Limited Liability Company

“Georgian Water and Power“

(Identification Code: 203826002)

Preliminary Prospectus

IMPORTANT INFORMATION FOR THE INVESTORS:

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

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

Limitation of the liability:

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

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

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

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

The investor’s representation: The attached Prospectus is delivered to the prospective investor at his request and on the basis that the investor has confirmed to JSC Galt& Taggart (the "**Placement Agent**") and Georgian Water and Power LLC (the "**Company**" or the "**Issuer**") that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of

1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

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

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

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

Approved by the National Bank of Georgia

on – DATE 2015

Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

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

---

Limited Liability Company

"Georgian Water and Power"

(Identification Code: 203826002)

Preliminary Prospectus

Up to GEL 5,000,000 (five million) Bonds with interest (coupon) rate 12%-14% per annum. The Bonds mature in 2 years from the date of their issue and placement. The nominal value of each Bond is GEL 1,000 (one thousand). Issue price: 100% of the nominal value.

This Prospectus (the "**Prospectus**") is prepared by **Georgian Water and Power LLC**, incorporated in Georgia under the laws of Georgia on 25 June 1997, Company Number: 203826002, legal address M. Kostava 1st Lane #33, Tbilisi, Georgia ("**Company**" or the "**Issuer**").

This Prospectus is prepared in relation to issuance of 5,000 (five thousand) coupon Bonds (debt securities with fixed interest rate) of the Company. The nominal value of each Bond is GEL 1,000 (one thousand Georgian Lari); annual interest (coupon) rate from 12% up to 14% per annum of the nominal value. Final interest (coupon) rate will be fixed in the book-building process while offering the Bonds to the prospective investors (see "*Terms and Conditions of the Bonds*" Condition 2(a) "*Bond Offering Process*" on pg. 57). The interest will accrue on the Bonds from the Bond Issuance and Placement Date until the Maturity Date. The interest on the Bonds will be paid semi-annually on the dates specified in the "*Overview of the Offering*" (*see, pg. 1*). First payment of the interest will be made on February 17th 2016. The Bonds will be redeemed at the principal amount together with the accrued and unpaid interest (if any) on August 17th 2017. the Company may redeem the Bonds in whole, but not in part, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (b) – "*Redemption for Taxation*").

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

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

As soon as possible after placement of Bonds but no later than October 17th 2015, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE.

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

This Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances. The Issuer will notify the investors about such alterations and additions in accordance with the legislation. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia. Offering of the Bonds described in this Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful. The Bonds have not been and will not be registered in any other country (other than Georgia). The Bonds have not been, and will not be registered under the United States Securities Act of 1933, as amended ("**US Securities Act**") or any US state securities laws, and except pursuant to the concrete exemptions envisaged by the US Securities Act, it is prohibited to sell, offer to sell or supply the Bonds in the United States.

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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS vi

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION vii

OVERVIEW OF THE OFFERING 1

RISK FACTORS 6

USE OF PROCEEDS 18

CAPITALISATION AND INDEBTEDNESS 19

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION 20

MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND OPERATING RESULTS 22

REGULATION 40

POLICIES AND PROCEDURES 43

RISK MANAGEMENT 48

MANAGEMENT AND EMPLOYEES 51

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS 55

TERMS AND CONDITIONS OF THE BONDS 57

TAXATION OF THE BONDS IN GEORGIA 77

GENERAL INFORMATION 80

INFORMATION ON THE ISSUER, PLACEMENT AGENT, BONDHOLDERS' REPRESENTATIVE, REGISTRAR AND OTHER PARTIES 81

FORWARD-LOOKING STATEMENTS

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

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

1.1. Financial Information

The audited financial statements of the Company as of and for the years ended, 2012, 2013 and 2014 included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations. The Financial Statements were audited by the Company's independent auditors, PWC Georgia branch ("**Auditor**"), in accordance with International Standards on Auditing ("**ISA**"). Unless otherwise indicated, the financial information presented herein is derived from the annual Financial Statements.

