasha Lezhava. Company address: Marshal GELovani Ave. 2, 0159, Tbilisi, Georgia. Tel: +995 32 2 37 44 61. Web site: valuation.ge

Parties involved in the Placement of the Bonds

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

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

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

Main Financial Indicators

Company consolidated (condensed) Financial Statements are presented below:

Balance Sheet (Condensed) (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
Assets				
Cash & Cash Equivalents	4,608	1,278	3,541	1,178
Restricted Cash	-	-	2,794	-
Finance Lease Receivables	94,164	48,333	88,081	45,424
Assets held for Leasing Purposes	13,130	10,292	11,115	9,446
Other Assets	10,418	10,531	11,167	10,159
Total Assets	**122,320**	**70,435**	**116,698**	**66,207**
Liabilities				
Loans Payable	58,686	24,897	55,292	20,179
Debt Securities Issued	38,138	23,953	36,941	26,151
Other Liabilities	3,252	2,396	3,821	2,184
Total Liabilities	**100,076**	**51,246**	**96,053**	**48,514**
Equity				
Charter Capital	3,180	3,180	3,180	3,180
Paid-in Capital	15,065	14,925	15,030	14,895
Retained Earnings/ (Accumulated Losses)	4,278	1,217	2,714	(250)
Other Reserves	(279)	(133)	(279)	(133)
Total Equity	**22,244**	**19,189**	**20,645**	**17,693**
Total Liabilities and Equity	**122,320**	**70,435**	**116,698**	**66,207**

Statement of Profit or Loss (Condensed) (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
Interest Income	5,747	2,829	16,120	9,885
Interest Expense	(1,820)	(847)	(4,766)	(3,954)
Net Interest Income	**3,927**	**1,982**	**11,355**	**5,931**
Impairment charge for interest earning assets	(110)	(191)	(932)	(712)
Impairment charge for other assets	-	-	(97)	-
Net interest income after impairment charge for finance lease receivables	**3,817**	**1,790**	**10,325**	**5,219**
Operating Revenue	4,574	2,312	11,803	7,810
Operating Expenses	(3,008)	(1,629)	(9,419)	(5,955)
Income before income tax expense	**1,566**	**683**	**2,384**	**1,854**
Income tax (expense)/ benefit	(2)	-	(54)	-
Net income for the year	**1,564**	**683**	**2,330**	**1,854**

Other Important Information

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

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

The company has been awarded a credit rating by Fitch Ratings, a credit rating agency recognized by the National Bank of Georgia. Company's long-term default rating is "B+" / positive. The company may additionally get the rating from the same or the other credit rating agency recognized by the National Bank of Georgia.

Various ratios of the company are presented below:

	31-03-19[1]	31-03-19	31-12-18	31-12-17
Financial Leverage Ratios				
Long-term Debt to Equity	4.03	2.79	2.83	2.25
Return on Capital Employed	14.2%	14.2%	10.3%	12.8%
Interest Coverage Ratio	1.88[1]	1.88	1.52	1.47
Total Debt Ratio	0.83	0.79	0.79	0.70
Debt to Total Capital	0.85	0.81	0.82	0.72
Profitability Ratios				
Return on Assets	5.2%[1]	5.2%	2.5%	3.2%
Return on Equity	29.2%[1]	29.2%	12.2%	17.4%
Gross Profit Margin	66.4%[1]	66.4%	64.1%	52.8%
Operating Profit Margin	24.1%	24.1%	13.5%	14.9%
Net Profit Margin	24.3%	24.3%	12.8%	15.7%
Earnings Per Share	N/A	N/A	N/A	N/A
Dividend Yield	N/A	N/A	N/A	N/A
Liquidity Ratios				
Liquid Assets/Total Assets	51.5%[2]	40.6%	42.4%	39.4%
Liquid Assets/Current Liabilities	206.9%	133.2%	124.0%[3]	298.2%
Working Capital Turnover	72.4%	72.4%	53.1%	29.4%
Current Ratio	2.59	1.85	1.81	4.85
Operating Cash Flow Ratio[4]	N/A	N/A	N/A	N/A
Operating Ratios				
Fixed Asset Turnover	20.47[1]	20.47	15.15	14.38
Other Ratios				
Equity to Total Portfolio	23.6%[1]	23.6%	23.4%	39.0%
Net Impairment Charge to Interest Income	1.9%[1]	1.9%	5.8%	7.2%
Portfolio Write-off to Total Portfolio	3.1%[1]	3.1%	8.0%	11.0%
Reversal of Written-off Portfolio	8.2%[1]	8.2%	29.4%	17.4%
Restructured Portfolio to Total Portfolio	10.2%[1]	10.2%	18.0%	12.2%
Write-off of Restructured Portfolio to Restructured Portfolio for the Period	13.9%[1]	13.9%	10.5%	28.5%

Long-term Debt to Equity – Long-term debt divided by Shareholders' Equity
Return on Capital Employed – Pre-tax income plus Interest Expense divided by Shareholders' Equity plus Interest Bearing Liabilities
Interest Coverage Ratio – Income before interest expense divided by interest expense
Total Debt Ratio – Interest bearing liabilities divided by total assets
Return on Assets – Net income divided by total assets

[1] This ratio is calculated based on new USD 10 mln bond issuance. For those ratios, where taking the issuance into consideration is irrelevant or subjective, the figures are shown as pre-issuance ones.

[2] For calculation of this ratio, there is an assumption, that the proceeds from the issuance will be fully converted to liquid assets, however, in reality, this probably will not happen and about half of the proceeds will be liquid (maturity of less than 1 year)

[3] For calculation of this ratio, restricted cash (GEL 2.8 mln in 2018, GEL 0 in 2017) is not considered.

[4] Operating cash flow is negative (because of the aggressive growth of the portfolio) thus calculating this ratio is not relevant

Return on Equity – Net income divided by Shareholders' Equity
Gross Profit Margin – Net interest income after impairment charge divided by Interest Income
Operating Profit Margin – Pre-tax Income divided by Interest Income plus other income
Net Profit Margin – Net income divided by Interest Income plus other income
Liquid Assets/Total Assets –Cash & Cash Equivalents plus short-term finance lease receivables divided by total assets
Liquid Assets/Short-term Liabilities – Cash & Cash Equivalents plus short-term finance lease receivables divided by short-term liabilities
Working Capital Turnover – Interest Income divided by Short-term assets minus Short-term liabilities
Current Ratio – Short-term assets divided by short-term liabilities
Fixed Asset Turnover – Net interest income divided by Fixed Assets
Reversal of Written-off Portfolio – sold/re-leased assets divided by written-off portfolio
Restructured Portfolio to Total Portfolio – Restructured portfolio divided by average portfolio
Write-off of Restructured Portfolio to Restructured Portfolio for the Period – Written-off portfolio divided by restructured portfolio for the period

Main characteristics of the Bonds:

Interest (coupon)	Annual interest (coupon) rate for bonds is 7.5% on the nominal value of the Bonds. Final interest (coupon) is determined following the book-building Process. (see, *Condition 3(a)"Bond Offering Process" – pg. 84*)
Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the date of issuance of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable semi-annually on February 7th and August 7th. The first payment of interest will be made on February 7th, 2020.
Currency of the Bonds	Bonds are denominated in US dollars
Rights and Restrictions related to the Bonds	There are no special and material rights and restrictions related to the Bonds except for the ones presented in the Terms & Conditions part of the prospectus.
Limitations to the free circulation of the Bonds	There are no special limitations to the free circulation of the Bonds
Maturity Date	The Bonds will be redeemed on August 9th, 2021 at their nominal value together with accrued and unpaid interest (if any)
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)** Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds.
Status and Ranking of the Bond	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst them. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Company
Dividend disbursement policy	The Company does not have a predefined dividend disbursement policy and it has never declared and distributed dividends yet.

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

- Macro economy, policies and market conditions could adversely affect Company's business;
- Any inability to maintain asset quality may have a material adverse impact on Company's business, financial condition and results of operations;
- The company has entered into new, much higher risk market ("Turbo") and the failure of this strategy might have a material negative effect on its operations, financial stability and performance;
- Company's leased assets, and collateral or guarantees securing the leases may not be sufficient or fully realized;
- Company may not be able to repay its debts, and it may incur more debts;
- Company requires significant funding to support its business and may not be able to find necessary amount of funds in a timely manner;
- There can be no assurance that the Company can or will continue to match the maturity profile of its assets and liabilities as they grow. Any inability to do so will impact the liquidity and Company's ability to settle its outstanding liabilities, which could have a material adverse effect on Company business, financial condition and results of operations;
- Allowance for impairment losses on finance lease related assets may not be adequate to cover future credit losses;
- Company's insurance coverage may not be sufficient to cover potential liabilities or losses;
- Changes in market interest rates may have a significant impact on Company's financial condition.
- Company's success in business depends on its ability to attract and retain senior management and key employees;
- The Company has other operational risks inherent to its business activities;
- There can be no assurance that the Controlling Shareholder will continue to support the Company, and changes in its control over the Company may materially and adversely affect leasing business, financial condition and results of operations;
- If, in the future, the Company fails to comply with any applicable regulations relating to, or the Company is associated with, money laundering or terrorist financing, this could have an adverse effect on the Company.
- Company may not be able to detect or prevent fraud or other misconduct committed by its employees or third parties.
- If Company cannot successfully maintain the growth of the leased asset portfolio, its business, financial condition, results of operations and prospects may be materially and adversely affected.
- An important part of the company's portfolio comes from the construction sector. Different regulations related directly or indirectly to this sector may have negative impact on the company's financial position and operational results.
- Company business is dependent on the proper functioning of its information technology systems.
- The industries in which company participates are increasingly competitive.
- The new regulation, which is about compulsory technical inspection of vehicles, may have a negative impact on the company's business.
- Company's risk management and internal control systems may have defects, which may not effectively mitigate all the risks it faces.
- Strikes and other protest actions may hamper the functioning of the company or make more expensive to operate the objects of the company.
- Company may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.

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

- Regional tensions could have an adverse effect on the local economy and Company's business.
- There are additional risks associated with investing in emerging markets such as Georgia.
- Company business may be materially adversely affected by any depreciation of the Georgian Lari against the U.S. dollar and Euro.
- Political and governmental instability in Georgia could have a material adverse effect on the local economy and Company's business.
- There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA.
- Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the company and there may be changes in current tax laws and policies.
- The economy of Georgia depends on economies of the neighborhood countries (Azerbaijan, Armenia, Russia,Turkey)
- Because the Company operates solely within Georgia, it will be affected by changes in Georgian economic conditions.
- The uncertainties of the judicial system in Georgia, including difficulty to enforce court judgments, may have an adverse effect on the local economy, which could, and in turn, have an adverse effect on the Company

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

- The market price of the Bonds may be volatile.
- The Bonds constitute unsecured obligations of the Company.
- Any change of law in Georgia in the future may have a material adverse effect on the Bonds, including their GSE listing
- Investors whose financial activities are denominated in a currency or currency unit other than US dollars may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls.
- Investors in the Bonds must rely on procedures of the Registrar, the Bondholders' Representative and in corresponding cases - Nominal Holders of the Bonds.
- An investment in the Bonds involves certain legal investment considerations
- Transfer of the Bonds will be subject to certain restrictions.
- The terms and conditions of the Bonds may be modified or waivers for breaches of the terms and conditions may be issued in the future.
- There may not be an active trading market for the Bonds.

Overview of the offering:

The Offer	USD 10,000,000 debt securities (Bonds) due on August 9th, 2021
Security	Coupon bond (fixed interest bearing security)
Nominal Value	USD 1,000 (one thousand United States Dollar)
Number of Bonds	10,000 (ten thousand)
Total Issue Price	USD 10,000,000
Issue Price	100% of the principal amount (nominal value) of the Bonds
Bond Placement Fee	Bond Placement Fee is not more than 3% and it is fully covered by the issuer, thus no fees are placed upon the potential investors.
Net Proceed from the Placement	If full placement of the Bonds takes place, the net proceeds will not be less than USD 9,700,000
Bond Issuance Date	The Bonds will be issued on August 7th, 2019
Bond Deferred Placement Date	Any date after the Bond Initial Issuance Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Offering Completion Date	30 June, 2020, when offering and issuance of the Bonds will be completed
Maturity Date	The Bonds will be redeemed on August 9th, 2021 at their principal/nominal value together with accrued and unpaid interest (if any)
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds.
Calculation and Paying Agent	JSC Galt & Taggart (Identification Code: 211359206)
Use of Proceeds	The net proceeds from the issuance of the bonds will be used for financing company's operating activities
Selling Restrictions	The offer and sale of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Contact Information of the Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave.; Tel: (+995 32) 2401111 E-mail: gt@gt.ge

Bond Placement Agreement	The Bond placement agreement obliges the agents to underwrite the Bonds only on non-guaranteed basis. Each agents' duty is to prepare all the necessary documents for Bond placement purposes (including the Bond Prospectus), act as a Placement Agent and consult the Company with regards to the issuance, sale and settlement of the Bonds.

RISK FACTORS

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

Risks Related to the Company's Leasing Activities

Macro economy, policies and market conditions could adversely affect Company's business.

Alike to the other countries in the world, in Georgia too companies' business, financial condition and results of operations are largely affected by the macroeconomic and market conditions. Company generates most of its revenue from leasing services, growth of which is dependent on the demand for leasing services on Georgian market. A downturn in the Georgian economy may adversely affect the overall demand for leasing services, which could, in turn, harm Company's business and growth prospects.

Company's business, financial condition and results of operations are also subject to evolving macroeconomic conditions and local policies in Georgia, including inflation or deflation, fluctuations in currency, accessibility to financing and levels of interest rates. Changes in macroeconomic conditions and local policies may materially and adversely affect Company and its businesses, financial condition and results of operations. If Company fails to promptly adjust its business structure and proactively mitigate risks in response to such policy changes, its business operations and prospects may be adversely affected.

Any inability to maintain asset quality may have a material adverse impact on Company's business, financial condition and results of operations.

The sustainability and future growth of the business are largely dependent on Company's ability to effectively manage and maintain asset quality of its leased asset portfolio, great majority of which is comprised of finance lease related assets (Operational lease related assets represent non meaningful part of the portfolio). If the asset quality of Company's finance lease related assets deteriorates, it may materially and adversely affect Company's business and results of operations as of March 31, 2019 and 31 December 2018, the share of the repossessed assets in the total assets amounted 11% and 10%, respectively (In the repossessed assets are included the assets, that were repossessed due to the client default. In this situation, the respective receivables are written-off; assets are valued at Fair Value in the "assets for leasing purposes" account).

Company's repossessed assets may increase due to deterioration of the leased asset portfolio. Company continually improves its business model (asset management and risk management measures, especially those of its credit risk management) and take initiatives to mitigate risks for purposes of reducing the levels of the non-performing assets. However, Company may fail to effectively control the non-performing assets in its leased asset portfolio.

Company's leased asset portfolio may deteriorate due to various reasons, including factors beyond Company's control, such as a slowdown in the Georgia's economic growth, the occurrence of credit crisis, or other adverse market trends. Even though Company's current portfolio is well diversified in terms of lessees' industries, any significant changes in its lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations and may lead to defaults of the lessees. Other factors beyond Company control that may affect its lessees' financial condition and cash flows include the following:

- An increase in operating costs;
- Labor shortage;
- Fluctuations in interest rates and financing costs;
- Accessibility to other financial support of the lessee;
- Economic conditions and currency fluctuations in countries and regions where the lessee's business operates;
- Competition in the lessee's industry;
- Government regulations and related fees that impact on the lessee's business; and
- Geopolitical and other events, including the outbreak of war, terrorist acts, infectious diseases and natural disasters.

The company has entered into new, much higher risk market ("Turbo") and the failure of this strategy might have a material negative effect on its operations, financial stability and performance

In September, 2017 the company has entered into a high risk – high return retail segment through the brand "Turbo". "Turbo" represents a fast leasing solution for low-income individuals and, thus, the credit risk of the company is increased. Despite the fact that the interest rates on this product is quite high (effective interest rate of 40% or more), there is a risk, that the majority of users of "Turbo" will not be able to fulfil their payment obligations, or the company might not be able to sell or release the repossessed assets soon which could result in substantial losses.

Under the new regulation related to the effective interest rate, it is prohibited to issue loans at an effective interest rate of more than 50%. Consequently, this may affect the growth of the "Turbo" portfolio and the increase in profitability. In addition, according to the "responsible crediting policy", the proportion of the loan service in total income will be decreased. This change will reduce the amount of potential loans that will negatively impact the growth of the turbo portfolio.

Company's leased assets, and collateral or guarantees securing the leases may not be sufficient or fully realized.

Company obtains ownership of the leased assets as security for its leases and in very limited, highly risky cases requires additional security for certain leases. For purposes of reducing the credit risk of the leases, Company requires some of its lessees to provide charged and/or pledged collateral, mostly land and properties. In case of a material breach of lease payment terms, Company is entitled to enforce its security rights against such collateral and/or recover and dispose of the leased assets.

Although Company conducts post-lease examinations of such collateral, its value may decrease significantly and may be materially and adversely affected by factors including damage, losses, excess supply, devaluation or a decrease in market demand.

Similarly, material deterioration of the guarantors' financial condition or creditworthiness may significantly affect the amount Company could recover under the respective guarantees. Company regularly reviews its guarantors' financial condition, but there can be no assurance that sudden deterioration of their financial condition or even bankruptcy would not happen to such guarantors during the lease period.

If the value of the leased assets, or the collateral or guarantees securing the leases, proves to be insufficient to compensate the losses from the relevant overdue lease payments, Company may need to obtain additional security from the lessees or other sources. However, there can be no assurance that Company will be able to achieve that. Any decline in the value of the leased assets, collateral or guarantees securing the leases, or Company's failure to obtain additional security, may cause the

Company to make additional allowance for, or write off, Company's non-performing assets, which may, in turn, materially and adversely affect Company's business, financial condition and results of operations.

Company may not be able to liquidate or otherwise realize the value of the leased assets upon a lessee's default, especially in certain cases, where the relevant leased assets may not have a liquid trading market. In addition, the procedures for liquidating or otherwise realizing the value of collateral may be protracted, and such collateral may not be liquid either. Therefore, it may be difficult to enforce such charges or pledges. Before 2017 the Company has not maintained register of the repossessed asset re-lease/realisation dates. As of 31 December 2017 and 30 September 2018 average number of days it takes from repossessing the asset to its release/resale is 79 and 85 respectively. Furthermore, under certain circumstances, Company's security interest in the collateral may be subordinated to the rights of certain other parties. (for example, in case of cross default). Any of the foregoing could adversely affect Company's ability to realize the value of the leased assets or, the collateral that secures the leases, in a timely manner, or at all.

Company may not be able to repay its debts, and it may incur more debts.

Due to the balance sheet-driven nature of the business, Company expects that it will continue to maintain significant levels of indebtedness. As of December 31, 2018, Company's total liabilities amounted to GEL 92,232 thousand. This number has grown by 5% and amounted to GEL 96,824 thousand by March 31, 2019. On this dates Company's gearing ratio (net debt-to-equity ratio) was 4.3x and 4.2x, respectively. In certain of the financing agreements, creditors are entitled to require the Company to repay its debts early, if any mandatory prepayment event occurs, such as violation of certain regulatory indicators, failure to satisfy specified loan-to-value ratios or non-performing asset ratios. There can be no assurance that such events will not occur. A mandatory prepayment of debt could reduce Company's working capital and liquidity and affect its financing ability.