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

1.2. Market, Industry and Economic Information

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

1.3. General Information

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

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

1.4. Currency and Exchange Rates

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

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

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

	High	Low	Average	Period End
	(Lari per US dollar)			
2014	1.953	1.724	1.766	1.864
2013	1.738	1.635	1.663	1.736
2012	1.675	1.619	1.651	1.657
2011	1.811	1.639	1.686	1.670
2010	1.888	1.693	1.783	1.773

Source: NBG

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

	High	Low	Average	Period End
	(Lari per US dollar)			
May 2015	2.364	2.255	2.323	2.311
April 2015	2.309	2.235	2.258	2.309
March 2015	2.229	2.108	2.191	2.228
February 2015	2.264	1.993	2.087	2.165
January 2015	2.058	1.878	1.941	2.056

Source: NBG

OVERVIEW OF THE OFFERING

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

The Offer	Offering of GEL 5,000,000 debt securities (Bonds) due on August 17th 2017;
Issuer	Georgian Water and Power LLC (Company Number: 203826002)
Security	Coupon bond (fixed rate interest bearing security)
Nominal Value	GEL 1,000 (one thousand Georgian Laris)
Number of Bonds	5,000 (five thousand)
Total Issue Price	GEL 5,000,000 (five million Georgian Laris)
Interest (coupon)	The Bonds will bear interest at the rate in range of 12%-14% per annum including applicable taxes. Final interest (coupon) rate will be fixed following the book-building and will be reflected in the final prospectus
Issue Price	100% of the principal amount (nominal value) of the Bonds
Minimum placement lot	10 bonds (ten thousand Georgian Laris)
Minimum Placement Amount	GEL 2,500,000 (two million five hundred thousand Laris) corresponding to the minimum number of 2,500 (two thousand five hundred) of Bonds which are to be issued and placed on the Bond Issuance and Placement Date. The Issuer will not issue the Bonds, or to the extent issued, will revoke any Bonds and return the payments made by the Bondholder(s) for the purchase of the Bond(s), if the Minimum Placement Amount is

	not subscribed for and placed by the Bond Issuance and Placement Date
Deferred Placement Price	100% of the principal amount (nominal value) of each Bond plus the amount equivalent to the Interest accrued on the Bond issued on the Bond Issuance and Placement Date until the Bond Deferred Placement Date
Bond Deferred Placement Date	Any date after the Bond Initial Issuance and Placement Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Offering Completion Date	September 17th, 2015 when offering and issuance of the Bonds will be completed
Bond Issuance and Placement Date	The Bonds will be issued and placed on August 17th, 2015
Maturity Date	The Bonds will be redeemed on August 17th, 2017 at the principal amount together with the accrued and unpaid interest (if any)
Placement Agent	JSC Galt & Taggart (Identification Code: 211359206)
Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)**
Calculation and Principal Paying Agent	JSC Bank of Georgia (Identification Code: 204378869)
Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374)
Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the Bond Issuance and Placement Date until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable semi-annually. First payment of the interest will be made on February 17th, 2016
Status and Ranking of the Bonds	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst themselves. The Bonds shall, save for such exceptions as may be

	provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Company
Form of the Bonds	The Bonds will be issued in dematerialized registered form. The Ownership interest in Bonds will be shown in the Register maintained by the Registrar and in registries maintained by Nominal Holders of the Bonds (as defined in the "*Terms and Conditions of the Bonds*"), and transfers of the Bonds shall be effected only through corresponding entries in the respective registries
Cancellation / Redemption	Upon agreement with the Bondholder(s), the Company may cancel the Bond(s) prior to their maturity by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of cancellation**.** In addition, in certain cases, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time upon giving notice to the Bondholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia *(see "Terms and Conditions of the Bonds", Condition 7 (b) – "Redemption for Taxation")*
Negative Pledge and Other Covenants	Pursuant to the Terms and Conditions of the Bonds, the Issuer is subject to restrictions on the pledge of its assets except for certain Permitted Security Interests, and to other restrictions on the conduct of its business, disposal of assets and finances (See, "*Terms and Conditions of the Bonds*", Condition 5 (*Covenants*))
Event of Default	If an Event of Default has occurred, the Bondholders' Representative (and in certain circumstances, Bondholders and/or Nominal Holders) may give notice that the Bonds are, and the Bonds shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Bonds* - Condition10 (*Events of Default*)".
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any applicable Georgian withholding tax.

Use of Proceeds	The net proceeds received by the Company from the issuance of the Bonds will be used for capital expenditures. See "*Use of Proceeds*".
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds, but not later than October 17th, 2015.
Selling Restrictions	The offer and sale of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Risk Factors	Prospective investors shall consider carefully all the information set forth in this Prospectus and, in particular, the information set forth under "*Risk Factors*" before making a decision on investment in the Bonds
Contact Information of the Issuer	Georgian Water and Power LLC (Identification Code: 203826002) Address: M. Kostava 1st Lane #33, Tbilisi, Georgia; Tel: (995 32) 293 11 11; E-mail: gtskhadadze@gwp.ge
Contact Information of the Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 7 Chavchavadze Ave. 0179 Tbilisi, Georgia; Tel: (995 32) 244-4681; E-mail: ikirtava@bgcap.ge
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)** Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11

	Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Security Codes (ISIN) ……………………………………………………………………	Security code will be assigned by the National Bank of Georgia after submission of the final Prospectus

RISK FACTORS

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

1.1. Macroeconomic Risks and Political Risks Related to Georgia

Difficult global economic conditions have had, and may continue to have, an adverse effect on the Company

As described in more detail below, the Company conducts its operations in Georgia. Nevertheless, the Company's business and performance are affected by global macroeconomic and market conditions. In 2008, the global economy entered the most severe downturn in 80 years, with the financial services industry facing unprecedented turmoil. A shortage of liquidity, limited funding opportunities, pressure on capital, deteriorating asset quality and significant price volatility across a wide range of asset classes put financial institutions under considerable pressure. Many developed economies entered into recession, and growth slowed in many emerging economies, including Georgia.

The financial crisis had a number of negative effects, including an erosion of trust in financial institutions, increased currency volatility, greater counter-party risk and the risk of systemic failures. This has caused disruptions in financial markets worldwide, leading to liquidity and funding difficulties in the international banking system. Access to capital, the credit markets, foreign direct investment ("FDI") and other forms of liquidity has been significantly impaired. The financial crisis has also had a significant adverse effect on the valuation of assets and the capital position of many financial institutions globally.

Despite the fact that global activity in 2015 will receive a boost from lower oil prices, which is largely driven by higher supply, this boost is projected to be more than offset by other negative factors, including investment weakness as medium-term growth expectations continue to be crumbly. Downside risks still remain: There are major concerns for economic prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projection is promising. Emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters, face shifts in sentiment and volatility in global financial markets. Stagnation and low inflation are still concerns in the euro area and in Japan. The main regional risk stems from protracted Russia-Ukraine crisis and prolonged EU-USA sanctions on Russia, which would adversely affect exports and remittances among Georgia’s major trading partners. As these risks continue to dominate, the global economy and Georgia may face market turmoil and external vulnerabilities. These developments have created an unfavorable environment globally and in Georgia and could have a material adverse effect on the Company.