In order to meet current debt commitments, and to maintain an adequate level of cash to properly fund its operations and expansion, Company may need to raise additional funds by accessing additional funding from banks or other financial institutions. Inability to raise such funds may materially and adversely affect Company's financial condition and growth prospects.

Company requires significant funding to support its business and may not be able to find necessary amount of funds in a timely manner.

Company's business is balance sheet-driven, which requires a substantial amount of funding to support the growth of the leased asset portfolio, to fund its operations and to repay the debts. Company has to make significant principal and interest payments on its outstanding indebtedness. Although the Company generally generates considerable funds from leasing operations, meeting its cash requirements for business needs in the long term requires substantial liquidity and stable access to multiple sources of funding. Company funds its operations and expansion primarily through bank borrowings, bond issuances and cash injections in equity capital, in addition to the cash generated from its business operations. If Company fails to maintain its existing and future funding arrangements on commercially acceptable terms, it may not be able to continue obtaining sufficient funding from the current sources. Company's current sources of funding may not be sufficient to meet its liquidity needs in the future, and it may not be able to timely explore new sources to raise financing for the business, which could have a negative impact on the company's operational results and financial position.

There can be no assurance that the Company can or will continue to match the maturity profile of its assets and liabilities as they grow. Any inability to do so will impact the liquidity and Company's ability to settle its outstanding liabilities, which could have a material adverse effect on Company business, financial condition and results of operations.

Company strives to effectively match the maturity profile of its financing with its assets on an on-going basis, although it may not be able to effectively match the maturities of its assets and liabilities, or to manage its liquidity risk regarding the borrowings and leased assets, which may in turn lead to a liquidity shortage, and the Company may not be able to repay its matured debts, therefore materially and adversely affecting Company business, financial condition and results of operations.

Allowance for impairment losses on finance lease related assets may not be adequate to cover future credit losses.

Company makes allowance for impairment losses on finance lease related assets in accordance with International Accounting Standards ("IAS"). The amount of allowance for impairment losses on Company's finance lease related assets is determined on the basis of its internal provisioning procedures and guidelines, taking into account a number of factors, such as the nature and industry-specific characteristics of the lessees and their creditworthiness, economic conditions and trends, delinquencies and the value of the underlying collateral and guarantees. As the accounting standards require significant judgment and estimation on the future credit risks at certain points of time, Company may underestimate future risks and thus the allowance may not be adequate to cover the actual credit losses. Company's allowance may prove to be inadequate if unforeseen or adverse changes occur in the Georgian economy, or if other events adversely affect specific lessees, industries or markets. Under such circumstances, Company may need to make additional allowance for its finance lease related assets, which could significantly reduce Company's profit and may materially and adversely affect its business, financial condition and results of operations.

Company's insurance coverage may not be sufficient to cover potential liabilities or losses.

Company normally requires its lessees under the lease contracts to indemnify the Company for, and insure against, liabilities arising out of the use and operation of the leased assets and damage to property for which the Company may be deemed liable. Company lessees are required to maintain the types of insurance pursuant to the Company request when purchasing insurance. Although the Company may restrict the use of leased property (for example, geographically) when entering into the contracts to avoid the risks that may occur in the future, there can be no assurance that claims arising from the leased assets will not reach the Company in the future.

There can be no assurance that the lessees' insurance, and any contingent insurance undertaken by the Company or will be adequate or sufficient to cover all types of claims that may be asserted against the Company. Any insurance coverage shortfall or default by lessees in fulfilling their indemnification or insurance obligations, as well as the lack of available insurance, could reduce Company revenue upon an event of loss and could subject the Company to uninsured liabilities, any of which could have an adverse impact on Company's financial condition and its ability to meet its financial obligations.

Changes in market interest rates may have a significant impact on Company's financial condition.

Since both the lease Income the Company receives from leases and the interest The Company pays on its indebtedness are affected by market interest rates. High volatility in market interest rates will directly affect its financing costs, lease income, net interest margin, and, The Company's profit margin and financial condition. Fluctuations in market interest rates are subject to various factors beyond Company control, such as the regulatory framework of the Georgian banking and financial sectors and the economic and political environment in Georgia.

Company's success in business depends on its ability to attract and retain senior management and key employees.

Company operates in an increasingly competitive market environment where highly specialized expertise is required for the efficient management of leased assets. Company depends on the continued efforts of its senior management team and core employees for the success. Company's senior management plays a vital role in its operations. Each of them has many years of experience in the financial or leasing industry in Georgia, and they collectively possess in-depth understanding of Company's major business lines, customers and competitors, and the laws related to the business. Therefore, they are essential in formulating and implementing strategies necessary for achieving success for the Company. However, the senior management team and key employees may voluntarily terminate employment with the Company or leave their positions due to reasons beyond Company's control. The loss of service of any of its senior management team and key employees could impair Company's ability to operate and hinder its efforts to implement business and growth strategies. The Company may not be able to replace them with others of equivalent expertise and experience within a reasonable period of time.

Company's continued success also depends on its ability to attract and retain qualified staff to manage its existing operations. It may also need to offer superior compensation and other benefits to attract and retain key personnel, and the compensation and benefit payments may thus increase unpredictably or at a greater rate than Company revenues. This may also adversely affect Company's financial condition and results of operations.

The Company has other operational risks inherent to its business activities:

- **Single customer exposure** – As of 31 March 2019, 14.4% (31/12/2018: 13%) of the Company portfolio is concentrated on five clients. From which, 8.3% (31/12/2018: 8%) comes on the two biggest customers – 5.5% and 2.8% (31/12/2018: 5.6 % and 2.4%), respectively. None of the other clients individually, represent more than 2.4% of the total portfolio. The Company may knowingly or unknowingly (if it is unaware of the links between different lessees) lease out assets to groups of companies with the same shareholder and, as a result, increase the concentration and consequently, risk of the portfolio.

- **Industry Exposure** – As of 31 March 2019, the corporate part of the Company portfolio amounts to 68% and is concentrated on 2 top (Service and construction) industries (in total - 24% of the corporate portfolio and 26% of the total portfolio). Also, in case of increased exposure to specific industries, the risk of portfolio will be increased significantly, as the profitability of the company will be highly dependent on the profitability of the specific industry.

- **Customer eligibility** – clients or their shareholders might have a bad credit history involving overdue payments and unpaid liabilities that implies a major risk to their creditworthiness.

- **Reliability of asset price estimates** – Although the Company works with well-established manufacturers still some part of the portfolio assets are comprised by used assets; moreover there are cases whereby customers want an asset from a lesser-known manufacturer that is offering it at a lower price. In such cases, an objective/realistic valuation of the asset becomes important. The valuation is performed by the internal valuators of the Company. The value established by the valuators may differ from the fair value of the asset, which can be loss making for the Company.

- **Vendor risk** – Despite the fact, that the Company buys assets only from the vendors with good reputation, there still is a risk, that the vendor might receive an advance payment but not deliver the asset to the Company or/and to deliver the asset which has not all the parameters, which is a risk of the Company. This risk is bounded by the amount of prepayment paid by the Company in advance. The relationship with the vendors is regulated with the respective agreements. However, this risk is partially (in a small amount) still present. Historically, in 2015 the Company has written off prepayments to the vendors in the amount of GEL 635 thousand. However, after the change of the management, this figure is significantly improved due to better risk management and reduced to GEL 136.8 thousand for the year 2016. In 2017 the Company did not have such write-offs. Despite the tendency, there is no guarantee that this kind of expenses will not incur in the future.

- **Legal/procedural risk** – The Company staff might make an error while drafting an agreement, insuring an asset, or handing over the asset to the customer, among other things

- **Customer fraud risk** – A customer might fabricate financial statements and present information misrepresenting the size, scale and capabilities of the customer.

There can be no assurance that the Controlling Shareholder will continue to support the Company, and changes in its control over the Company may materially and adversely affect leasing business, financial condition and results of operations.

Company obtains support from its 100% Shareholder, BGEO Group, in many aspects. The Company has been conducting its business through collaboration with Bank of Georgia, given its strong resources in customer selection and marketing, due diligence and project review;

Company's credit standing is largely affected by BOG's, which has helped reduce Company's financing costs, further expanded its financing channels and enhanced its bargaining power. If JSC Bank of Georgia's willingness to support the Company changes, its business, financial condition and results of operations could be materially and adversely affected.

If, in the future, the Company fails to comply with any applicable regulations relating to, or the Company is associated with, money laundering or terrorist financing, this could have an adverse effect on the Company.

Although the Company has implemented comprehensive anti-money laundering ("AML") and know-your-customer ("KYC") policies and adheres to all requirements under applicable legislation aimed at preventing it being used as a vehicle to facilitate money laundering, there can be no assurance that these measures will be completely effective. If, in the future, the Company fails to comply with timely reporting requirements or other AML regulations or is associated with money laundering or terrorist financing, this could have a material adverse effect on the Company. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

Company may not be able to detect or prevent fraud or other misconduct committed by its employees or third parties.

Fraud or other misconduct by the Company employees, (such as unauthorized business transactions, bribery and breach of internal policies and procedures) or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject Company to financial loss and sanctions imposed by governmental authorities while seriously damaging its reputation. This may also impair Company's ability to effectively attract prospective customers, develop customer loyalty, obtain financing on favourable terms, compete in invitations to tender and conduct other business activities.

Company's risk management systems, information technology systems and internal control procedures are designed to monitor its operations and overall compliance. However, Company may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by the employees or third parties, and the precautions Company takes to prevent and detect such activities may not be effective. Therefore, the Company is subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect Company's business, financial condition and results of operations.

If Company cannot successfully maintain the growth of the leased asset portfolio, its business, financial condition, results of operations and prospects may be materially and adversely affected.

Company's finance lease income represents the interest income from its direct finance lease and sale-and-leaseback businesses. As of December 31, 2017 and 2018, the finance leases receivable were GEL 45,424 thousand and GEL 88,081 thousand, respectively. As of March 31, 2019, this indicator increased to 94,164 thousand GEL. The growth of the leased asset portfolio may be affected by Georgia's economic conditions and other macroeconomic factors, such as GDP growth, changes in inflation rates and interest rates, and variations in laws, regulations and rules concerning the leasing industry. There can be no assurance that the Company will be able to maintain the growth of the leased asset portfolio in the future.

An important part of the company's portfolio comes from the construction sector. Different regulations related directly or indirectly to this sector may have negative impact on the company's financial position and operational results.

Incomes of companies operating in the construction sector may be reduced as a result of new regulations of the National Bank of Georgia in relation to “Responsible Crediting Policy”. Part of those who wish to buy a flat can not afford to get a sufficient amount of loans, which will reduce the requirement in this sector, thus reducing the construction sector revenues.

In addition, "Rule of Permit Issuance and Permission Terms" were amended. As a result of the amendments, the procedures for obtaining the permit, as well as requirements for construction, have become stricter. At the same time, developers will need to present a transport survey and transport regulation scheme at the initial stage for getting the permit the construction of a large building at 4000 m^2. In addition, it may be that the construction related regulations will become even tougher. Strict regulation may be difficult for the company's existing clients, which negatively affect their financial position and operational results,

Based on the above, there is a risk that the company can not maintain the portfolio size and the quality of this sector. There is no guarantee that in case of reduction in construction sector, the company will be able to successfully replace it by financing other sectors of the company, which will negatively reflect its financial results.

Company business is dependent on the proper functioning of its information technology systems.

Company’s business operations are dependent on the ability of its information technology systems to accurately process large numbers of transactions and information in a timely manner. Company’s information technology infrastructure also plays an important role in its risk management and financial control. Company has established its own internal back-up systems to carry on the principal functions in the event of system failures. However, business operations may be disrupted if any of the systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of Company information technology systems could harm the business and adversely affect Company’s financial condition and results of operations.

The industries in which company participates are increasingly competitive.

The leasing industry is developing rapidly and becoming increasingly competitive. Although the Georgian leasing industry still has great potential for development, there can be no assurance that the Company will be able to maintain its current position as a result of the increasingly intense competition. Some of Company’s competitors may have greater financial and management resources than the Company does. They may have more operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships, and bid more aggressively on assets available for sale. In addition, some of Company’s competitors may offer better terms to prospective lessees than the Company does.

Company’s business primarily comprises parts of general construction, manufacturing and service sectors. These businesses could be affected, to various extents, by economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn, unfavourable economic and market conditions may lead to a decline in the demand for Company leasing services, and an increase in number of clients defaults, as well as the deterioration in quality of the leased assets, which may, in turn, materially and adversely affect Company business, financial condition and results of operations.

Company also competes with major commercial banks and other financial services providers in Georgia. These institutions may provide financing at more favourable terms to the Company’s current and prospective customers. Moreover, more advantageous financing terms can be offered by dealers/distributors of certain types of leasable assets

The new regulation, which is about compulsory technical inspection of vehicles, may have a negative impact on the company's business

From January 1, 2019, technical inspection has become mandatory for all types of vehicles. Automobiles will be checked according to 12 parameters. Including a car set: a firearm, a pharmacy box and so on. The necessary parameters include braking system, steering control mechanism, wind glasses, etc. Cars whose age is less than 4 years are not subject to mandatory technical inspection.

Automobile leasing is up to 35% of the company's loan portfolio. Therefore, there is a risk that part of these vehicles will not be able to satisfy requirements, which will significantly reduce their value, which in turn, in case of non-payment of the loans , it may increase losses from the disposal of the asset.

Company's risk management and internal control systems may have defects, which may not effectively mitigate all the risks it faces.

In recent years, as the Company business developed to a variety of industries, its business model and risk exposures became more complex. Company continually improves its risk management system, but its risk management measures may not be able to capture and mitigate all material risks in the business. Therefore, when Company enters a new industry, approaches new customers or develops new products or services, is may not be able to adequately identify and estimate all future risk exposures, since some of its risk management and control methods are based upon historical business experience, market behaviour and past events, and such risk exposures could be significantly greater than Company estimations based on historical data.

Company's other risk management methods depend on the evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated.

Furthermore, as Company business is developing, its risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which the Company is unaware of, which may contribute to an increase in the non-performing asset ratio. In addition, in response to operational, legal or financial risks, Company needs to establish various sets of policies and procedures, in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure to properly implement Company's risk management procedures or any failure to identify applicable risks may materially and adversely affect Company's financial condition and results of operations.

The company's business operations are governed by complex and changing laws and regulations concerning personal privacy, data protection, and other issues.

The Law of Georgia on Personal Data Protection defines the basics of providing information to third parties. While the company constantly provides information personal privacy, data protection and other laws and regulations, it cannot guarantee that all employees will always protect such laws and regulations. In the future, if the company employees do not comply with such laws and regulations, the company may be subject to penalties or other fines, which may damage its reputation and have serious negative impact on business, financial position, operating results, or cash flows.

Furthermore, personal information needs to be verified by the individual's prior approval, which is regulated by the company through internal procedures. However, despite this in certain circumstances, the individual may consider the company's information retrieval to be groundless and the company might be accused of violating the laws and regulations. At the same time, there is a risk that for some of such cases (for information retrieval) prior consent from the individual is not gotten, which in turn puts the company open to potential fines and penalties. It would damage the company's reputation and have serious negative impact on the business, financial position, operating results and cash flows.

Contractual requirements, complaints, judicial review and negative public information may have a negative impact on the Company.

The Company may be negatively affected by contractual requirements, complaints and court proceedings, which might from partners, customers, competitors or regulatory bodies, as well as negative public information about the company. Any such trial, complaint, contract requirement or negative public information may have a serious negative impact on business, financial results or cash flows.

The court's response will require a lot of time and attention from the management of the company, as well as large amounts for legal fees and other related expenses, even if completed successfully. In addition, the Company is subject to legal documentation filing which itself has risks due to the different interpretation of the laws and regulations. If all the requirements for documentation filing are not met, it might have certain legal consequences which itself would have serious negative impact on the business, financial results or cash flows.

Incompatibility with the fight against corruption, including bribery laws, can negatively affect the company's reputation and business.

In spite of the obligations undertaken by business to fight corruption and bribery, the company is still at risk to any related party whether it is a director, employee or business partner - to commit such actions or establish such relationships that violate anti-corruption laws or maybe be accused of violating these laws. Corruption is one of the main risks facing the company after the start of its operations. According to the International Monetary Fund, Georgia is a developing market, and thus more vulnerable to corruption. According to the Transparency International's Corruption Perception Index of 2018, out of the 180 countries (180 being the highest number of corruption), Georgia's place is 41^{st}. In comparison, Armenia is ranked 105^{th}, Bulgaria 77^{th} and Lithuania 38^{th}. It is difficult to predict the impact of corruption on the company's business operations. In some cases this may necessitate a change in regulation, which may have a negative impact on the financial position of the business, the results of operations, prospects, or cash flows.

Strikes and other protest actions may hamper the functioning of the company or make more expensive to operate the objects of the company.

As of 31 March 2019, the company had 74 full-time employees. Any reduction in this amount or wage will cause a job loss. Failure of work or failure to attract or retain operational personnel will have a serious negative impact on business, financial position and outcomes of operations. Company still has not had a case, which in accordance with Article 49 of the Georgian Law and Labor Code was considered as a strike, a court decision or a voluntary denial of contractual obligations.

Company may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.

Natural disasters such as earthquakes, floods, severe weather conditions, or other catastrophic events, may severely affect the regions where the Company or its lessees operate. Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on Company's business, financial condition and results of operations. In addition, Company may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, Company's operational continuity may be adversely and materially affected and its reputation seriously harmed.

The Company is a Reporting Company and is subject to additional regulations and reporting requirements

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

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

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

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

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

Macroeconomic Risks and Political Risks Related to Georgia

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

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

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

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

Georgia has close trade relations with Turkey. In recent years, the Turkish National Currency has been significantly devalued due to political instability which will have a negative impact on the country's current account deficit and external debt service. Consequently, ongoing political and economic instability in Turkey, may have a negative impact on Georgia-Turkey trade relations, which is mainly reflected in the reduction of exports. According to Geostat, trade turnover between Georgia and Turkey amounted to 13.7% of Georgia's total trade turnover by 2018. This figure has decreased since 2014 (17.2%). According to the Geostat, goods imported from Turkey by 2018 amounted to 16.1% of total imports of Georgia, 17.3% in 2017 and 18.6% in 2016. It should be noted that Turkey is among the top ten countries that import the largest quantity of goods from Georgia. According to Geostat, export to Turkey amounted to 6.9% of total export in 2018, 7.9% in 2017, and 8.2% 2016..

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

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

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

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

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

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

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

Although the GEL is a fully convertible currency, there is generally no market outside Georgia for the exchange of GEL. A market exists within Georgia for the conversion of the GEL into other currencies, but it is limited in size. According to NBG, in 2013-2017, the average volume of trading turnover in the GEL-US dollar and GEL-Euro markets (excluding the activities of the NBG) amounted to US$ 26.8 billion and €8.4 billion, respectively. According to the NBG, it had US$ 3.04 billion in gross official reserves as of 31 December 2017. While the Government has stated that these reserves are sufficient to avoid excessive exchange rate volatility in the market in the short term, deterioration of fundamental factors of the currency may hamper the development of Georgia's economy, which could have a material adverse effect on the businesses of the Company's corporate customers and, in turn, on the Company.