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

Georgia, which is bordered by Russia, Azerbaijan, Armenia and Turkey, could be affected by further political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes with Abkhazia, the Tskhinvali region, and Russia since the restoration of its independence. These disputes have led to sporadic violence and breaches of peace-keeping operations. Most recently, in August 2008, the conflict in Tskhinvali escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war (the "**2008 Conflict**"). Although Georgia and Russia signed a French-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russian troops continue to occupy Abkhazia and the Tskhinvali region and tensions continue. Russia has indicated that it views as hostile the eastward expansion of the North Atlantic Treaty Organization (NATO) (potentially including ex-Soviet republics such as Georgia). Russia recently signed agreements with Georgia’s breakaway regions on further cooperation which may further jeopardize Georgia-Russia relations. Furthermore, Russia-Georgia relations may further deteriorate in the context of the signed Association Agreement between Georgia and the European Union (the “**EU Association Agreement**”) including the Deep and Comprehensive Free Trade Agreement ("**DCFTA**"), which envisages a free trade regime with Europe. The EU Association Agreement will offer the potential of closer Georgian economic integration with the EU provided that Georgia adjusts certain elements of its legal, judicial and economic systems to meet EU standards. There can be no assurance that Georgia will be able to meet these standards and realize the potential economic benefits of closer integration with the EU.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is still ongoing. The US and EU imposed sanctions on various Russian and Crimean officials and against Russia, including several Russian banks and companies. The political instability of Ukraine, as well as any prolonging or further escalation of the conflict between Russia and Ukraine, a significant decline in the Russian economy due to the sanctions, continued oil price drop accompanied by sharp currency depreciation or wider uncertainty and/or the increased level of regional, political and economic instability, and any future deterioration or worsening of Georgia’s relationship with Russia, may have a negative effect on the political or economic stability of Georgia, which could, in turn, have a material adverse effect on Company's business, results of operations and/or prospects.

In addition, relations between Georgia's neighbors Azerbaijan and Armenia remain tense, and there are sporadic instances of violence between these two countries. Such incidents have recently increased.

In addition to the above, major changes in Georgia's relations with Western governments and institutions, in particular in terms of national security, in its importance to Western energy supplies, in the amount of aid granted to Georgia, and in the ability of Georgian manufacturers to access world export markets may also have a negative impact on the stability of Georgia, which in turn could have a material adverse effect on the Company.

As the Company operates only within Georgia, its success is dependent on a number of economic, political and other factors affecting Georgia that are beyond its control

Macroeconomic factors relating to Georgia, such as gross domestic product (GDP), inflation, interest rates and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on profit/loss, margins and customer demand for the Company's products and services, which materially affects the Company's business, financial condition and operating results.

Georgia's main economic activities include tourism, transit services, trade, agriculture, mining, metals, and chemicals. According to Geostat, the country's real GDP grew by 5.9% in 9M14, however deterioration in external environment significantly weighed on economic activity in 4Q14 as exports dropped, remittances fell and tourist arrivals were moderate. Driven by adverse external factors 2014 real GDP growth was 4.8% and Lari depreciated by 7.3% against dollar in 2014. As weaker external demand (exports fell by 27.7% y/y in 1Q15) will further jeopardize external accounts Georgia faces significant downside risks to growth outlook, including risks to exchange rate, financial stability, inflation, budget execution and capital flight.

Market turmoil and economic deterioration in Georgia could also have a material adverse effect on the liquidity, businesses or financial condition of the Company's clients, which could, in turn, result in decreased demand for the Company's products. In such an environment, consumer spending may decline. Any of these conditions could have a material adverse effect on the Company.

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

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of the Lari into other currencies, but it is limited in size. According to NBG, in 2014, the total volume of trading turnover in the Lari-US dollar and Lari-Euro markets (excluding the activities of the NBG) amounted to US$ 26.3 billion and €7.8 billion, respectively. According to the NBG, it had US$ 2.5 billion in gross official reserves as of 31 March 2015. While the Government has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of the currency market 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, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari-US dollar exchange rate following the Russian financial crisis of August 1998, following the 2008 Conflict, and at the end of 2013, triggered by increased Government spending and the tapering of quantitative easing in the US and at the end of 2014 driven by weaker external environment and stronger dollar. While the Lari generally appreciated against the US dollar and other major international currencies from 2001 to 2008, it then generally depreciated against the US dollar and other major international currencies until February 2011, when it began to appreciate again. In November 2008, the NBG devalued the Lari by 16.1%, a measure aimed at alleviating the negative impact of the global financial crisis on the Georgian economy. The Lari was generally stable in 2012 and in the first 10 months of 2013.