In addition, the ability of the Government and the NBG to limit any volatility of the GEL will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other hard currency inflows. Any failure to control these factors, or a major depreciation or further weakening of the GEL, could adversely affect Georgia's economy. According to Geostat estimates, annual consumer price inflation in Georgia was 2.1% in 2016, 4.0% in 2015 and 3.1% in 2014. During the first seven months of 2018, the course was stable, although the impairment of the Turkish lei on August 18, influenced the Lari course, and by November 29 it was down 8.0% compared to August 1 and amounted to 2.66. At the beginning of the year, the National Bank enabled the National Bank to create reserves that amounted to $ 132.5 million (Source: National Bank of Georgia). High inflation can lead to instabilities in currency and financial markets, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these eventualities could lead to lower current performance of Georgia's economy and negatively affect the businesses of the Company's customers, which could, in turn, have a material adverse effect on the Company.

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

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

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

In October 2010, the parliament of Georgia approved certain amendments to the constitution of Georgia that were intended to enhance the primary governing authority of the parliament, to increase the powers of the prime minister of Georgia and to limit the scope of functions of the president of Georgia. Although the parliament unanimously adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013, any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

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

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

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

Georgia has been gradually conforming its trade legislation to EU norms and practices since it became a member of the WTO in 2000. Some of the recent changes in regulation include the 2013 amendments to the labor code to bring Georgian labor regulations closer to commitments under the Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (to one to two months' salary), strengthened workers' rights to challenge employers' decisions in courts, prohibited firing without clear reasons for dismissal, and guaranteed basic working conditions.

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

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

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

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with the laws, to the extent that the tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities.

Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for the Company and its business. A new tax code came into effect on 1st January 2011. Differing opinions regarding the interpretation of various provisions exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the tax code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While 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.

Changes in the Corporate Income Tax rules were legally enforced effective on 1st January 2017. Only distributed profit is subject to taxation defined as cash or non-cash dividend disbursed to owners that are individuals or non-resident legal entities - reinvested profit is no longer subject to taxation. New Corporate Profit Tax model does not envisage special tax regulations for leasing companies – profit tax is charged on distributed profit

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

The economy of Georgia depends on economies of the neighbourhood countries (Azerbaijan, Armenia, Russia,Turkey)

Azerbaijan and Armenia historically represented two largest markets for Georgian exports and according Geostat by 2015 it was about 10.9% and 8.2% of total Georgian export respectively. Despite the fact, that their share of total export decreased by 2016 (up to 7.2 % Azerbaijan, up to 7.1% Armenia), by 2017 there was growth and export share accounted 9.9% and 7.7% respectively. By 2018 there was further growth and Azerbaijan's share of total exports accounted 15%, with Armenia's share – 8.3%.

In February 2015, Azerbaijan's central bank devaluated their currency (Manat) against USD by 25.1% and by 25.2% against Euro. December of 2015, the central bank of Azerbaijan moved on a floating exchange rate, which caused another devaluation of Manat against USD and Euro by 32.3%. During 2016-2017 Manat was stabilized

From October 2014 to 2015 February, Armenian Dram devaluated by 14.3% against USD, after that during 31 Jan 2015 – 29 Feb 2016 Dram has devaluated further by 1.5% . Armenian Dram was stabile in 2017

Russia is one of the largest markets for Georgian export and import. According to geostat it's share accounted 9.8% by 2016, 14.5% - 2017, 13% -2018.

Turkey is the largest importer for Georgia and according geostat, it's share of total import accounted 16.1% by 2018. Turkey economy grew by 2.6% at 2018 , however we have to note that economy of 4th quarter decreased by 3 %, which has continued 2019 (1st quarter had)) it was determined by political instability, unfavorable Geopolitical activities, Turkish currency's (lira) devaluation and high inflation rate (annual inflation 20.3% in December of 2018). All this is a potential obstacle for future economic growth.

According to Geostat, restoration of relations with main trading partners had resulted in strong economic growth (4.8% in 2017) . Any current or subsequent economic breakdowns on crisis in neighboring markets may have a strong negative impact on the Georgian economy, which in turn can have a substantial adverse impact on the company's business, financial position and operational results

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

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

Although the Georgian economy has shown signs of resilience during recent long-lasting external shocks related to oil price slump,real GDP growth slowed considerably. According to Geostat, the country's real GDP grew by 2.8% in 2016 and grew even further to 4.8% in 2017. In 2018 growth was 4.7%.

International monetary fund (IMF) forecasts 4.6 % growth rate to 2019, also it forecasts average 5.2% growth rate for 2020-2024 years

The Georgian lari (GEL) depreciated by 28.5% against the U.S. dollar in 2015 and weakened further by 10.4% in 2016. Weaker external demand may place further strains on Georgia's economy.

Georgia faces significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of the Company's customers in Georgia.

The uncertainties of the judicial system in Georgia, including difficulty to enforce court judgments, may have an adverse effect on the local economy, which could, and in turn, have an adverse effect on the Company

Georgia is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental civil, criminal, tax, administrative and commercial laws have only recently become effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have given rise to doubts as to the quality and the enforceability of laws, and have resulted in ambiguities and inconsistencies in their application.

In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system 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.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

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

The Bonds constitute unsecured obligations of the Company

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

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

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

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

Investors whose financial activities are denominated in a currency or currency unit other than Georgian Lari may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls

The Company will pay principal and interest on the Bonds in Georgian Lari. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the investor's currency) other than Georgian Lari. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Georgian Lari or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the Company's or the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the Georgian Lari would decrease (i) the investor's currency equivalent yield on the Bonds, (ii) the investor's currency-equivalent value of the principal payable on the Bonds and (iii) the investor's currency-equivalent market value of the Bonds.

Governmental and monetary authorities may impose (such experience is also presented in other countries) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected on the Bonds.

An investment in the Bonds involves certain legal investment considerations

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

Transfer of the Bonds will be subject to certain restrictions

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

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

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

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

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

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

There may not be an active trading market for the Bonds

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

USE OF PROCEEDS

Net proceeds received from the issuance of these bonds will be used to finance portfolio growth in 3 months after issuance.

Company has aggressive portfolio growth strategy for which it needs more funds.

Registration document

People Responsible for the Preparation of the Document

Eldar Akhvlediani - LTD “Georgian Leasing Company” General Director
Giorgi Jgarkava - LTD “Georgian Leasing Company” Deputy General Director

Declaration from the People responsible for Preparation of the Document

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

Financial auditor of issuer

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

The change of financial auditor did not occur during given periods

Third persons and experts

The company's real and movable assets are evaluated by the “Georgian Valuation Company” through its representatives Giorgi Lezhava and Lasha Lezhava. Company address: Marshal GELovani Ave. 2, 0159, Tbilisi, Georgia. Tel: +995 32 2 37 44 61. Web site: valuation.ge

Company’s founder and director is George Lezhava, who has 30 years experience in this field. He also received doctorate in technical sciencies from Tbilisi Technical University. He is owner of MRCIS (Member of Royal Institution of Chartered Surveyors) and REV (Recognized European Valuer) qualifications.

Lasha Lezhava is a certified assessor in the company. He has 7 years of experience in this field. She has a Bachelor's Degree from University of Georgia.

Information about the Issuer

The Company was established in 2001 by Tbiluniversalbank and was the first Georgian company to offer leasing services as an alternative source of financing to loans. In 2005, it became an affiliate company of Bank of Georgia as a result of a merger between the two banks. In August 2015, as a result of reorganization, JSC BG Financial separated from JSC Bank of Georgia and became 100% shareholder of Georgian Leasing Company LTD. In June 2017, JSC Bank of Georgia became 100% shareholder of Georgian Leasing Company LTD.

The Company currently (as of the date of this prospectus) has 74 employees. 17 out of this number are employed in “Turbo” offices in Tbilisi, Rustavi, Zugdidi, Batumi and Kutaisi. Its customer base comprises mainly of SMEs and Retail, and it also has a few larger customers. The Company’s products aim to cater to the needs of different customers.

The company is registered in the form of “Limited Liability Company in Georgia and carries out activities according to the Georgian legislation. Company Identification Code is 204972155. Address: Petre Melikishvili Avenue N8a / Erekle Tatishvili street N1, Tbilisi, Georgia. Phone: +995 532 444444; Web site: www.leasing.ge

Company Credit Rating

The company has been given a credit rating by Fitch Ratings, a credit rating agency recognized by the National Bank of Georgia. Company's long-term default rating is "B+"/Positive. The company may additionally find the rating of the same or the other from the credit rating agency recognized by the National Bank of Georgia.

Capitalization and Indebtedness

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

(000' GEL)	31-03-19	31-12-18	31-12-17
Liabilities:			
Borrowings	58,686	55,292	20,179
Debt Securities Issued	38,138	36,941	26,151
Total Interest-bearing Liabilities	**96,824**	**92,232**	**46,330**
Equity:			
Charter Capital	3,180	3,180	3,180
Paid-in Capital	15,065	15,030	14,895
Retained Earnings/(Accumulated Losses)	4,278	2,714	(250)
Other Reserves	(279)	(279)	(133)
Total Shareholder's Equity	**22,244**	**20,645**	**17,693**
Total Capitalization	**119,068**	**112,877**	**64,023**

In the period from March 31 to June 10, the company also raised loans from the following banks: 1,169 thousand dollars from the Bank of Georgia and 1,059 thousand euros, 650 thousand from VTB Bank, 800 thousand GEL from the bank and 2 million GEL from the base bank. As of June 10, 2019, the debt obligations of the Company are as follows:

Lender	Currency	Remaining Maturity	Principal	Accrued Interest
Debt Securities	USD	1-3 Year	40,012	583
BOG Loan	GEL/USD/EURO	1-3 Year	23,715	60
Pasha Bank Loan	GEL/USD	0-2 Year	15,947	69
VTB Bank	GEL/USD/EURO	0-2 Year	10,938	31
Is Bank Loan	GEL	<1 Year	9,849	39
Halyk Bank Loan	GEL/USD/EURO	0-3 Year	7,035	29
Basis Bank Loan	GEL	0-3 Year	2,000	-
Total Interest Bearing Liabilities			**109,496**	**812**

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

Currency/Type of Repayment	Bullet	Partly Amortized	Amortized	Total
GEL	19,415	5,309	9,219	**33,943**
USD	54,352	2,443	-	**56,795**
EURO	17,588	1,982	-	**19,570**
Total	**91,355**	**9,734**	**9,219**	**110,308**

Interest Bearing Liabilities according to Currencies and Remaining Maturity times (years) are presented below:

Currency/Maturity	0-1	1-3	3+
GEL	29,343	2,353	2,247
USD	10,066	43,993	2,736
EURO	12,692	6,878	-
Total	**52,101**	**53,224**	**4,983**

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

Currency	Interest Rate Range
Short-term GEL	10.5%-11.0%
Long-term GEL	10.5%-13.5%
Short-term USD	7.7%
Long-term USD	7%-7.8%
Short-term EURO[5]	7.3%
Long-term EURO	5.2%-7.3%

[5] Short-term EURO financing consists of the Credit Line from the parent company JSC Bank of Georgia

Interest rates on Interest Bearing Liabilities is presented below:

	31-03-19	31-12-18	31-12-17
GEL	11.0%	11.1%	10.4%
USD	7.5%	7.5%	7.0%
EURO	5.4%	5.3%	6.2%

The company consistently tries to diversify financing sources.

The company was planning to issue GEL denominated bonds in the beginning of 2019, however due to the fact, that it could get financing on a better terms from the banks, the company declined the issuance of those Bonds.

Primary activity

The company offers various types of products that are customized to different segments. The company has specific products: for small and medium sized businesses, for small and high income individuals. For example, in 2015, in partnership with "Caucasus Auto Import", the company has developed a favorable product for second-hand automobile users. Since September 2017, the company has launched another new product in the form of low-segment – Lombard type financing.

The Company Products	Leasing amount (US$)	Co-financing	Leasing term	Implicit rate	Other requirements	Comments
Finance leasing, including Back Lease (general terms),	Min. 5,000	Min. 10%	Max. 5 years	Min.14.5%	• Acceptable asset • Acceptable planned use of the asset • Overall financial condition • Insurance	• One of the most common financing products worldwide
Auto leasing for companies (new and used cars)	Min. 2,000	Min. 20%	Max. 6 years	min. 14%	• Acceptable use of the asset • Insurance	
Operational lease	Min. 5,000	5-10%	24-36 months	Min. 15.5%	• Acceptable credit rating • Overall financial info • Acceptable planned use of the asset • Insurance	• First operational leasing product on the market
Retail Auto Leasing	Min. 1000	Min. 20%	Max. 6 years	min. 14%	• Acceptable credit rating • Acceptable asset • Acceptable planned use of the asset • Insurance	
Retail Auto Leasing (avtomartivi – import of cars)	Min. 1000	20%	Max. 5 years	18%	• Acceptable credit rating • Acceptable asset • Acceptable planned use of the asset • Insurance •	• First ever import financing of light vehicles with best conditions on the market.
Turbo – MFO style leasing	Min. 1000	Min. 20%	Max. 6 years	Min 48%	• Acceptable credit rating • Acceptable asset • Acceptable planned use of the asset • Insurance	• Began in September, 2017 • Product includes usual financial lease and back lease

Specialized software

The company uses specialized software (Microsoft Dynamics NAV). The software includes leasing, price and tax accounting, human-related functions.

Business Continuity Policy

The company has a plan of restoration of business continuity and accident, where the responsibilities of staff in crisis situations are detailed.

Business Continuity Plan includes several phases of response:

- Fix the event and its qualification as a crisis situation;
- Decision on the launch of Business Continuity Plan
- Preparation period for the enactment of the BCP plan;
- Duration of the business continuity plan;
- Complete restoration phase, transition to the main process with a full load;

In case if an incident or allert occurs, which is qualified or may be evaluated as a crisis situation, any employee is obliged to inform his manager immediate.

After assessing the situation by the manager, he / she is obliged to send the notification to the Emergency Management Team or contact the Head of the Crisis Management Committee and notify the event.

Employees and executives of the executable departments of the Crisis Business Functions are obliged to directly address the Crisis Management Committee.

The Crisis Management Committee should immediately consider the case and make decision about activation the continuation of business continuity plan.
Decision on the activation of business continuity plan will be sent to:

- Critical Service Heads;
- Critical service providers Vendors and / or outsourcing companies, whose involvement is required within the business continuity plan;

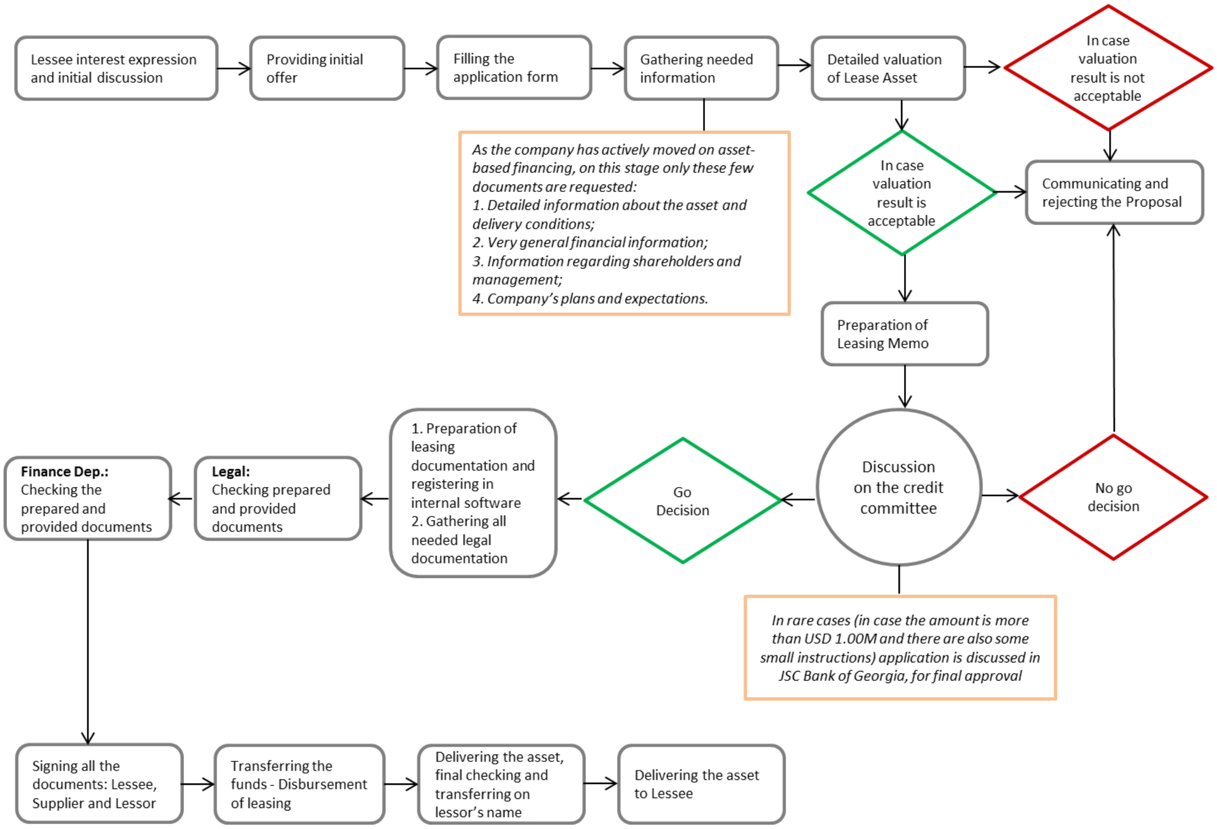
One of the most important thing of business continuity is brand management.

Leasing asset management policy
The leasing asset management policy of the company is as follows:

- All assets are assessed individually, before leasing
- After leasing, the asset is monitored – once in 6 months (except for motor cars, since there is no need to check frequently if the customer does not have a monthly payment to pay)
- Each asset is displayed and stored in a company with monitoring acts.
- In case of problematic leasing, seized asset is pictured, described and goes to the warehouse
- All assets are insured (including assets to risky clients are insured in case of "risk of disappearance" – if in 3 months asset could not be found the insurance company will pay the total amount)

Leasing policy and procedures
The company has established procedures for approving and implementation of projects, monitoring of projects, creation of reserves, overdue tax management and seizure of assets. These procedures are established in the internal documents created by the company.

The project approval and issuance procedure has been designed for better customer service, service standardization and to minimize risks of operating activities. This procedure includes internal and supervisory supervision, introduction of special software and a number of controls to avoid errors and / or fraud.

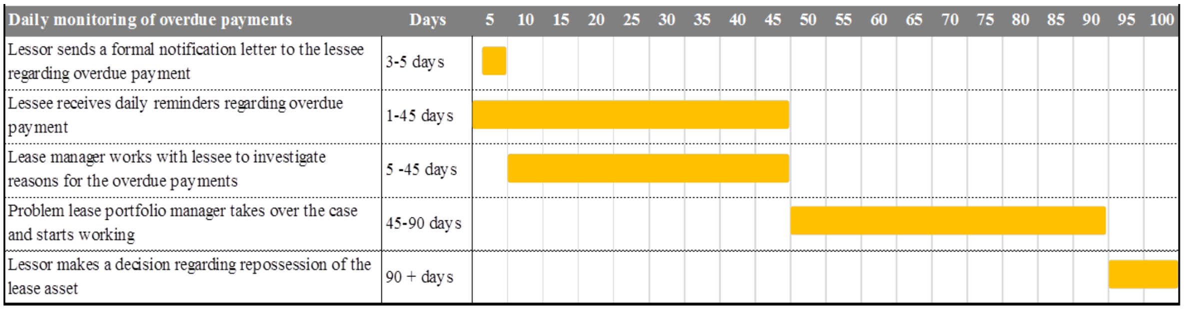


Note: Leasing software of the Company "Microsoft Dynamic NAV" was created on the basis of the best practice, by the recommendation of E&Y, to improve and make process more standardized and efficient

Project monitoring procedure consists of two components: *financial monitoring* of the lessee, which is used selectively and rarely, only in cases when the lessor has concerns regarding the lessee's financial stability. In all other cases standard financial check is carried out which implies checks on encumbrances, tax liabilities, sales figures, etc. Financial monitoring is carried out by lease managers. *Technical monitoring* is designed to ensure an asset is appropriately maintained and regular service is provided according to the asset's specifications. A new lease asset is monitored 6-12 months after the start of the lease, unless special circumstances require unscheduled monitoring. Monitoring is usually carried out at short notice, and the lessor's representative is guaranteed access to the asset under the terms of the lease agreement. Technical monitoring is carried out by Company expert team

Overdue portfolio management procedure sets out rules and steps for dealing with overdue payments and emphasizes early action and close interaction with the lessee in order to minimize technical, financial and litigation risks.

Lease manager calls leasee and informs about overdue payment 1 or 2 days prior the payment date. (SMS notification system launched in 4th quarter of 2018) In case the client does not make the payment Company follows the folloing procedures:



Provisioning procedure

Since January 1, 2018, after the introduction of the new International Financial Reporting Standards (IFRS 9), the company has replaced the regulation procedure and methodology.

1) Until 2018, the company had two methods of Provisioning: standard portfolio Provisioning and individual Provisioning: Standard collective pool provisioning was applied to all projects and was based on 10-year historical write-off data for the portfolio (as of 31 December 2017 1.79% of portfolio). Standard provisioning is used until the 30th day of overdue payment.

2) Individual provisioning is used:

   - for leases with 60+ days of overdue payments:
     - The Company evaluates the asset and estimates the asset sale value after six months (the underlying assumption is that the asset will be disposed of after approximately six months)
     - The Company calculates the present value of the asset sale value and compares 60% of this amount to the carrying value of the asset
     - If the amount is lower than the asset’s carrying value, the difference is recognized as an impairment expense
     - If it is greater than the carrying value, a collective lease pool approach is employed.
   - For leases overdue by 30-60 days, either a collective lease pool rate or an individual lease rate (as explained above) is used.

The new methodology more precisely reflects portfolio to be impaired, which means that methodology and calculation depend on future assumptions and trends. The company divides its portfolio into 2 parts, as legal entities and individuals. In both cases, the company uses the collateralized approach, which means that for each leasing project the company evaluates the value of the leased asset and compares it to the lease receivables, and the difference among those two figures is multiplied by the probability of project default.

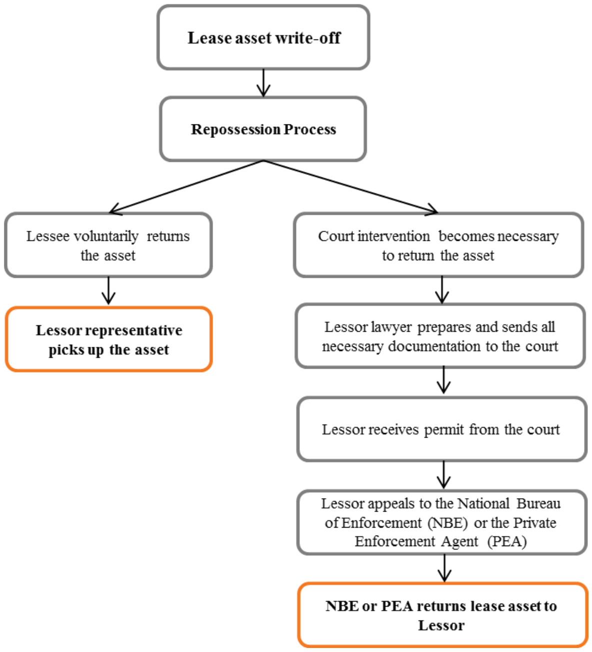
The probability of project default is calculated based on statistical information of last three years,that will be adjusted in the future with the possibility of potential customers' ability to pay. Calculation of default probability is similar for legal and physical persons, but there is difference both in statistical data and assumptions about future ability to pay.

At the end of 2017 by the new methodology reserves was estimated at 412 thousand GEL, as at 31 December 2018, 1,139 thousand GEL. As of March 31, 2019, this figure is 1,199 thousand GEL (this number is pulled out by the management of the company and is based on subjective assumptions, the auditor did not check this number).

As for other new standards, neither IFRS 15 nor IFRS 16 have significant effect on the company because the company does not have revenues from contracts which are not leasing, and the current accounting model of the financial leasing of the company fully complies with the requirements of IFRS 16 .

Asset repossession procedure

An asset is repossessed when the lessee is unable to make payments and the lessor (Company) has made a decision to repossess the asset



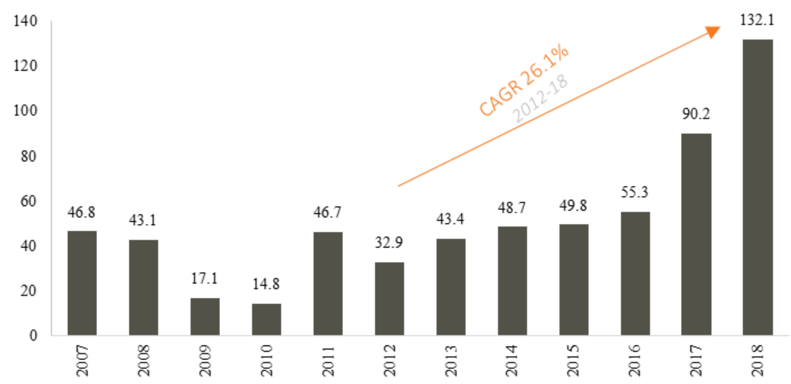
Primary markets

The Georgian leasing sector has its origins in 2001, when "Tbiluniversalbank" established the first leasing company – the Issuer.

Since 2007, the whole portfolio of the leasing sector has grown almost three times and in 2018 the total portfolio amounted to 132.1 million USD. Significant negative impact on the sector had 2008-09 crisis and the conflict between Russia and Georgia. As a result, the total portfolio of leasing sector was almost halved in 2009 and amounted to US $ 17.1 million in 2009 and $ 14.8 million in 2010. Amendments made in the legislation in 2011 (discussed below) contributed to the growth of the sector, which resulted in an increase in the sector's portfolio by three times in 2011. In 2014-16, crisis of commodity prices and impairment of lari decreased the growth of the sector. However, despite the negative developments in Georgia's main trade partner countries, Georgia's economy maintained stability. It should be noted that the growth rate of the leasing sector has accelerated since 2017 and the total portfolio of the sector grew by 63.1% in 2017 and the growth in 2018 was 46.5%.

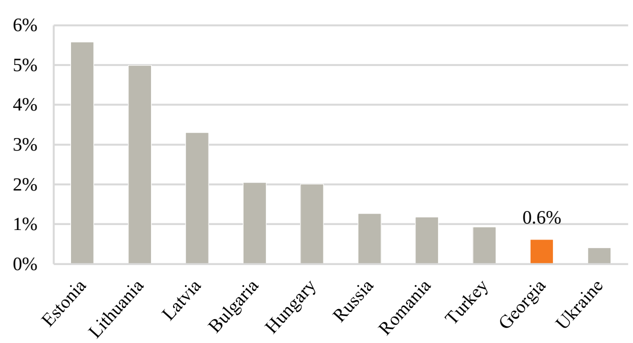
Despite the significant growth of the sector (2012-18 average growth 26.1%), with respect to GDP the share of the net portfolio of the leasing sector is still quite low, with 0.9% and 2016 in 2017. According to the data, Georgia is far behind other countries in the region, for example, the share of leasing portfolio in Russia is 1.3% in GDP, 2.1% in Bulgaria, in Latvia - 3.3%. Considering the small size of the leasing sector in Georgia, there is significant potential for growth of the sector.

Leasing market development, US$ million (excl. One-off Event)



Note: The chart includes only corporate portfolio. It excludes retail portfolio.
Source: Company data (based on info shared between leading leasing companies).

Lease portfolio share in GDP, 2017



Source: White Clarke Group

Compared to bank loans, financial leasing has some advantages: 1) The company does not have an obligation to pay property tax on leasing assets. 2) It is also worth mentioning leasing tax advantages that allow leasing payments account as expenses that reduce taxable profits and therefore profit tax. 3) Unlike the loan, on leasing, usually no additional collateral is required.

4) Leasing companies because of long term relationship with suppliers can use the preferential terms and therefore offer the leasing receiver more favorable conditions. At the same time, the seller's risk is entirely transferred to the lease issuer

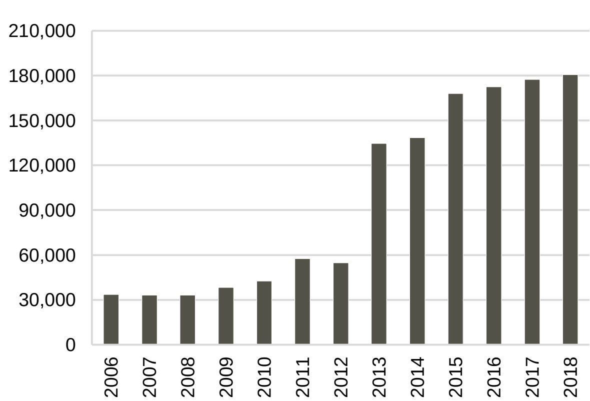
Georgia's leasing sector underwent a significant transformation in 2011, when the Georgian parliament approved new legislation in accordance with the principles of the International Institute for the Unification of Private Law (an independent intergovernmental organization based in Rome focused on aligning private and commercial law across states). As a result, a number of amendments were made to Georgia's Tax and Civil Codes. The new legislation (1) created stronger incentives for companies to lease by allowing them some tax flexibility as well as easier tax procedures for lessees, and (2) reduced effective tax rates for lessors and lessees due to changes in lease accounting treatments.

2011 tax legislation simplified tax administration and reduced the tax burden of the leasing companies. Previously, leasing companies were unable to use 100% amortization, (Georgian Tax Law, 112/5), while companies in other sectors were able to do so, this limitation for leasing was abandoned. Under the previous legislation, leasing companies were not able to make provisions on non-performing leases, and therefore the effective tax on profit was high. This was changed and now leasing companies are allowed to write off 80% of the value of leases overdue by more than 60 days. The current code also allows effective property tax calculation on leased assets for lessors. VAT is paid in proportion to lease payments.

Considering the high dollarization of Georgia'a financial sector, NBG introduced new larization measures, prohibiting issuance of retail loans up to GEL 100,000 in foreign currency from 2017, with the minimum threshold increasing to GEL 200,000 from January 2019. The new regulations became applicable to the leasing sector from July 2018. According to the amendment to Civil Code of Georgia, the leasing company cannot receive any payments from individual lessee (incl. sole proprietors) tied/indexed to foreign currency on leases below GEL 100,000 (GEL 200,000 from January 2019). Furthermore from Jan-2019, 50% ceiling was set on annual effective interest rate of the lease agreement for entrepreneur lessors. Although the share of retail portfolio in Georgia's leasing sector remains low, the new regulation will slow down the growth of the retail portfolio, going forward.

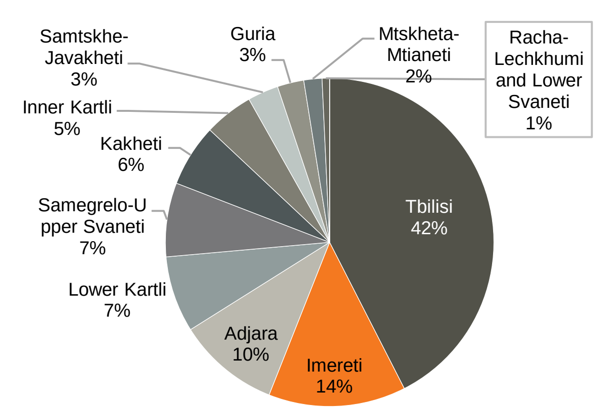
Over the last decade, Georgia has implemented important structural reforms, reduced corruption, simplified tax and customs procedures and improved public services. The number of taxes in Georgia has been reduced from 21 in 2004 to only 6. These changes contributed to maintaining economic sustainability in the country, despite the economic shocks that the country and the region have experienced, including the 2008-09 crisis. As a result, according to the World Bank's 2019 account - "Ease of Doing Business", Georgia occupied the 6th place among 190 countries. In addition, international rating company Fitch has improved the credit rating of Georgia by one step in 2018 and increased from "BB-" to "BB". It should be noted that rating company Moody's has appointed Georgia about the same level of rating in 2017. The reforms implemented by the Government of Georgia in recent years, the profit tax reform (the so called Estonian model) and the VAT automatic return policy have improved the financial situation of Georgian companies and created a healthy growth of the corporate sector.
At the same time to improved business environment, the number of active businesses in Georgia has increased in recent years, which was 180,618 as of February 2019.

Number of active businesses



Source: GeoStat

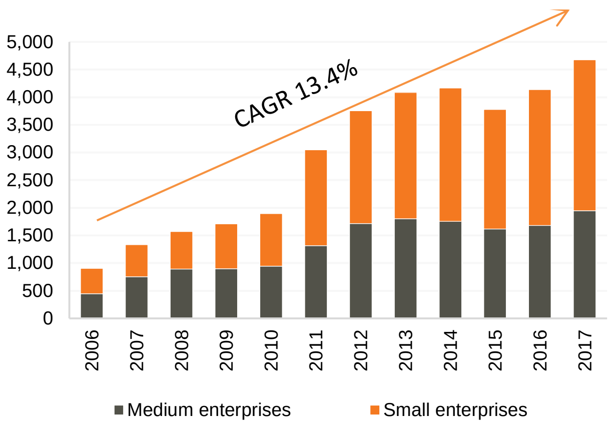
Breakdown of active businesses by region, 2018



Source: GeoStat

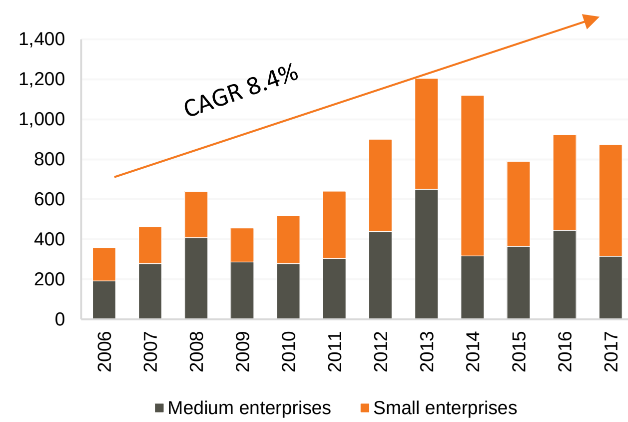
Considering the relatively small size of the leasing sector in Georgia, the Company is optimistic on the prospects for the sector's development. The turnover of SMEs, the main driving force behind the growth in leasing demand, has increased 2.8x to US$ 16.9 billion over 2008-18. Value added by SME's reached US$ 4.5bn up 22.2% y/y in 2018, one of the fastest growth recorded. The government's efforts to encourage private sector development by introduction of a new Estonian tax model (from Jan-2017) - no tax on reinvested and/or retained profits – had positive affect on companies operating in Georgia. Investment in fixed assets made by Georgian companies increased 22.3% y/y to US$ 2.2bn in 2017, of which US$0.8bn or 39.2% of total was made by SMEs. It's notable that the growth was entirely driven by the increased investments by large companies (+39.7% y/y to US$ 1.3bn), while investments by SMEs increased at a mere 2.4%. The likely reason behind is that, large companies seized the opportunity (to decrease taxes) faster compared to SMEs, however we think, that investments made by SMEs will grow at higher speed going forward once the full potential of the reform will be realized.

Value added by SMEs, US$ mn



Source: GeoStat

SMEs investments in fixed assets, US$ mn

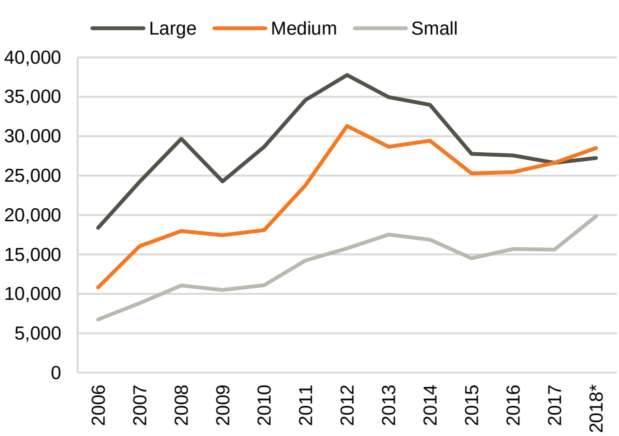


Source: GeoStat

The demand for leasing sector in Georgia stems from primarily SMEs as leasing allows them to hold the asset while saving on working capital. However, public awareness of leasing products and its benefits remains still low in Georgia, which results in relatively weak demand for leasing. On a positive note, imports of potentially leasable products has increased substantially over the last 5 years, with c. US$ 218mn worth of goods with leasing potential imported in 2018.

Employee productivity, which is one of the best measures of the business success, has been growing in Georgia, particularly in small and medium businesses. It's notable that, the production value per employee of medium entities surpassed that of large companies for the first time in 2018. Although the labor productivity in small companies remains still low, the growth has accelerated in 2018, with 26.9% more value created by small company employees compared to the same period last year. The efficiency levels in Georgia are significantly lower than the European average, indicating further opportunities to improve productivity. Increased use of modern technologies will fuel the growth of the leasing sector.

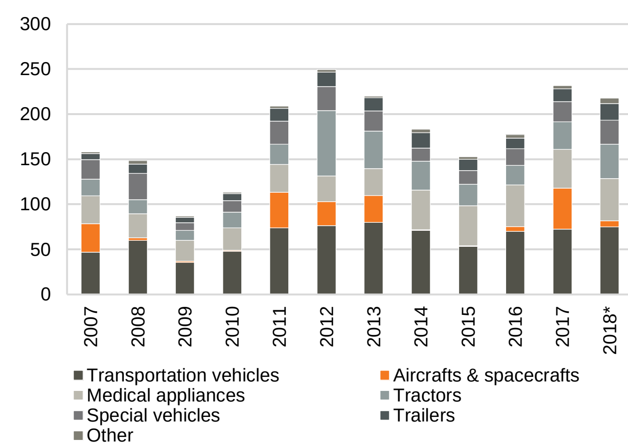
Employee productivity in SMEs, $US per employee



Source: GeoStat

**Production value/number of people employed*

Import of potential leasing goods, US$ million



Source: GeoStat

It is expected that the leasing sector growth in Georgia will remain high in the medium term, as positive forces outweigh the increased regulations of the sector (larization and cap on interest rate). Namely, relatively small size of the sector, increased awareness on leasing products among population, improved profitability and related increase in efficiency of SMEs will drive the sector's growth going forward.