With Federal Reserve tapering and increased Government spending, the Lari depreciated against the US dollar by 6.6% between November 2013 and January 2014. From mid-February 2014 till mid-November 2014 Lari remained broadly stable against the dollar, however external factors and stronger dollar prompted Lari depreciation by the end of 2014. Lari lost 7.3% of its value in 2014 and up to 20% in January-April 2015. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other hard currency inflows. Any failure to control these factors, or a major depreciation or further devaluation of the Lari, could adversely affect Georgia's economy. According to Geostat estimates, annual inflation in Georgia, as measured by the end-of-period consumer price index ("**CPI**")was 2.0% in 2014, 2.4% in 2013, -1.4% in 2012 and 2.0% in 2011. Inflation continued to rise at the beginning of 2015, reaching 1.4% in January 2015 with core inflation increasing by 3.2%. According to the NBG, inflation will pick up from the second half of 2015. High and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these eventualities could lead to a deterioration in the 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 an adverse effect on the local economy and the Company

Since the restoration of its independence in 1991, Georgia has experienced an ongoing substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy. Following the peaceful "Rose Revolution" uprising in November 2003, Mikheil Saakashvili served as President of Georgia from January 2004 and until 17 November 2013. In the Georgian parliamentary elections held on 1 October 2012, the then-oppositional Georgian Dream coalition led by Bidzina Ivanishvili won a majority of seats (54.97%) and then-President Mikheil Saakashvili's governing party admitted defeat, thus leading to a transfer of power in Georgia through competitive and universally accepted elections. Following the parliamentary elections, Ivanishvili was elected as the Prime Minister by the Georgian parliament. In the presidential elections held on 27 October 2013, Giorgi Margvelashvili, candidate of the governing Georgian Dream coalition was elected president. Pursuant to a previous announcement, in November 2013 Ivanishvili stepped down and Irakli Gharibashvili, Ivanishvili's close ally and a member of the Georgian Dream coalition was nominated to succeed Ivanishvili and was confirmed by the Georgian parliament on 20 November 2013. In July 2014 ruling Georgian Dream coalition also won local elections, thus gaining majority at both central and local levels.

The Georgian Dream coalition is generally seen to be business and investor friendly and to date has remained committed to major economic and fiscal policies designed to liberalize the Georgian economy. At the same time, however, various legislative initiatives discussed in the Georgian parliament have been subject to criticism by the business community, including the imposition of the moratorium imposed on foreign ownership of agricultural land, recently initiated law on labor migration and intention to launch labor inspection.

While Georgia has introduced policies oriented towards the acceleration of political and economic reforms, there can be no assurance that current Government policies or economic or regulatory reforms will continue at the same pace or at all. Georgia faces several challenges, including an improving but still tense relationship with Russia and the need to implement further economic and political reforms. Political instability in Georgia could have negative effects on the economy, which could have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

1.2. Risks Related to the Company's Activities

Contamination of water, either from man-made sources or from naturally-occuring compounds may result in the interruption of service and/or exposure of humans to hazardous substances.

The Company's main water source, Zhinvali Reservoir, is located in Dusheti region Reservoir might be subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Even though the Company monitors water quality on daily basis, any possible contamination due to factors beyond the Company control would force the Company to interrupt water supply; supplying water from alternative sources, would increase operational costs. Treatment of contaminated water can also involve unplanned expenses which could adversely affect the Company's profitability. Additionally the Company could be held liable for consequences arising from an exposure of humans to hazardous substances.

If Company is unable to substitute water supply in an efficient manner, or recover costs associated with the treatment of contaminated water timely, financial performance, cash flow and liquidity of the Company would be adversely affected. Additionally the Company may be held liable for environmental damage and other consequences arising from the exposure of humans to hazardous substances and may become subject to civil or criminal enforcement actions, private litigations and clean-up obligations which would result in financial and reputational damage.