Important Milestones of the Company

Important milestones of the Company by years are presented below:

- Year 2001 – Company was established by the “Tbiluniversbank” as the first leasing company in Georgia
- Year 2005 – Company became subsidiary of the Bank of Georgia after the merger of Bank of Georgia and Tbiluniversbank
- Year 2011 – New regulations became in effect and the changes were implemented in Civil and Taxation laws
- Year 2013 – Total portfolio increased by 2.8x compared to 2009 and reached USD 15.8 mln
- Year 2015 – New management team was introduced
- Year 2016 – The introduction of the new strategy, innovative products, renewed procedures. Active work started towards retail segment.
- Year 2017 – The company entered in a new riskier but much more profitable segment through “Turbo” leasing

Future strategy and goals

The Company has dramatically changed its developing strategy over last years and currently has very precise goals and directions.
The Company has developed new strategy based on the consideration of the past experience and analyses of the current trends on the market. The old business model was relatively inflexible and unsustainable in terms of the risk management, In some cases it was impossible to determine the fair value of the asset, the correct selection of trusted supplier, timely / correct identification of dishonest taxpayers ,due to which the Company had to write-off considerable part of the portfolio and recognize it as an expense. As a result, in 2015 and 2016 the Company had financial losses.

In order to improve the situation, the Company carried out a number of the changes: completely changed the management team, switched to the new, quick and more flexible risk management strategy, improved asset valuation team and monitoring group. Moreover, the Company paid attention to the portfolio diversification and increased customer range by offering new products for completely new segments. Currently Company has portfolio in both – Corporate and Retail sectors and faces tough competition not only with leasing companies, but also with the local banks. In order to stay competitive, The Company focuses more on accelerating processes. It has changed its approval (and risk assessing) procedure and moved to a quicker approach - Asset-Based financing. To minimize the risks associated with asset-based financing, Company has established a very strong Asset Management team to guarantee better initial evaluation of assets, better monitoring and quick resale process, in case of default. As a result, service became more quick and flexible, which has already resulted in the accelerated growth of the Company portfolio. Improved procedures of the risk management resulted in increased profitability.
At the end of 2015 company entered retail market with new products, (some of them innovative to the market) and, by 31 March, 2019, managed to attract approximately GEL 30,764 thousand retail portfolio.

An important growing part of retail portfolio is comprised with newly introduced (2017) product – “Turbo”. With the use of different marketing methods and promotions (for example marketing offering which allows clients not to pay interest for the first 3 months of lease) company managed to create GEL 12,855 thousand (gross) portfolio as of 31 March, 2019.

One defining factor of strategy is synergies – company has managed to make combined (exclusive) product with leading retail car importer and service provider that lead to the new product (with risk insurance scheme) - quick, easy and cheap import financing of light vehicles, with guarantees – that gained quite substantial portfolio and zero loss Since the creation of the product.

The Company sees considerable opportunities on the local market, as leasing sector still remains under developed in Georgia. Company actively tries to reach and attract new customers by offering product tailored for different client groups. It should be noted, that JSC “Bank of Georgia” supports the Company on the every step of development financially and with other resources.

It should be noted that the company has a diversified base of suppliers (clients themselves choose a leasing asset and the company then joins with the financing). None of the suppliers contribute to more than 10% of the total portfolio.

Marketing Campaign

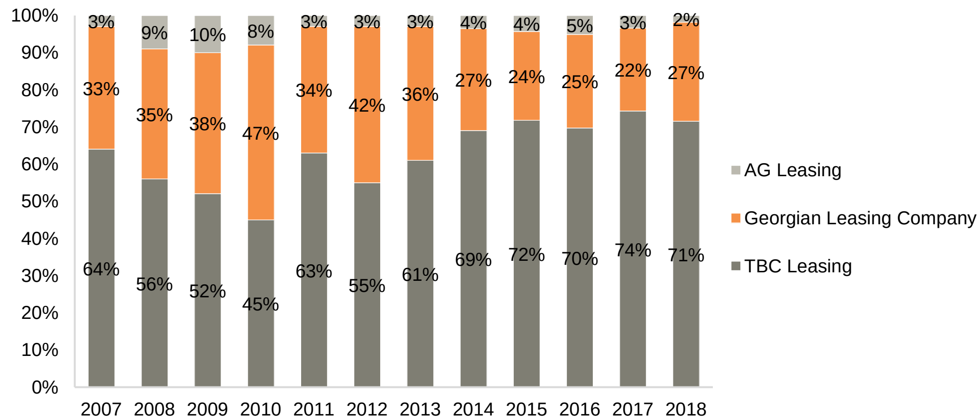
The company launched an aggressive marketing campaign in June 2019 and tries to make the most popular, fast and accessible "Turboleasing". Advertising clips are available on social networks, televisions and radio. In addition, advertising banners of the company are popular on Georgian popular websites.

The company also plans various marketing campaigns for corporate clients, which will mostly be in cooperation with the Bank of Georgia.

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

Georgian leasing market is dominated by the two bank-owned leasing companies - TBC Leasing ("**TBCL**") and GLC. Alliance Group Leasing ("**AGL**"), founded in 2006, is the smallest market player. The benefits of bank ownership include access to the bank's customer base and the strength of the bank's balance sheet in addition to the ability to leverage at higher ratios. Furthermore, unlike other financial institutions leasing companies are not directly regulated by the NBG, however the abovementioned two companies are still subject to some level of supervision through their bank parent companies. The majority (around 95%) of leases in Georgia are financial leases.
TBCL has been the market leader in Georgia's leasing sector for the past ten years (with the exception of 2010). TBCL's portfolio increased 45.5% y/y to GEL 252.8mn in 2018 and made up 71% of the total leasing portfolio. The Company's portfolio grew faster, up 81.3% y/y to GEL 94.4mn in 2018, increasing its market share to 27% in 2018 from 22% in 2017. AGL's portfolio contracted for the first time in the last five years in 2018, with its market share decreasing to 1.8% in 2018 from 3.4% a year before.

Shares in total leasing portfolio of the three major competitors

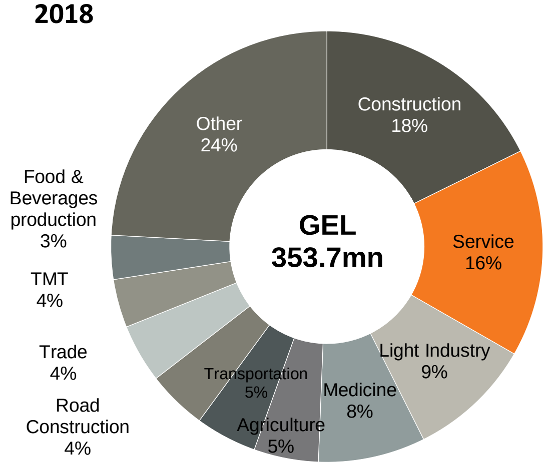


Source: Company data

Construction, service, light industry, medicine and agricultural are the largest sectors using leasing financing in Georgia, together accounting for 55.5% share of the total leasing portfolio as of 2018. Portfolio of TBCL is more concentrated in construction, service, light industry and medical sectors (54.8% of total), while 51.9% of GLC's portfolio comes on construction, service, transportation and road construction sectors.

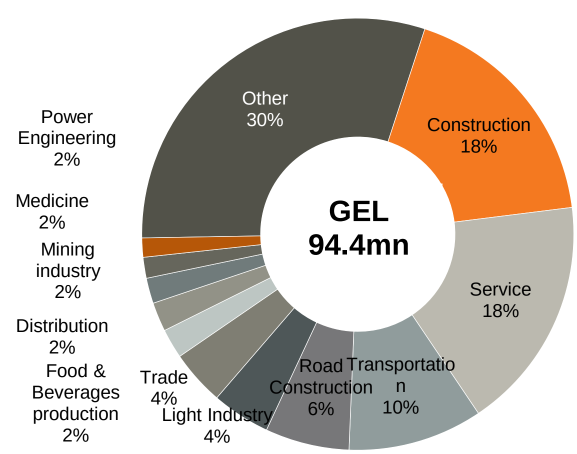
Historically, retail sector has accounted minor share in Georgia's leasing portfolio, however from 2017 the two major leasing companies – TBCL and GLC – have increased their funding of the sector. TBCL's retail portfolio more than doubled (118.8% y/y) to GEL 31.0mn in 2018 and made up c. 12% of total portfolio. From 2016 GLC started financing the retail sector, with the initial portfolio standing at GEL 6.6mn or 17.9% of total in 2016. Over the last three years the Company's retail portfolio increased 4.1x, reaching GEL 27.0mn or 28.6% of total in 2018.

Leasing market portfolio in Georgia by sectors, 2018



Source: Company data

Breakdown of the GLC's leasing portfolio, 2018



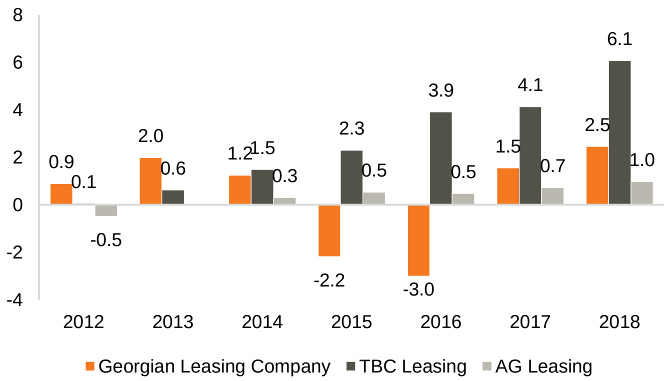
Source: Company data

Note: Other category includes** mostly **retail portfolio

Note: Other category includes mostly retail portfolio

After significant pre-tax losses incurred in 2015-16 due to asset write-offs, the Company's profitability rebounded to positive levels from 2017. GLC's taxable income increased 67% y/y to GEL 2.5mn in 2018. TBCL posted a significant growth in its pre-tax income, up 48% y/y to GEL 6.1mn in the same period.

Annual Pre-tax profits



Investments

The issuer did not have any significant investment in the last 2 years.

Issuer's group structure

Group's vertical structure is as follows:

On May 29, 2018, the "BGEO Group" registered in the United Kingdom was split in two. As a result of the demerger, two public companies' shares are allowed to trade on the London Stock Exchange - Bank of Georgia Group PLC and Georgian Capital PLC

Financial position

Distribution of assets and liabilities (short-term and long-term) of the company is as follows:

(000' GEL)	31-03-19	31-12-18	31-12-17
Short term Assets			
Cash and cash equivalents	4,608	6,335	1,178
Finance lease receivables	45,112	43,103	24,909
Assets held for leasing purposes	13,130	11,115	9,446
Prepayments for assets held for leasing purposes	4,000	6,112	6,307
Right of use assets	377	-	-
Other assets	1,837	1,300	553
Total short term Assets	**69,065**	**67,964**	**42,393**
Long term Assets			
Finance lease receivables	49,052	44,979	20,515
Property plant and equipment	767	750	413
Right of use assets	672	-	-
Investment property	2,764	2,754	2,745
Other assets	-	251	141
Total long term Assets	**53,255**	**48,734**	**23,814**
Total Assets	**122,320**	**116,698**	**66,207**
Short term Liabilities			
Loans payable	32,261	31,358	4,803
Debt securities issued	2,506	2,428	1,760
Right of use liabilities	412	-	-
Advances from customers	1,216	2,606	1,160
VAT and other taxes payable	63	117	131
Other liabilities	872	1,098	893
Total short term Liabilities	**37,330**	**37,607**	**8,748**
Long term Liabilities			
Loans payable	26,425	23,934	15,375
Debt securities issued	35,633	34,513	24,391
Right of use liabilities	688	-	-
Total long term Liabilities	**62,746**	**58,447**	**39,766**
Total Liabilities	**100,076**	**96,053**	**48,514**

Company's working capital (Short term assets minus Short term liabilities) by 31 march on 2019 was 31,375 thousand GEL (31/12/2018: 30,358 thousand GEL), which is enough to finance the current operations of the company. Company's current and quick ratios are stable, respectively, 1.85 and 1.50 were as of 31 march 2019 (31/12/2018: 1.81 and 1.51).

The Finance Lease receivables for March 31, 2019 increased by 7% compared to December 31, 2018 and amounted to 94,164 thousand GEL, which was 77% of total assets (31/12/2018 88,081 GEL). 48% of these assets were payable in 1 year and the rest one for more than one year. The relevant reconstruction table below the minimum lease duties is presented below:

(000' GEL)	Due within 1 Year, 31/03/2019	Due within 1 to 5 Years, 31/03/2019	Total 31/03/2019
Minimum lease payments receivable	51,561	85,785	**137,346**
Less: unearned finance lease income	(5,753)	(36,230)	**(41,983)**
Finance lease receivables	**45,808**	**49,555**	**95,363**
Less: impairment allowance for finance lease receivables	(696)	(503)	**(1,199)**
Net finance lease receivables	**45,112**	**49,052**	**94,164**

(000' GEL)	Due within 1 Year, 31/12/2018	Due within 1 to 5 Years, 31/12/2018	Total 31/12/2018
Minimum lease payments receivable	47,364	78,731	**126,095**
Less: unearned finance lease income	(3,672)	(33,203)	**(36,875)**
Finance lease receivables	**43,692**	**45,528**	**89,220**
Less: impairment allowance for finance lease receivables	(589)	(550)	**(1,139)**
Net finance lease receivables	**43,103**	**44,978**	**88,081**

As of March 31, 2019, the concentration of the financial leasing portfolio of 5 largest clients (2 production, 1 road construction, 1 service and 1 food and beverage industries) amounts 13,589 thousand GEL (31/12/2018: 11,556 thousand GEL), which is 14.4 % of the total portfolio (31/12/2018 13.1%).

The company issues loans in US dollars, Euro and Lari. According to new regulations, gradually restricted loans to foreign currencies. The regulation has limited loans in foreign currency up to 100,000 GEL in 2017,and then (from 2019), the limit has increased to 200,000 GEL. The results of this regulation are clearly visible in terms of the company's portfolio (minimum lease payments) by currencies.

(000' GEL)	31-03-19	31-12-18	31-12-17	31-12-16
USD	64,562	65,421	48,525	31,627
EURO	12,197	18,178	7,035	10,196
GEL	60,709	42,496	6,413	1,181
Minimum lease payments	**137,467**	**126,095**	**61,973**	**43,004**

At 31 December 2016, only 3% of minimum lease payments were in national currency. This share grew steadily and reached 10% and 34% to 31/12/2017 and 31/12/2018 respectively. By 31 March 2019, this figure was 44% due to the rise of limit up to 200,000 GEL.

The company's portfolio includes financial leases issued in various interest benefits. At the end of 2018, 81% of the portfolio was issued in 10%-20% interest rate interval. As of March 31, 2019, 73% of the portfolio is in the same interest rate interval. In recent years the weighted average interest rate is increased, which is due to the increase in the weight of licenses issued in 20 and higher percentages. In September 2017, the company entered the higher and higher market segment as "turbo" and this product was 13% of the total portfolio as of 31 March 2019 (31/12/2018: 10%). According to leases issued in various interest benefits, the company's portfolio distributed over the last three years is as follows:

	0% - 10%	10%-15%	15% - 20%	20% and higher	Weighted average percent %
31-12-16	0.00%	54.30%	42.80%	2.90%	**15.77%**
31-12-17	9.00%	44.90%	41.10%	5.00%	**16.00%**
31-12-18	6.31%	49.53%	31.15%	13.01%	**17.41%**
31-03-19	8.35%	43.82%	29.57%	18.25%	**18.40%**

It is noteworthy that as of March 31, 2019, the company's overdue statistics are deteriorating. PAR has increased from 8.2% to 14.5% in the first quarter of 2019. This fact is largely caused by the following facts:

- Retail portfolio (mainly turbo) was 5.1% (8.2%) in PAR, as at 31 December 2018, and by March 31, 2019, it grew by 2.3% and became 7.4% (14.5%).

- As of March 31, 2019, one large client loan was overdue, which was covered on April 8. The share of this client was 1.4% in the portfolio.

- Deterioration of PAR30 and PAR60 is mainly caused by the "turbo" loans that were overdue for 31/12/2018 and was not covered, this loans were added to PAR30 and PAR60 categories, also loans, which were not overdue for 31/12/2018 but in the first two months of 2019 hit the deadline were added to PAR30 .

	31-03-19	31-12-18	31-12-17	31-12-16
PAR	14.5%	8.2%	7.5%	10.9%
PAR30	6.7%	3.5%	2.6%	3.3%
PAR60	4.0%	2.2%	1.3%	2.2%
PAR90	1.4%	1.6%	1.1%	1.5%

The types of assets that the Company leases out at 30 September, 2018, 31 December 2017 and 2016 can be aggregated into the following categories:

	31-03-2019		31-12-2018		31-12-2017	
(000' GEL)	*Amount*	*Number of Projects*	*Amount*	*Number of Projects*	*Amount*	*Number of Projects*
Machinery & equipment	17,884	113	13,827	97	6,102	82
Construction equipment	40,872	273	39,346	262	25,720	178
Passenger cars	66,774	3,281	56,976	2,543	23,154	1,119
Transport except passenger cars	11,938	144	15,945	140	6,996	105
Minimum lease payment receivables	**137,467**	**3,811**	**126,095**	**3,042**	**61,973**	**1,484**

The assets held for leasing purposes is the second largest class of assets accrued on the company's balance, which is 11% and 10% of total assets as of 31 December 2018 and 31 March 2019. These assets are as follows.

(000' GEL)	31-03-19	31-12-18	31-12-17
Assets held for leasing - repossessed	3,136	2,671	2,932
Assets held for leasing – under repossession	9,994	8,444	6,514
Assets held for leasing purposes	**13,130**	**11,115**	**9,446**

Assets held for leasing purposes are meant to be sold or re-leased under lease arrangements As of 30 September, 2019 29% of these assets are concentrated on irrigation systems, which due to the large size and limited number of potential buyers might be less liquid. Apart from this asset, to the same lessor are also issued other assets with the balance sheet amount of GEL 4.5 mln GEL as of 31 March, 2019. The company has taken this case to court and has distained land assets owned by the lessee, with the value of USD 3,234 thousand, which will considerably reduce potential losses associated with the above mentioned lease agreement. The case was already examined by the Court of First Instance and the decision was made on March 15, 2018 (the last major hearing of the Court was held on February 26, 2018, so the decision was made on that date), on which the company's claim was satisfied partially and the defendant was obliged to pay the obligation in favor of the company, which is as follows: the liabilities due – USD 5,518 thousand. The company's request for undue liabilities, based on only one of the contracts, was not satisfied, which is as follows: USD 262 thousand.