Weather conditions, availability of water and natural hazards can affect the Company's ability to supply water to customers

Amount of water in the main reservoir and in the groundwater storages depend on weather conditions. During drought period demand on water is high while available amount of water is less and vice-versa during rainier period demand on water decreases and amount of available water increases. Lack of water in reservoir may lead to extra costs for securing additional water sources, like collecting water from groundwater storages; while excess amount of water in reservoir increases operating cost associated with water purification.

Moreover, bad weather conditions can affect electricity business of the Company as well. Water from main reservoir supports electricity generation; generated electricity is used internally and sold to third parties. In the event of insufficient water level the Company may not be able to generate enough electricity and may be forced to purchase electricity externally. This would result in increased operating expense.

Dusheti region, where main water reservoir is located, is exposed to natural disasters, such as earthquake, landslides etc. As a result the Company may face unforeseen expenses to manage disrupted operations due to natural disasters.

Any interruption in the Company's ability to supply water or any costs associated with restoring the service or sourcing necessary electricity for internal purposes, could adversely affect the Company's financial condition and results of operations.

The Company uses gaseous chlorine deposited in gas tanks for water purification; Gaseous clorine bears a risk of explosion. Explosion may threaten human lives and result in substantial environmental damage.

Purified, chlorinated water, carried from the primary water reservoir to the final users, needs additional purification in certain cases. Main reasons for the need of additional purification are following: (i) long distance to the final user resulting in decrease of required level of chlorine in water, (ii) contamination of water during transportation. For this reason chlorine tanks are installed on the collectors located in different districts of the city. Gaseous chlorine deposited in gas tanks bears a risk of explosion. In the event of explosion the Company will be subject to state and environmental laws, violation of which can involve sanctions, lawsuits etc. The Company is unable to predict the outcome of investigations associated with lawsuits, or the possible loss or range of loss. As a result significant charges and regulatory consequences can adversely affect the Company's financial performance and reputation.

The business activity of the Company requires significant capital expenditures. Water supply network is partly amortized; as a result, the Company has high accident probability and is exposed to grid disruption, which can lead to deterioration of the financial performance

Some parts of water supply network are in a poor condition. The company plans to gradually replace and rehabilitate water supply network. Due to unfavourable network condition, accident rates are quite high resulting in water disruption, water loss and increased expense for the Company. The Company plans heavy capital expenditures and certain rehabilitation works.

As the business requires heavy capital expenditures, (such as extension of existing infrastructure, replacement or rehabilitation of property, plant and equipment) the Company has to secure sources of financing; the Company has three sources of funding: cash generated from the operations, capital injections and borrowings. The Company cannot guarantee that (i) cash generated from operations will always be sufficient to cover planned or unforeseen capital expenditures and that (ii) the borrowings will always be in place when needed and cost of those borrowing will not rise. Any adverse changes in the Company's cash generation ability or access to debt funding would result in worsening of financial performance.

There can be no assurance that the Company's liquidity will not be affected by further changes in the financial and capital markets or that the Company's capital resources will at all times be sufficient to satisfy its liquidity needs for planned capital expenditures.

The Company's future investment planning is highly linked to the city's future development plan. Not having a long-term development plan of the city can significantly expand capital expenditures of the Company and as a result profitability may suffer

The Company's development plan of water supply network and sewage system and city development plan has to converge in order to achieve swift solutions and cost efficiencies. The planning of rehabilitation and/or extension of the water supply and sewage network needs to incorporate city's mid-to-long term development plan in order to avoid cost overruns in the future.

The Company has liability to cooperate with Tbilisi city hall Today mid-to-long term city development plan does not exist. The Company has initiated negotiations with city hall regarding processing of city development plan. However, despite the fact that city hall has agreed to prepare such plan and share it with the Company, it cannot be guaranteed that plan will be developed, or if developed will be implemented as planned. As the Company already implements year by year heavy investment, which itself can trigger cost overruns, unplanned additional developments initiated by third parties can adversely affect financial performance of the Company.