The first meeting of the Court of Appeal was held on May 15, 2019 but was not completed and was postponed to June 24, 2019. Parties and the Court are ready to ensure that the process will be completed on the same day. At the same time, the

process of settlement with the defendant is underway. The company anticipate that the settlement will consist of the parties to date of the next process.
The amount of the assets held for leasing and under repossession is quite high. Big part of these assets (39%) comprises above mentioned irrigation system and agricultural machinery, the company may use sealed sources (in case of satisfying the claim, the land is seized in the amount of USD 3,234 thousand.
In addition, accordingly rapid growth of retail portfolio significantly has increased number of written-off cars, exactly
In addition, the number of written-off cars was significantly increased in line with the rapid growth of the retail portfolio, namely, it consists 35 % of assets which are in the process of restoration of property rights
Besides, part of the assets (about 13%) comes on medical equipment, which requires special dismantling and warehouse conditions and is sealed at the site. Restoration of property is on the remaining assets (average period is 3 months). The assets on the balance sheet are revalued at Fair Value.
The vast majority of repossessed assets, except light vehicles, are linked to leases issued during previous management. Since the company has changed the risk management procedures and significantly strengthened the assessment and monitoring groups, significant write-offs in this regard in the future and any related losses are not expected. As a rule, leasing of repossessed assets does not apply to the old leasing receiver.
The company has greatly improved the sale / re-leasing statistics of written-off assets. Assets sold / re-leased during 2018 comprised 29.4% off all assets written off during that year. (2017:27.4%; 2016: 4.8%)

The chart shows the statistics of the repossessed assets and related costs for the last 3 years:

(000' GEL)	2019 1Q	2018	2017	2016
Financial Lease receivable write-off	2,840	5,370	4,352	5,172
Fair Value of the assets written-off	3,657	6,152	4,109	5,719
Loss recognized in P&L	(30)	(387)	(628)	(124)
Realized /re-leased assets	233	1,579	759	252
Total Realized /re-leased assets	622	2,897	2,922	3,919

Prepayments for assets held for leasing purposes: As is typical of leasing companies, these include prepayments to suppliers of equipment on those active leases that have already been shipped but have not yet been delivered and therefore are not yet recognized in the portfolio. When the asset is delivered from the foreign country, act of acceptance is signed between the company and the client and this amount is transferred to Finance Lease Receivables. Consequently, the more that asset is, which is purchased abroad, the greater this amount is on balance sheet. As of March 31, 2019 this sum was 4 million GEL and was 3% of total assets (31/12/2018: 6.112 million, 9%). In the end of 2018, the company had several big projects and this assets arrived in the first half of 2019 year, which then was reflected in the leasing portfolio.

Right of use assets: includes lease payables discounted by market interest rate on leased assets. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Investment property consists of a building which the company had rented out to its parent and this rent was suspended in July 2018. This property is valued by the independent valuator (Georgian Valuation Company I/N 205187251) at GEL 2.7 mln.

As of March 31, 2019, total liabilities amounted to 100,076 mln GEL and accounted for 82% of total assets. 59% of total liabilities were made from local banks, and 38% were from issued bonds.

Name of the Creditor	Currency	Time to Maturity	31-03-19
Bonds	USD	1-3 year	38,138
Bank of Georgia Loan	GEL/ USD	1-3 year	17,260
Pasha Bank Loan	GEL/ USD	0-2 year	15,772
iS Bank Loan	GEL	<1 year	9,607
VTB Bank Loan	GEL/ EURO	0-2 year	9,073
Halyk Bank Loan	GEL/EURO/ USD	0-3 year	6,973
Total Interest-Bearing Liabilities			**96,824**

In August 2017, the company issued public bonds worth 10 million US dollars (ISIN GE2700603535) and placed it fully on 7% of the fixed coupon, on 31 August 2020 maturity.

In June 2018, the company also released public bonds worth $ 5 million ($ 5.1 million), with a fixed coupon rate of 6.5%, maturity on June 22, 2021, but not all of these bonds placement were completed and as of 31 March 2019, there were placed 4,170 pieces, 4.17 million USD bonds.

Bonds represent unsecured and unbounded obligations. Nominal value of bonds - 1,000 USD.

As of March 31, 2019, 29% of the funds attracted from local banks included loans from the Bank Of Georgia, which is issuer's parent company with 100% share

From December 31, 2018 until the date of the Prospectus compile (until May 31, 2019) no violation of any financial covenant has occurred and there was no place interest or principal avoidance.

The company loans are secured by Finance Lease Receivables with the following amount:

- Pasha Bank - 17,494 thousand GEL)
- Ish Bank (11,646 thousand GEL)
- VTB Bank (8,260 thousand GEL)
- Halyk Bank (6,328 thousand GEL)

The rest of portfolio is completely pledged in Bank Of Georgia.

Right of use liabilities includes lease payables discounted by market interest rate on leased assets. This article is „**Right of use assets"** relevant liability account. The origin of this article is based on IFRS 16, which details are available to see pg. 75.

The advances received from clients include leases received from leasing recipients in leasing contracts, which has not yet been issued. The reduction of this article is mainly due to the increase of efficiency of the company by issuing leasing assets faster.

In support of the company, the Supervisory Board of JSC "Bank of Georgia" made a decision to increase the company capital by 5 million US dollars in the 2nd quarter of 2017 (transaction was made on July 7, 2017) by converting the outstanding subloan and accrued interest.

As of 2018 and 2017 31 December, the company's chartered and paid in capital amounted 18,210 mln and 18,075 mln respectively. As of 31 March 2019, this number has increased slightly to 18,245 mln

From December 31, 2017 to March 31, 2019, the company did not declare and issue dividends.

Operational results

The company receives basic income from financial leases. Compared to the first quarter of 2018, in 2019 this income increased by 103% and amounted to 5,705 thousand GEL. This significant increase is mainly due to the 31 December of 2018 with a 94% portfolio growth in comparison to 31 December 2017. The rest of the growth is explained by the increase in average interest rates, which is mainly determined by product "Turbo".

(000' GEL)	Unaudited **2019 1Q**	Unaudited **2018 1Q**	Audited **2018**	Audited **2017**
Interest income				
Finance income from leases	5,705	2,814	16,001	9,827
Cash and cash equivalents	42	15	119	58
Interest expense				
Interest expense on ROUL	(20)	-	-	-
Loans payable	(1,131)	(390)	(2,505)	(1,568)
Debt securities issued	(669)	(457)	(2,261)	(2,386)
Net interest income	**3,927**	**1,982**	**11,355**	**5,931**
Impairment charge for interest earning assets	(110)	(191)	(932)	(712)
Impairment charge for other assets	-	-	(97)	-
Net interest income after impairment charge for finance lease receivables	**3,817**	**1,790**	**10,325**	**5,219**

From the interest income of 5,705 thousand GEL generated in the first quarter of 2019, 50% (2,843 thousand GEL) were generated from loans in GEL, 45% (2,556 thousand GEL) from loans denominated in the dollar (the remaining 5% euro). It is noteworthy that in 2017, income from loans (denominated in GEL) was only 8% of gross income and in 2018 it was 28%. It is expected that the share of loans (denominated in GEL) in portfolio (and relevant income) will increase even more (especially due to new regulations at the retail portfolio).

The effective interest rates on leases by currencies are as follows:

	31-03-19	31-12-18	31-12-17
GEL	35.7%	36.7%	39.3%
USD	25.4%	26.3%	28.2%
EURO	21.4%	22.8%	21.9%

The sources of financing of the company are bank loans and issued bonds. 61% of total liabilities were loans attracted from local banks and the remaining 39% were issued bonds. Interest expenses increased by 112% compared to the same period of 2018, although the average financing rates did not change significantly.

The interest rates on financial liabilities by currencies are as follows:

	31-03-19	31-12-18	31-12-17
GEL	11.0%	11.1%	10.4%
USD	7.5%	7.5%	7.0%
EURO	5.4%	5.3%	6.2%

The company constantly tries to diversify sources of funding.

Impairment expense was 1.92% of interest income in the first quarter of 2019. The same indicator was significantly higher at 6.8% in the same period last year. The reduction is mainly due to the write-off of several large leasing assets that were re-leased in 2018, and therefore there was no impairment expenditure in the first quarter of 2019.

An important point of other operating income is income from **penalties**, which increased by 71% in the first quarter of 2019 comparison at the same time of last year and amounted to 393 thousand GEL. This growth is mainly due to the increase in leasing portfolio.

Other general and administrative costs increased by 88% in comparison with the same period of the previous year and reached 2,470 thousand GEL. The detailed disruption of these expenses is presented below:

(000' GEL)	2019 1Q	2018 1Q	2018	2017
Insurance expenses	1,092	516	3,079	1,502
Operating taxes other than income tax	496	233	1,252	701
Legal and professional services	262	155	867	431
Advertisement	214	191	641	301
Rent expenses	79	72	326	229
Loss from selling assets	-	-	225	197
Depreciation and amortization expenses	183	35	168	92
Prepayment write-off	27	11	35	2
GPS Expenses	8	10	30	44
Travel	14	16	60	35
Banking services	3	6	24	13
Repair expenses	4	2	11	12
Other	89	64	383	200
Total general and administrative expenses	**2,470**	**1,311**	**7,100**	**3,761**

Insurance expense was 44% of total general and administrative expenses increased by 111% compared with the same period of last year. These costs are mainly related to the portfolio and it has increased accordingly with the growth of the portfolio. In general, the insurance expense is somewhat different according to the potential owner of a specific leasing asset.

Operating taxes other than income tax was 20% of total general and administrative expenses. This expense consists of property tax, which is calculated as 0.6% of the initial value of all leaked assets. This increase is directly related to the growth of leasing portfolio.

Other costs included in this article have not significantly increased and are not individually materialized.

Salaries and Employee Benefits in the first quarter of 2019, increased by 76% in comparison with the same period of the previous year and reached 556 thousand GEL. This increase is partly due to a 41% increase in the number of employees and also with the increase of bonuses and wages due to good results of the company.

	2019 1Q	2018 1Q	2018	2017
Salaries	347	228	1,054	706
Bonuses	208	87	801	502
Total	**556**	**315**	**1,855**	**1,208**

Information on capital and loan liabilities

As of March 31, 2019, total liabilities amounted to 100,076 mln GEL and accounted for 82% of total assets. 59% of total liabilities were made from local banks, and 38% were from issued bonds.

Name of the Creditor	Currency	Time to Maturity	31-03-19
Bonds	USD	1-3 year	38,138
Bank of Georgia Loan	GEL/ USD	1-3 year	17,260
Pasha Bank Loan	GEL/ USD	0-2 year	15,772
iS Bank Loan	GEL	<1 year	9,607
VTB Bank Loan	GEL/ EURO	0-2 year	9,073
Halyk Bank Loan	GEL/EURO/ USD	0-3 year	6,973
Total Interest-Bearing Liabilities			**96,824**

In August 2017, the company issued public bonds worth 10 million US dollars (ISIN GE2700603535) and placed it fully on 7% of the fixed coupon, on 31 August 2020 maturity.

In June 2018, the company also released public bonds worth $ 5 million ($ 5.1 million), with a fixed coupon rate of 6.5%, maturity on June 22, 2021, but not all of these bonds placement were completed and as of 31 March 2019, there were placed 4,170 pieces, 4.17 million USD bonds.

Bonds represent unsecured and unbounded obligations. Nominal value of bonds - 1,000 USD.

As of March 31, 2019, 29% of the funds attracted from local banks included loans from the Bank Of Georgia, which is issuer's parent company with 100% share

From December 31, 2018 until the date of the Prospectus compile (until May 31, 2019) no violation of any financial covenant has occurred and there was no place interest or principal avoidance.

Review of financial covenants

The company has different types of covenants for different loans from various banks. The main / most harsh covenants (incomplete / selected by the management) and the relevant indicators as of March 31, 2019 are as follows:

Covenant type	Actual	After bond issuance	Limit	Met Yes/No
PAR30 should not be more than 7.0%	6.7%	6.7%	<7.0%	Yes
PAR90 should not be more than 5.0%	1.4%	1.4%	<5.0%	Yes
Loan liabilities to equity ratio should not be more than 4.5% [6]	**4.35**	**5.59**	**<4.5**	**No**
Ratio of repossessed assets with leasing portfolio and leasing assets	12%	12%	<35%	Yes
Operating costs to revenues ratio should not exceed 45% of income	30%	30%	<45%	Yes
Current ratio should not be less than 1.2	1.85	2.59	>1.2	Yes

The company's capital

In support of the company, the Supervisory Board of JSC "Bank of Georgia" made a decision to increase the company capital by 5 million US dollars in the 2nd quarter of 2017 (transaction was made on July 7, 2017) by converting the outstanding subloan and accrued interest.

[6] The company has gotten the relevant waiver and this limit has now increased to 9

As of 2018 and 2017 31 December, the company’s chartered and paid in capital amounted 18,210 mln and 18,075 mln respectively. As of 31 March 2019, this number has slightly increased to 18,245 mln

From December 31, 2017 to March 31, 2019, the company did not declare and issue dividends. In this period total capital has increased by 26% and reached 22,244 thousand GEL.

Maturity Analysis

The company's maturity position as of 31 March, 2019 is presented below:

(000' GEL)	Due in 1 Year	Due in more than 1 Year	Total
Assets			
Cash and cash equivalents	4,608	-	**4,608**
Finance lease receivables	45,112	49,052	**94,164**
Assets held for leasing purposes	13,130	-	**13,130**
Prepayments for assets held for leasing purposes	4,000	-	**4,000**
Property and Equipment	-	767	**767**
Right of use Assets	377	672	**1,050**
Investment Property	-	2,764	**2,764**
Other Assets	1,837	-	**1,837**
Total Assets	**69,065**	**53,255**	**122,320**
Liabilities			
Loans Payable	32,261	26,425	**58,686**
Debt securities issued	2,506	35,633	**38,138**
Right of use Liabilities	412	688	**1,100**
Advances received from Customers	1,216	-	**1,216**
Income Taxes payable	-	-	**-**
VAT and other taxes payable	63	-	**63**
Other Liabilities	872	-	**872**
Total Liabilities	**37,330**	**62,746**	**100,076**
Net Position	**31,735**	**(9,491)**	**22,244**

As seen from the table above, the company does not have short-term net position and working capital is 31,735 thousand GEL.

Currency Position

The company's currency position as of 31 March, 2019 is presented below:

(000' GEL)	GEL	USD	EURO	Total
Financial Assets				
Cash and Cash Equiavalents	1,609	1,923	1,076	**4,608**
Finance Lease Receivables	37,774	47,262	9,128	**94,164**
Total Financial Assets	**39,383**	**49,185**	**10,204**	**98,772**
Financial Liabilities				
Loans payable	31,599	11,063	16,024	**58,686**
Debt securities issued	-	38,138	-	**38,138**
Total Financial Liabilities	**31,599**	**49,201**	**16,024**	**96,824**
Net Position	**7,784**	**(16)**	**(5,820)**	**1,948**

The company has negative currency position in EUROs, but compared to total financial assets, this amount is only 5.9% and does not represent any material risk.

The company believes that the proceeds from the issuance of the bonds will be used to finance GEL denominated (30%) and USD denominated (70%) leasing portfolios. As a result, the Net Currency Position in USD will be worsened by GEL 8,100 thousand and will become 6.4% of the total financial assets, which will not cause any material risk.

Description of the Issuer's Additional Loan Requirement

Company has aggressive portfolio growth strategy for which it needs more funds. Net proceeds received from the issuance of these bonds will be used to finance portfolio growth in 3 months after issuance.

The company intends to take a loan of GEL 5 million from the local bank in 2019.

Overview of Cash Flow Statement

It is vital for the company to manage its cash flow actively and to look for new sources of funding on a regular basis. Cash flows from operating activities are presented below:

(000' GEL)	2019 1Q	2018 1Q	2018	2017
Cash flows from operating activities				
Interest income received	5,102	2,784	14,850	9,751
Other income received	737	446	2,135	1,507
Interest paid	(1,512)	(1,317)	(4,464)	(2,843)
Other general and administrative expenses paid	(2,298)	(1,151)	(6,736)	(2,891)
Salaries and other employee benefits paid	(427)	(285)	(1,799)	(1,175)
Cash flows from operating activities before changes in operating assets and liabilities	**1,602**	**477**	**3,986**	**4,348**
(Increase) decrease in operating assets				
Finance lease receivables	(5,499)	(4,928)	(43,467)	(12,704)
Assets held for leasing purposes	(1,995)	(868)	1,504	724
Prepayments for assets held for leasing purposes	2,074	132	215	(3,032)
Other assets	(301)	(26)	(877)	(419)
Increase (decrease) in operating liabilities				
Advances from customers	(1,484)	312	1,378	(918)
VAT and other taxes payables	(30)	(670)	(287)	(304)
Other liabilities	(236)	25	113	457
Net cash used in operating activities	**(5,869)**	**(5,546)**	**(37,436)**	**(11,848)**

Cash flows from operating activities before changes in operating assets and liabilities increased by 236% in comparison with the same period of the previous year and reached 1,602 GEL. Monetary revenues have risen by 81% and cash payments by 54%. In spite of increased revenues, increased financial leases (571 thousand GEL increase), decreased cash advances (1,796 thousand GEL decrease) and decreased VAT and other tax liabilities (640 thousand GEL), Cash used in operating activities increased by 6% and reached 5,869 thousand GEL (323 thousand GEL increase).

The company has not made significant investments in the given period and the relevant table is presented below:

(000' GEL)	2019 1Q	2018 1Q	2018	2017
Cash flows from investing activities				
Purchase of property and equipment	(148)	(59)	(468)	(452)
Purchase of intangible assets	(28)	-	(147)	(49)
Net cash used in investing activities	**(176)**	**(59)**	**(614)**	**(501)**

Net cash received from financial activities are as follows:

(000' GEL)	2019 1Q	2018 1Q	2018	2017
Cash flows from financing activities				
Net movement in restricted cash	-	-	(2,794)	-
Debt securities issued	718	-	8,968	18,136
Debt securities purchased	-	-	-	(19,216)
Repayment of borrowings	(17,035)	(688)	(17,358)	(1,451)
Receipt of borrowings	20,694	6,438	51,303	14,920
Net cash from financing activities	**4,378**	**5,750**	**40,119**	**12,389**

For liquidity management and for recieving loans with good terms, the company often takes and conceals funds from different dated deposits and local banks. In the first quarter of 2019, the company paid loans worth 17,035 thousand, also borrowed 20,694 thousand GEL and received 718 thousand GEL by issuance bonds. Consequently, net cash flow from financial activities decreased by 24% and amounted to 4,378 thousand GEL.

Regulatory Framework

The first legal act regulating leasing activities was the Civil Code of Georgia ("**Civil Code**"), adopted on 26 June 1997. Later in 2002, the Law on Promotion of Leasing Activities was adopted. These two legal acts in addition to the Tax Code of Georgia ("**Tax Code**") regulated the Georgian leasing industry prior to 2011.

The regulatory framework of leasing activities was highly criticized because of the unfavorable and discriminatory taxation regime and contradictions between applicable regulations. Leasing companies were unable to write off bad loans unlike commercial banks, the 100 % amortization rules were not applicable to leasing companies and the principles of calculation of the profit tax were not clear.

In 2011, with the support of USAID and involvement of stakeholders, Georgian Parliament abolished the Law on Promotion of Leasing Activities, amended the Tax Code and introduced major changes to the Civil Code based on the internationally recognized leasing standards of the International Institute for the Unification of Private Law (UNIDROIT), an independent intergovernmental organization based in Rome focused on aligning private and commercial law across states. The legislation (1) created stronger incentives for companies to lease by allowing them some tax flexibility as well as easier tax procedures for lessees and (2) reduced effective tax rates for lessors and lessees due to changes in lease accounting treatments.

The new tax legislation simplified tax administration and reduced the tax burden of leasing companies. The new code also allows effective property tax calculation on leased assets for lessors. VAT is paFinid in proportion to lease payments.

Changes in the Corporate Income Tax rules were legally enforced effective on 1 January 2017. Only distributed profit is subject to taxation defined as cash or non-cash dividend disbursed to owners that are individuals or non-resident legal entities - reinvested profit is no longer subject to taxation. New Corporate Profit Tax model does not envisage special tax regulations for leasing companies – profit tax is charged on distributed profit (calculated in accordance with IFRS).

REGULATION OF LEASING ACTIVITIES IN GEORGIA

Developments in the Regulatory Framework

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Main Characteristics of the Regulatory Framework of Leasing Activities

Leasing activities and leasing companies are not subject to licensing or registration requirements. The leasing industry has no special regulator and no capital adequacy or other similar requirements apply to leasing companies. However, they are subject to AML regulations and, the supervision of the Ministry of Finance as the AML supervisory agency, and are obliged report to the Financial Monitoring Service (see -"*Anti-money laundering regulations and monitoring requirements*" below).

There are no legal or regulatory barriers for investment in the Georgian leasing sector. Georgian law does not impose any interest rate floors or caps applicable to leasing activities, or any mandatory requirements for co-funding of the leased property by the lessee or lessor.

The Civil Code regulates the main aspects of leasing activities, such as the responsibilities of the parties, damage recovery, consequences of termination of leasing agreements, etc. The main characteristics of leasing activity defined by the Civil Code are the following: the lessor transfers the property to the lessee for an agreed period of time with or without the right to purchase such property and the lessee makes periodic payments on the condition that the lessee chooses the property and its supplier and such supplier is aware that the lessor has purchased the property for leasing purposes. Money, land, securities or ownership interest in a company may not be subjects of leasing. For the purposes of the Tax Code, only those assets that may be depreciated are subject to leasing and a leasing company is defined as a company that receives at least 70% of its total revenue throughout the tax year from leasing transactions.

The Civil Code lays down certain requirements and limitations relating to amendment and termination of leasing agreements. The lessor must assign its rights under its contract with the supplier to the lessee, at the request of the latter. Any amendments to the agreement concluded between the lessor and supplier must be agreed with the lessee and similarly, the lessee is not entitled to agree any changes with the supplier without the lessor's consent. The lessor is entitled to terminate the lease agreement in case of its material breach by the lessee. At the same time the lessee can only claim damages from the lessor and is not entitled to terminate the lease agreement unless it is deprived of the possibility to use the leased property.

Anti-money Laundering Regulations and Monitoring Requirements

The Law of Georgia on Facilitating Elimination of the Legalization of Illegal Income (the "**AML Law**") came into force on 1 January 2004. The AML Law strengthened control over the movement of funds within Georgia and introduced an independent public law entity, the Financial Monitoring Service (the "**FMS**"), to monitor and supervise AML and counter terrorism financing measures and to issue decrees setting out further preventative measures and reporting requirements. Based on the AML Law, the Order of the Head of the FMS No 2 "On Approval of Receipt, Systematization, Processing and Submission of the Information by the Leasing Companies to the Financial Monitoring Service" was issued on 5 September 2013 ("**Monitoring Order**"). The AML Law and the Monitoring Order lay down the requirements of financial monitoring by leasing companies for the purposes of avoidance of money laundering and terrorism financing.

The Ministry of Finance of Georgia is the supervisory body of the leasing companies in terms of compliance with the AML Law. If the Ministry of Finance discovers any omissions or breach of the AML Law or the Monitoring Order, it must report to the FMS and impose appropriate sanctions. If the FMS receives a report of a transaction that it believes may be related to money laundering or the financing of terrorism, the report must be forwarded to the appropriate departments of the General Prosecutor's Office and the Ministry of Internal Affairs of Georgia.

Leasing companies must monitor the leasing transactions, which exceed 30,000 GEL or its equivalent in other currency and "suspicious transactions" as defined in the relevant regulations. In addition, the following transactions are subject to monitoring by the leasing companies: (i) any transaction if there is a doubt that a party to the transaction is connected to terrorism or the money may be used for terrorism financing; and (ii) any transaction with participation of persons operating or registered in suspicious zones.

In order to be able to identify transactions and clients related to money laundering and terrorism financing, the leasing companies are obliged to adopt internal control measures, including internal regulations, and designate an employee or create a special unit that will supervise the processing and submission of the information to the FMS.

Anti-monopoly Regulations

The leasing companies are subject to supervision by the Competition Agency established in April 2014 based on the recently amended Law of Georgia on Competition ("**Competition Law**"). The Competition Agency monitors compliance of private entities with the anti-monopoly legislation in Georgia and has various powers including the right to impose fines for breach of the Competition law.

Additional Requirements Applicable to Reporting Companies

Reporting requirements

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

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

Approval of Interested/Related Party Transactions

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

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

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

As mentioned above, the Company is a Reporting Company; hence the authorised body of the Company has to approve transactions involving Interested Parties, except transactions with its member of the Authorised body of the Company.

Priority of Claims in case of Bankruptcy Proceedings

In case of bankruptcy of the Company, the claims of its creditors will be settled in the following order:

1) procedural expenses and National Enforcement Bureau service fees;
2) indebtedness towards the debtors accrued from the date the court issued a ruling on accepting the application on insolvency proceedings, including tax liabilities accrued after initiation of bankruptcy proceedings;
3) all costs and remuneration related to appointment of the insolvency manager and fulfillment of his duties;
4) all secured claims, including the secured claims under the Tax Code;
5) unsecured tax liabilities;
6) all remaining recognized unsecured claims; and
7) creditors' claims submitted late.

Claims of the subsequent category shall be paid only after the claims of the previous category have been fully paid, unless the creditors' agreement provides otherwise. If the available funds are insufficient to fully cover all claims listed in one category, all of the claims of each creditor within the relevant category shall be paid on a pro rata basis.

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

Depending on the new regulations relating to an effective 50% yield limit on loans, the product “turbo” may not have the fast growth that may affect the company's profitability (although small).

In addition, due to the variable political and economic environment, in general in the financial sector is uncertainty, which makes it almost impossible to make forecasts.

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

Managing body and management

Company's corporate governing body is the General Meeting of the partners ("General Meeting"), while supervision of the company's activities is carried out by the Supervisory Board, which is chosen by the Partner in accordance with the Company's charter. The General Meeting appoints the director (chief executive officer) of the Company ("Director", "CEO") who is directly responsible for day-to-day operations and who is vested with the representative authority.

Supervisory Board Members:
Giorgi Pailodze (ID 01026015523) – Chairman of the Supervisory Board
Giorgi Chiladze (ID 01008008277) – Supervisory Board Member
Gabriel Meliva (ID 01012024250) – Supervisory Board Member (Independent Member)
Levan Kulijanishvili (ID 03001000435) – Supervisory Board Member

General Meeting

The General Meeting is the supreme governing body of the Company and is authorized under Georgian law and the charter of the Company ("**Charter**") to pass resolutions on, among other things, the following issues:

- amendments to the Charter;
- increase of share capital;
- merger, division or transformation of the Company into another legal entity;
- approval of annual accounts;
- appointment and dismissal of the director;
- approval of the director's reports;
- acquisition, sale or encumbrance of real property;
- acquisition and sale of shares/ownership interests in companies and their liquidation;
- the making of investments (except the investments in the ordinary course of business of the Company) which exceed 10% of the latest year's book value of the Company;
- the taking loans/credits, the value of which exceeds the limits set by the partner or granting loans/credits that are outside the ordinary course of business; and
- other issues that fall within the competence of the General Meeting under law and the Charter.

According to the Charter, the General Meeting may be convened as necessary but must be held at least once every quarter. Partners who hold at least 5% of the ownership interest of the Company may request that the Director convene a General Meeting (currently one partner - Bank of Georgia owns 100% of the ownership interest). The Director shall immediately convene a General Meeting if it is in the best interest of the Company or it is expected that the Company may lose half of its capital.

The General Meeting is quorate if partners with more than 50% of the ownership interest are present at the meeting. The decisions at the General Meeting are adopted by simple majority, except approval of any amendments to the Charter that requires at least 2/3 of the votes cast at the General Meeting. According to the Charter, the General Meeting with participation of all partners of the Company must approve any decision the importance of which falls outside the ordinary course of the Company's business.

Supervisory board

The company's supervisory board consists of at least 3 (three) members. Members of the Supervisory Board are appointed and will be invoked by the partner. Each member of the Supervisory Board shall be elected for a term of four (four) years, but his / her authority shall continue until the appointment of a new member after the expiry of the term,. Recurring selection of a member of the Supervisory Board is unlimited. Prior appointment of board members according to partner's decision can happen at any time. Each member of the Supervisory Board may resign at any time based on a written request submitted to the Partner 30 (thirty) days in advance of resignation. No later than 3 (three) months after the member's resignation, a new member of the Supervisory Board shall be elected. Chairman of the Supervisory Board may not be the director of the company at the same time.

Giorgi Pailodze has become the Chairman of the Supervisory Board on 12th June 2019. Before that, this position was held by Vasil Khodeli who was also Deputy CEO of the Bank of Georgia in charge of Corporate Investment Banking.

Mr Pailodze has extensive experience in the global financial services sector, having worked for international and local banking institutions. Prior to joining the Bank, Mr Pailodze was a Vice President at Evercore, an investment banking advisory firm, where he was based in London (2017-2019) and New York (2015-2017). In his role at Evercore he provided strategic, debt and equity advice to corporate and private equity clients across a range of sectors. Prior to joining Evercore, Mr Pailodze spent two years in corporate and investment banking at Citigroup in New York. Mr Pailodze started his banking career in Georgia, where he held various managerial roles at TBC Bank and HSBC Bank Georgia.

Mr Pailodze received his MBA degree from Cornell University and his undergraduate degree in business administration from Caucasus School of Business.

The Supervisory Council sessions are held at least once a quarter. A notice / invitation shall be sent in written form along with an estimated agenda at least 8 (eight) days prior to the probable date of the meeting. Members of the Supervisory Board may hold a session defecting the timing of the notification, provided that all members unanimously agree to hold such a meeting and attend it. Attendance of all members at such a session shall be automatically considered as proof of their consent to hold the Supervisory Board Meeting defecting the timing of notification.

Objectives and Competence of the Supervisory Board:

• Supervisory Board controls the director's activities;

• The Supervisory Board may at any time request a report from the Director of the company.

• The Supervisory Board may monitor and verify the financial documentation of the company.

• The Supervisory Board shall examine annual reports, proposed distribution of profit and report to the partner;

• Appointment and dismissal of the director;

• The Supervisory Board shall be authorized to establish the Audit Committee (in accordance with the Law of Georgia on Securities Market);

• Establishment and liquidation of branches;

• Receive annual budget and long-term liabilities;

• Start new economic activities or terminate existing activities;

• Issuance of securities and / or decision making on permitting trade on the stock exchange;

Issuer’s directors

The company’s CEO is Eldar Akhvlediani. He has been holding the position of CEO of Georgian Leasing Company since April 1, 2015. He has 16 years of work experience in the banking sector, out of which, for over 11 years he was working on different positions at JSC Bank of Georgia. During the past 8 years, Eldar was leading the largest business sectors of Corporate Banking at JSC Bank of Georgia. His professional career covers the years when the banking sector has undergone the most important development stages, enabling him to get vast experience. Eldar holds degree in Banking and Finance, from Batumi Shota Rustaveli State University.

The Deputy General Director is Giorgi Jgharkava. He has been holding the position of Chief Commercial Officer at Georgian Leasing Company since May 15, 2015. He has been working in the banking sector since 2006, and from 2010 he was managing Credit, Retail and Corporate Banking Departments at JSC Kor Standard Bank. He also has successful experience in business consulting and strong skills in crisis management. In 2012, George Jgharkava received Master’s degree from Free University of Tbilisi and BP Project Management College. In 2014 he earned an M.B.A from Free University of Tbilisi and from 2019 he started distance learning in Madrid IE Business School on MBA.

The financial director of the company is Nestan Mikeladze from July 1, 2019. Nestan has 10 years experience in the financial sector. He worked at "Bank of Georgia" in the position of corporate banker from 2009 to 2013 and covered a number of important sectors. From June 2013 to June 2019, Nestan worked in JSC "Galt & Taggart" on the position of Investment Banker and Senior Associate Investment Banker at the Investment Banking Services Department. She has a Bachelor's Degree in Caucasus School of Business in 2008, where she studied since 2004.

Related party transactions

In accordance with IAS 24 ***Related Party Disclosures***, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

	2018		*2017*	
(000' GEL)	*Parent*	*Entities under common control*[7]	*Parent*	*Entities under common control*
Rent income from investment property	-	-	169	-
Commission income from insurance	-	-	-	195
Interest income from current accounts	119	-	-	58
Rent expense	58	-	168	35
Loans payable at 1 January	14,800	-	17,729	-
Loans received during the Year	15,217	-	13,497	-
Loan repayments during the Year	(12,805)	-	(4,083)	-
Loans contributed to Capital			(12,348)	
Other movements / other accruals/(payments)	10	-	4	-
Loans payable at 31 December	**17,222**	**-**	**14,800**	**-**
Interest expense on loans payable	1,392	-	1,512	-
Debt securities issued at 1 January	-	1,396	-	2,977
Debt securities issued during the year	-	518	-	18,136
Debt securities purchased during the year	-	(1,566)	-	(19,216)
Other movements	-	306	-	(500)
Debt securities issued at 31 December	**-**	**467**	**-**	**1,396**
Interest expense on debt securities issued	-	29	-	231
Amounts due to suppliers at 1 January	-	185	-	253
Origination during the year	-	-	-	2,140
Settlement during the year	-	(185)	-	(2,208)
Amounts due to suppliers at 31 December	-	-	-	185
Cash and Cash Equivalents	3,541	-	1,178	-

(000' GEL)	**2018**	**2017**
Salaries and cash bonuses	174	174
Share-based compensation	135	75
Total key management compensation	**309**	**249**

[7] Entities under common control include the member companies of BGEO group

Statement of Financial Position

Statement of Financial Position is presented below:

Consolidated Statement of Financial Position (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
ASSETS				
Cash and cash equivalents	4,608	1,278	3,541	1,178
Restricted cash	-	-	2,794	-
Finance lease receivables	94,164	48,333	88,081	45,424
Assets held for leasing purposes	13,130	10,292	11,115	9,446
Prepayments for assets held for leasing purposes	4,000	6,218	6,112	6,307
Property plant and equipment	767	447	750	413
Right of use assets	1,050	-	-	-
Investment property	2,764	2,745	2,754	2,745
VAT and other taxes payable	-	439	-	-
Other Assets	1,837	683	1,551	694
Total Assets	**122,320**	**70,435**	**116,698**	**66,207**
Liabilities				
Loans payable	58,686	24,897	55,292	20,179
Debt securities issued	38,138	23,953	36,941	26,151
Right of use liabilities	1,100	-	-	-
Advances from customers	1,216	1,473	2,606	1,160
Current income tax payable	-	-	54	-
VAT and other taxes payable	63	-	63	131
Other liabilities	872	923	1,098	893
Total Liabilities	**100,076**	**51,246**	**96,053**	**48,514**
Equity				
Charter capital	3,180	3,180	3,180	3,180
Additional paid-in capital	15,065	14,925	15,030	14,895
(Accumulated losses) / retained earnings	4,278	1,217	2,714	(250)
Other reserve	(279)	(133)	(279)	(133)
Total equity	**22,244**	**19,189**	**20,645**	**17,693**
Total liabilities and equity	**122,320**	**70,435**	**116,698**	**66,207**

Statement of Profit or Loss

Statement of Profit or Loss is presented below:

Consolidated Statement of Profit or Loss (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
Interest income				
Finance income from leases	5,705	2,814	16,001	9,827
Cash and cash equivalents	42	15	119	58
Interest expense				
Interest expense on ROUL	(20)	-	-	-
Loans payable	(1,131)	(390)	(2,505)	(1,568)
Debt securities issued	(669)	(457)	(2,261)	(2,386)
Net interest income	**3,927**	**1,982**	**11,355**	**5,931**
Impairment charge for interest earning assets	(110)	(191)	(932)	(712)
Impairment charge for other assets	-	-	(97)	-
Net interest income after impairment charge for finance lease receivables	**3,817**	**1,790**	**10,325**	**5,219**
Income from penalties on finance lease receivables	393	230	983	669
Rent income from investment property	-	42	84	169
Net loss on revaluation of investment property	-	-	19	257
Net loss from foreign currency translation	61	141	(556)	663
Other income	303	109	947	833
Operating income	**4,574**	**2,312**	**11,803**	**7,810**
Other general and administrative expenses	(2,470)	(1,311)	(7,100)	(3,761)
Salaries and other employee benefits	(556)	(315)	(1,855)	(1,208)
Write-off of assets held for leasing purposes	18	(3)	(464)	(986)
Operating expenses	**(3,008)**	**(1,629)**	**(9,419)**	**(5,955)**
Income before income tax expense	**1,567**	**683**	**2,384**	**1,854**
Income tax (expense)/ benefit	(2)	-	(54)	-
Net income for the year	**1,565**	**683**	**2,330**	**1,854**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	-	-
Unrealized gains on investment securities available-for-sale	-	-	-	(14)
Realized gains on investment securities available-for-sale	-	-	-	-
Income tax effect	-	-	-	-
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**(14)**
Total comprehensive loss for the year	**1,565**	**683**	**2,330**	**1,840**

Cash flow statement

Cash Flow Statement is presented below:

Consolidated cash flow statement (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
Cash flows from operating activities				
Interest income received	5,102	2,784	14,850	9,751
Other income received	737	446	2,135	1,507
Interest paid	(1,512)	(1,317)	(4,464)	(2,843)
Other general and administrative expenses paid	(2,298)	(1,151)	(6,736)	(2,891)
Salaries and other employee benefits paid	(427)	(285)	(1,799)	(1,175)
Cash flows from operating activities before changes in operating assets and liabilities	**1,602**	**477**	**3,986**	**4,348**
(Increase) decrease in operating assets				
Finance lease receivables	(5,499)	(4,928)	(43,467)	(12,704)
Assets held for leasing purposes	(1,995)	(868)	1,504	724
Prepayments for assets held for leasing purposes	2,074	132	215	(3,032)
Other assets	(301)	(26)	(877)	(419)
Increase (decrease) in operating liabilities				
Advances from customers	(1,484)	312	1,378	(918)
VAT and other taxes payables	(30)	(670)	(287)	(304)
Other liabilities	(236)	25	113	457
Net cash used in operating activities before income taxes	**(5,869)**	**(5,546)**	**(37,436)**	**(11,848)**
Cash flows from investing activities				
Purchase of property and equipment	(148)	(59)	(468)	(452)
Purchase of intangable assets	(28)	-	(147)	(49)
Net cash used in investing activities	**(176)**	**(59)**	**(614)**	**(501)**
Cash flows from financing activities				
Net movement in restricted cash	-	-	(2,794)	-
Debt securities issued	718	-	8,968	18,136
Debt securities purchased	-	-	-	(19,216)
Repayment of borrowings	(17,035)	(688)	(17,358)	(1,451)
Receipt of borrowings	20,694	6,438	51,303	14,920
Net cash from financing activities	**4,378**	**5,750**	**40,119**	**12,389**
Effect of exchange rate changes in cash and cash equivalents	(60)	(45)	294	462
Net (decrease)/increase in cash and cash equivalents	**(1,727)**	**100**	**2,364**	**502**
Cash and cash equivalents, beginning	6,335	1,178	1,178	676
Cash and cash equivalents, ending	**4,608**	**1,278**	**3,542**	**1,178**

Dividends policy

The company does not have declared and written dividends policy, in addition, from December 31, 2017 to March 31, 2019, the company did not declare and distributed dividends

Important Litigation Cases

1. Claimant: "Georgian Leasing Company" Ltd. Respondent: LLC TR Georgia Project 2 –claim amount: Compensation of the liability due for the filing date amounted to 5,389 thousand USD and 392 thousand USD compensation liability undue for the filing date. Originally lessor refused to return the subject of the lease contract and requested termination of the contract and demanded compensation of liabilities according to contract. However, with specified claim request Georgian leasing company refused before the court the demand for contract termination, remained in the contractual framework and demanded compensation of liabilities due and undue according to the contract. The company does not require a return of the lease subject with a specified claim. The claim was made to seize the defendant's immovable property as a measure of protection: In total USD 3,234 thousand. The case was already examined by the Court of First Instance and the decision was made on March 15, 2018 (the last major hearing of the Court was held on February 26, 2018, so the decision was made on that date), on which the company's claim was satisfied partially and the defendant was obliged to pay the obligation in favor of the company, which is as follows: the liabilities due – USD 5,518 thousand. The company's request for undue liabilities, based on only one of the contracts, was not satisfied, which is as follows: USD 262 thousand. The lessee has the obligation to pay on relevant dates in the schedule attached to the agreement. (The contract ends on November 26, 2018). The decision of the first instance court was appealed by both the respondent Party and the Company. We appealed about undue obligation. This was a strategic move because the obligation would be ondue at the stage when the Court of Appeals will consider the case. The process is not yet fixed at this stage. At the same time the process of settlement with the defendant is under way. The final offer from the company is 1,765,000 USD.