The Company's activity is heavily regulated and, as a result, decisions by regulatory agencies and changes in laws and regulations can significantly affect operations and financial performance of the Company.

The Company's revenues depend substantially on rates it charges to customers and on its ability to recover costs in these rates on a timely basis. Any unanticipated changes in regulations effecting the Company and compliance with such new regulations may result in significant increase of operating costs. Tariff charged by the Company for its services is regulated. If the Company is unable to transfer the cost increase to the end customer through tariff it charges, the Company's financial performance would be negatively affected.

Unforeseen changes in the laws and regulations affecting the Company may have an adverse impact on its operational and financial performance Along with tariff and potable water quality regulations, Ministry of Environment and Natural Resources Protection of Georgia controls wastewater treatment technology of the Company. Currently business fulfils existing law concerning "standards of maximum permissible discharge of pollutants in wastewater". Since April, 2018 new European Union act #91/271/EEC concerning "urban wastewater treatment" will be enforced. By that time, the Company plans to rehabilitate and modernize existing wastewater treatment plant, so that new standards will be met.

Unanticipated and adverse changes in regulations affecting the generation and sale of electricity can negatively affect the Company's financial performance,

Georgian National Energy and Water Supply Regulatory Commission (GNERC) regulates both energy and water sectors. The regulator determines procedures for electricity generation, transmission, dispatching and distribution as well as tariffs. Adverse changes to existing regulation may lead to increased operating costs and thus can adversely affect the Company's financial performance.

Infrastructure of energy business line is partly amortized

Company owns and operates two hydro power plants (see " Management discussion and analysis of the Company's financial condition and operating results). Significant part of generated electricity is utilized internally, which enables the Company to save energy costs. Excess electricity is sold externally.

Any unexpected technical or other difficulties at hydropower plants which may cause the decrease of generated electricity or shut down of plant may negatively affect the operations of the Company and may force the Company to purchase electricity externally.

The Company has certain privatization obligations towards state bodies and not fulfilling the obligations may result in the penalties being charged upon the Company

In May, 2008, assets of the companies providing water supply to Tbilisi, Mtkheta and Rustavi were sold to Georgian Global Utility (GGU) group, sole shareholder of Georgian Water and Power (GWP). GWP was created on the platform of Tbilisis Tskali and Saktsalkanali, which supplied water to the capital city of Tbilisi. Transaction involved obligation to complete certain investments by 2018.

In case of violation of investment timeline the Company can be subject to penalties. For each completed obligation the Company should receive confirmation of relevant authorities on fulfilment. As of today, confirmations were received from Grand Thornton and Samkharauli Bureau for all due obligations however confirmations from Government are pending.

The Company's business will suffer if it fails to attract and retain key management, employees or other qualified personnel

The success of the Company's business depends, in part, on the continued service of its key management and employees and its ability to continue to attract, retain and motivate qualified personnel. In addition, certain of the Company's key management and other personnel have established important working relationships with regulators and have detailed knowledge of the Company and the markets in which it operates. The Company's success will depend, in part, upon its ability to retain such personnel and hire qualified personnel as required. There can be no assurance that the Company will be able to attract, recruit and retain sufficient qualified personnel. Failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

Strikes and other actions could disrupt the Company's operations or make it more costly to operate the Company's facilities

As at 31 December 2014, the Company employed up to 2,003 full-time equivalent employees (FTEs). Some employees of the Company are members of the trade unions that are active and there is a collective bargaining agreement between the Company and the employees. Any reduction in headcount or pay could lead to labour disturbances.

Labour disruption or failure to attract and retain operative personnel would may have an adverse effect on that facility's operations and, potentially, on the Company's business, financial condition and results of operations.