2. Claimant: "Georgian Leasing Company" Ltd: Respondent: "Georgian Metro Tourism" – Claim amount: USD 131 thousand, Request for Return of Lease Item, Basis for the claim - Violation of Terms of Agreement, The Case was considered at the Court of Appeal by the Respondent Party; Court of Appeal did not satisfy the demand of “Georgian metro tourism”, GLC is waiting for court to provide reasonable judgment. The decision is included in legal force but cannot be transferred to the enforcement proceedings, since the respondent party has liabilities in the amount of 1,611 thousand in the state, while the balance sheet does not accumulate any asset which allows public information. The execution would have resulted in additional enforcement costs for the company, which at this stage was not considered as reasonable cost. As soon as the situation is settled, the company addresses the execution;

At this stage against the company There is no dispute in the court.

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

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

Charter capital

The total charter capital of the Company amounts to GEL 3,180,000 (three million one hundred and eighty thousand).

The shareholder shall be responsible before the creditors of the Company up to the amount of unpaid contribution until full payment to the charter capital.

Shareholders may increase the charter capital. Any currency as well as other property and non-property contribution may be also contributed to the charter capital.

At time of founding the company or increasing the charter capital, contributions may be made in any currency. In the Company's books the amount shall be recorded in the national currency. Contribution may be represented in other property and non-property objects to be evaluated by an independent expert. A shareholder, who is obliged to make a contribution, shall be liable before the company for the value of non-property contribution it had at time of its registration

Rights and Liabilities of Shareholders

The Company has one shareholder JSC "Bank of Georgia"

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

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

Each shareholder has the right to receive a copy of the annual report and all publications of the Company. In addition, the shareholder is entitled to inspect the accuracy of the annual report and for this purpose to become familiar with the Company's books personally or through an independent expert and to demand explanations from the Company's departments after submitting the annual report but before approval of that report. If it is found out that the report is drawn up incorrectly, costs for inspection of the report shall be borne by the Company. These rights of control and inspection may be restricted only by the law "on entrepreneurship".

The shareholder has full and unrestricted authority to dispose its own share (or a part of it) held in the Company (including unrestricted right to sell, donate, exchange or pledge it).

The shareholder is entitled to, by permission of the General Meeting of Shareholders, totally or partially give own share (or a part of it) to one or more shareholders of the Company or to the third person. The shareholder shall, together with transferring own share (or a part of it) in charter capital to the third person, transfer all his/her rights and obligations attributable to such share;

Shareholders shall have pre-emptive right to redeem share (or a part of it) transferable by the shareholder pro rata to their share in charter capital.

The shareholders is entitled to participate in distribution of profit and receive dividends pro rata the share held by hi/her.

It is not permitted to purchase own shares.

Shareholders holding 5% of the charter capital are entitled to convene the general meeting of shareholders with indicating purpose and basis of this meeting.

Shareholders shall collectively monitor the Company management.

The General Director, at the shareholder's request, should promptly provide him/her with information about the Company's activity and allow reading Company's books and records.

The shareholder has an obligation not to disclose confidential information regarding the Company's activity and not to infringe the reputation of the company by its actions or inaction.

Audit committee

The audit committee shall be formed by the supervisory board. The main functions of the audit committee include facilitation of activities of internal audit and external auditors. The audit committee comprises of three members, who are appointed by the supervisory board. At least one independent supervisory board member shall be elected to the audit committee. All other members of the audit committee are also appointed by the Company supervisory board.

Rights and obligations of the audit committee are as follows:

- Set the internal accounting, financial reporting and control rules, supervise the compliance with such rules;
- Supervise the compliance of the Company with the applicable laws;
- Approve the regulations governing the Company's internal audit services and ensure the functioning of the internal audit service of the Company;
- Ensure the independence of the internal audit service from the supervisory board and the management board;
- Approve the quarterly reports, audit evaluation and recommendations of the internal audit service;
- Supervise the activities of the internal audit;
- Approve the annual operations plan prepared by the internal audit service;
- Meetings of the audit committee shall be held at least once a quarter. In extraordinary cases, a meeting may be convened upon the request of the supervisory board.
- The audit committee passes resolutions by a simple majority of votes. The attending members do not have the right to abstain from voting.
- The audit committee is presided over by the chairman of the committee who is elected by the supervisory board.

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

In the registration document the following documents are mentioned:

- Audited financial statements - 2017 and 2018 years
- The company's charter
- Agreement between the placement agent and the Issuer
- Agreement between the Bondholders Representative and the Issuer
- Agreement between the payment and the calculation agent and the issuer
- Movable assets assessment report made by "Georgian Valuation Company"
- Real estate assessment report made by "Georgian Valuation Company"

Overview of the Bonds

Statement about Working Capital needs

Company's working capital (Short term assets minus Short term liabilities) by 31 march on 2019 was 31,375 thousand GEL (31/12/2018: 30,358 thousand GEL), which is enough to finance the current operations of the company. Company's current and quick ratios are stable, respectively, 1.85 and 1.50 were as of 31 march 2019 (31/12/2018: 1.81 and 1.51).

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

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

Terms and Conditions of the Bonds

The issue of up to USD 10,000,000 bonds, with maximum coupon rate 8% and maturity of 2 years was authorised by a resolution of the supervisory board of the Company passed. The Bonds and the Bondholders' rights are governed by the Prospectus, including without limitation these Terms and Conditions and by the Agreement on Terms and Conditions of the Bonds between the Issuer and Nodia, Urumashvili and Partners LLC, as the Bondholders' Representative dated June 28, 2019 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Overview of the Offering*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement.

Copies of the Agreement are available for inspection during usual business hours at the principal office of the Bondholders' Representative: at Nodia, Urumashvili and Partners LLC, Office No. 28, 4th Floor, 71 Vaja-Pshavela Ave, Tbilisi 0186, Georgia and at the offices of the Issuer: 3/5 Tatishvili Street, Tbilisi 0179, Georgia. In addition to the Prospectus, including these Terms and Conditions, the Bondholders (as defined below), and in certain cases (envisaged by the Prospectus, including these Terms and Conditions), the Nominal Holder of the Bonds, are entitled to the benefit of, are bound by, and are deemed to be subject to the relevant terms of the provisions of the Agreement and such terms apply to them. In Particular, by acquiring the Bond(s) a Bondholder consents and agrees that it is entitled to the benefit of the covenants set forth in Condition 5 of these Terms and Conditions and in Clause 6 of the Agreement (the "**Covenants**") and it will enjoy the rights and obligations deriving from performance, partial performance and/or non-performance of such Covenants only on the condition that it authorizes the Bondholders' Representative to act on its behalf in respect of such Covenants pursuant to Condition 4(a) of these Terms and Conditions. Accordingly neither a Bondholder nor a Nominal Holder has the right to act directly against the Issuer for breach of any of these Covenants and only the Bondholders' Representative may take action against the Issuer in respect of breach of such Covenants, except as provided in Condition 12 of these Terms and Conditions.

1. FORM, SPECIFIED DENOMINATION AND TITLE

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

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

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

(a) Bond Offering Process

The Placement Agent carries out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement Agent and/or its authorized intermediary/intermediaries are entitled to send the approved Prospectus to potential investors.

Following approval of the Prospectus by the National Bank of Georgia, the Issuer carries out the public offering of the Bonds in accordance with Georgian law. The Issuer will publish a notice on offering of Bonds on its web-site. The Issuer, the Placement Agent and/or a financial intermediary(ies) involved in the placement process provide to potential investors, in accordance with their preference, electronic link to the Prospectus, its scanned or printed version. The final Prospectus is provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

Potential investors may express interest of purchasing Bonds by submitting an application/notice to the Placement Agent. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agent. The deadline for accepting the application(s) for Bonds is determined unilaterally by the Placement Agent. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

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

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand is being satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing Bonds. The Placement Agent must be notified of such decision immediately (no later than 2 pm Tbilisi time of the Business Day following the day when the investor was informed of correction of its application (with respect to the number of Bonds). Failure to notify the Placement Agent of such decision entitles the Placement Agent, at its discretion, to continue to consider the initial application of the investor (with respect to full number of Bonds requested), or refuse the application.

Following completion of the book-building process, the Placement Agent makes an announcement on completion of the offering and notifies those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the final interest rate to be accrued on the Bonds and the number of Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of the completion of the offering, the applications of the potential investors that have been satisfied are irrevocable and binding upon such investors ("**Subscribing Investors**").

The issues and/or the agent are empowered to issue the bonds at the deferred 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 price. The investors are allowed to express interest to acquire the deferred bonds by informing the Placement agent. 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 agent.

Subscribing Investors and those investors, who acquire the bonds at the deferred date (mentioned below as “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 issue date. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer delivers the purchased Bonds to the same brokerage account either on the Issue Date or the deferred issue date. In exceptional cases, the Placement Agent may at its discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Subscribing Investor’s brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorized Nominal Holder.

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 total number of bond, defined by final prospectus, will not be placed by the end of offering date, unpublished bonds shall be annulled (canceled) and the issuer of bonds should provide national bank of Georgia with information about published bonds and stock exchange – if securities are permitted to stock exchange and will announce it in accordance with Georgian legislation.

Changes during Public Offering

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

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

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

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

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

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

(b) Disposal of the Bonds

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

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

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

5. COVENANTS

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

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

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

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

(c) **Mergers**:

(I) The Issuer shall not, without the prior written consent of the Bondholders' Representative, (x) enter into any reorganisation (whether by way of a merger, division, or transformation to another legal form) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

i. immediately after the transaction referred to in (x) or (y) above:

(A) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume in form and substance satisfactory to the Bondholders' Representative, executed and delivered to the Bondholders' Representative, all the rights and obligations of the Issuer under the Bonds and the Agreement; and

(B) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

ii. no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom.

iii. the relevant transaction referred to in (x) or (y) above does not result in a material adverse effect.

(II) The Issuer shall procure that no Material Subsidiary shall, without the prior written consent of the Bondholders' Representative (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries' properties or assets, unless, in any case:

(i) immediately after the transaction referred to in (x) or (y) above:

(A) such Material Subsidiary shall be the Successor Entity; or

(B) the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

ii. no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

iii. the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(III) Notwithstanding the foregoing, any Material Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of related transactions, all or substantially all of its assets to the Issuer or another Subsidiary of the Issuer (which after such transaction will be deemed to be a Material Subsidiary for purposes hereof).

(IV) This Condition 5(c) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) the leasing, sale and disposal of assets in the ordinary course of conducting its business and operations, or (iii) 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 does not, at any time, exceed 80 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.

(d) **Disposals**: Except as otherwise permitted by these Conditions and without prejudice to the provisions of Condition 5(c) (*Mergers*) and Condition 5(e) (*Transactions with Affiliates*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or assets, unless (i) each such transaction is on arm's-length terms for Fair Market Value; and (ii) with respect to any such transaction providing for a disposal of assets constituting more than 10 per cent. of the total consolidated assets of the Issuer determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the disposal, provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (iii) the leasing, sale and disposal of assets in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues does not, at any time, exceed 80 per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period.

(e) **Transactions with Affiliates**:

(i) The Issuer shall not, and shall ensure that none of its Material Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including inter-company loans, unless the terms of such Affiliate Transaction are (taking into account the standing of the relevant Affiliate) no less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or any of its Material Subsidiaries.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 5 per cent. of the total consolidated assets of the Group determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Bondholders' Representative a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer or the relevant Material Subsidiary, as the case may be.

(iii) The following items shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:

(A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;

(B) transactions between or among the Issuer and its wholly-owned Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Issuer;

(D) Any loans or other form of financing from any direct or indirect shareholder(s) of the Issuer made available on the arm's length basis for the purpose of financing operations; and

(E) Any insurance contracts with Affiliates made available on the arm's length basis for the purpose of insuring the operations/assets of the Issuer.

(f) **Payment of Taxes and Other Claims**: The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or cause to be paid, before the same shall become overdue all Tax levied or imposed upon, or upon the income, profits or property of, the Issuer and/or its Material Subsidiaries, provided that for the purposes of this Prospectus neither the Issuer nor any Material Subsidiary shall be required to pay or cause to be paid any such Tax or similar claims (a) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (b) the amount of which, together with all such other unpaid Tax or similar claims, does not in the aggregate exceed US $500,000 (or equivalent).

(g) **Restricted Payments**: The Issuer shall not, and shall procure and ensure that each of its Subsidiaries will not, (a) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a pro rata basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any shares or share capital of the Issuer or, prior to scheduled maturity or scheduled repayment, subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if:

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

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

(a) 50 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2018 and ending on the last day of the immediately preceding fiscal year or semi-annual financial period; and

(b) 100 per cent. of the aggregate net cash proceeds received by the Issuer subsequent to 31 December 2018 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2017 of any Indebtedness of the Issuer into or for share capital of the Issuer; or

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

(i) any Indebtedness, provided that total Indebtedness of the Group excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time exceed 90% (ninety per cent) of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; and

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

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

(i) **Financial Information**:

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

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

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

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

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

6. INTEREST

Each Bond bears interest from and including the Issue Date at the annual rate within the range indicated in – "*Overview of the Offering*" (*see, pg.1*). The final interest rate is determined pursuant to Condition 2(a) ("*Bond Offering Process*") and will be reflected in the final Prospectus. The interest is payable semi-annually in arrears on February 7th and August 7th each year (each an "**Interest Payment Date**"), commencing on the February 7th 2020. Each Bond will bear interest until the due date for redemption unless payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

If interest is required to be calculated for a period of less than one year/a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 365-day year.

The period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

7. REDEMPTION AND PURCHASE

(a) **Redemption**: The Issuer may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31st of January 2022. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

(b) **Redemption for Taxation**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders and Nominal Holders who are registered at the Register (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Bondholders' Representative immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts of Tax related to the Bonds as a result of any change in, or amendment to, the laws or regulations of Georgia, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

(c) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

8. PAYMENTS

(a) **Method of Payment**:

(i) Principal and interest on each Bond shall be paid to the Bondholders and Nominal Holders as recorded in the Register at the close of business (06.00 PM) 3 Business Days before the due date for payment thereof (the "**Record Date**"). Payments shall be made by bank transfer in Georgian Lari to the bank account for such Bondholders and Nominal Holders as recorded in the Register on the Record Date. The Bondholders and Nominal Holders recorded in the Register shall procure that the Registrar has updated, complete and correct information regarding their respective bank account details where any payments pertaining to the Bonds shall be made. None of the Issuer, the Registrar nor the Calculation and Paying Agent shall be responsible for non-payment of any amount due if the Bondholder or Nominal Holder (as the case may be) has failed to provide its bank account details to the Registrar, or to update its bank account details as of the Record Date, as requested by the Issuer or the Registrar for its receipt of payments.

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

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

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

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

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

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

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

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

9. TAXATION

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

10. EVENTS OF DEFAULT

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

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

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

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

(d) **Insolvency**:

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

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

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

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

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

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

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

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

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

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

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

A resolution in writing signed by or on behalf of the Bondholders who for the time being hold 75% or more of the outstanding Bonds will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

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

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

12. ENFORCEMENT

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

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

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

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

14. NOTICES

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

15. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) 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;

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

(f) 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;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. GOVERNING LAW AND JURISDICTION

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

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

Price Setting

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

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand is being satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing Bonds. The Placement Agent must be notified of such decision immediately (no later than 2 pm Tbilisi time of the Business Day following the day when the investor was informed of correction of its application (with respect to the number of Bonds). Failure to notify the Placement Agent of such decision entitles the Placement Agent, at its discretion, to continue to consider the initial application of the investor (with respect to full number of Bonds requested), or refuse the application.

Following completion of the book-building process, the Placement Agent makes an announcement on completion of the offering and notifies those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the final interest rate to be accrued on the Bonds and the number of Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of the completion of the offering, the applications of the potential investors that have been satisfied are irrevocable and binding upon such investors ("**Subscribing Investors**").

Placement of the Bonds

The issuer and/or the agent are empowered to issue the bonds at the deferred 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 price. The investors are allowed to express interest to acquire the deferred bonds by informing the Placement agent. 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 agent.

Subscribing Investors and those investors, who acquire the bonds at the deferred date (mentioned below as “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 issue date. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer delivers the purchased Bonds to the same brokerage account either on the Issue Date or the deferred issue date. In exceptional cases, the Placement Agent may at its discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Subscribing Investor’s brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorized Nominal Holder.

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 total number of bond, defined by final prospectus, will not be placed by the end of offering date, unpublished bonds shall be annulled (cancelled) and the issuer of bonds should provide national bank of Georgia with information about published bonds and stock exchange – if securities are permitted to stock exchange and will announce it in accordance with Georgian legislation.

Listing and Admission to Trading

The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange

Taxation of the Bonds in Georgia

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

Withholding Tax on Interest

Pursuant to the Tax Code of Georgia, interest paid to Bondholders (resident or non-resident individuals and non-resident legal entities) will be subject to withholding tax at the source of payment at the rate of 5%. Further, the above-mentioned interest taxed at source shall not be included by a recipient resident individual in his gross income.

Payments of interest on Bonds will be exempt from withholding tax and such payments of interest will not be included in the joint taxable income of Bondholders If the Bonds are issued by a resident legal entity by public offering before January 1, 2023 and allowed to be traded on an organized market recognized by the National Bank of Georgia (listing A or B category of the stock exchange)

The interest accrued on the Bonds is exempt from the income tax from the source and it shall not be considered in the joint income of the bond holder if the bonds are issued by the resident of Georgia and allowed to trade in a foreign country recognized stock exchange.

Interest paid to Bondholders that are companies 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%.

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, wchich 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 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 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 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. (15% 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 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 two calendar years and not use them in economic activity.

Tax on Payment of Principal

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

Value Added Tax

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