The Company could be adversely affected by a failure or disruption of its IT systems

The Company is heavily dependent on technology to operate its business. The computer and communications systems on which the Company relies could be disrupted due to various events, some of which are beyond its control, including natural disasters, power failures, equipment failures, software failures and computer viruses. There can be no assurance that the measures the Company has taken are adequate to prevent or remedy disruptions or failures to these systems. Any failure or disruption of IT system of the Company may impact the Company's operations and customer service, result in the loss of important data and may negatively impact overall operating and financial performance of the Company.

1.3. Other Risks Relating to Emerging Markets

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 that is required for the proper functioning of a market economy. For example, several fundamental civil, criminal, tax, administrative and commercial laws have only recently become effective. The recent nature of much of Georgian legislation and the rapid evolution of the legal system place the quality and the enforceability of laws in doubt and may result 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 are generally less experienced in the area of business and corporate law than is the case in other countries, particularly the United States and EU countries. Most court decisions are not easily available to the general public, and enforcement of court judgments may, in practice, be difficult. The uncertainties of the judicial system could have a negative effect on the economy and a material adverse effect on the business of the Company's corporate customers, which could, in turn, have a material adverse effect on the Company.

The uncertainties of the tax system in Georgia may result in the Company facing tax adjustments or fines in the future, and there may be changes in current tax laws and policies

In Georgia, the tax laws have not been in force for as long as in more developed market economies, and this often results in unclear or non-existent implementation of regulations. Moreover, the tax laws are subject to frequent changes and amendments, which can result in unusual complexities for the Company and its business generally. Differing opinions regarding the interpretation of various provisions exist both among and within governmental ministries and organizations, including the tax authorities, and this creates uncertainties, inconsistencies and areas of conflict. Therefore, it is possible that the relevant authorities could adopt differing positions with regard to interpretative issues, which may result in the Company facing tax increases or fines. While, by virtue of the Economic Liberty Act passed by parliament in July 2011 and effective since 1 January 2014, subject to certain exceptions, public referenda initiated by the Government are required to be held before the introduction of new state-wide taxes or increases in the existing tax rates (except excise), Georgia is a parliamentary democracy, and any change in the composition of the Government could result in a change to taxation policies. Furthermore, there can be no assurance that existing tax regulations and tax exemptions will not be subject to change in the future, including any changes introduced as a result of a change of Government. Such changes, among other things, could include the introduction of new administrative regulations for tax compliance and abolishment of existing preferences, applicable to the Company or its customers. Any such changes in the tax laws or governmental tax policies may have a material adverse effect on the Company.

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

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

In addition, international investors' reactions to events occurring in one emerging market or region sometimes appear to demonstrate a contagion effect whereby an entire region or class of investment is disfavored by investors. If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging markets. 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. Current Russia-Ukraine tensions could also have a material adverse effect on Georgia. Thus, no assurance can be given that the country will not be affected similarly in the future.

Financial or political instability in emerging markets also tends to have a material adverse effect on the capital markets of emerging economies and the wider economy as investors generally move their money to more developed markets, which are considered to be more stable in times of financial or political instability. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Georgia, including elements of information provided in this Prospectus.

1.4. Risks Relating to the Bonds

The market price of the Bonds may be volatile

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

The Bonds constitute unsecured obligations of the Company

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

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

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

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

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.

1.5. Other Regulatory Risks

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

Following public offering of the Bonds, the Company will become a Reporting Company within the meaning of the Law of Georgia on Securities Market ("**Securities Law**"). 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"). Consequently, following public offering of Bonds, the Company's Meeting of Partners will have to approve transactions involving Interested Parties.

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.

USE OF PROCEEDS

The net proceeds received from the issuance of Bonds are intended to support the Company's long-terms strategies. Company's business is capital intensive, thus the Company develops capital expenditure budget each year. Capital expenditure budget for 2015 involves expenditures on two main directions: water/wastewater and electricity infrastructure.

Bond proceeds will be used for 2015 capital expenditures.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization as of 31 December 2014.. This table should be read in conjunction with the sections entitled "*Selected Consolidated Financial and Operating Information*" and "*Management Discussion and Analysis of the Company's Financial Condition and Operating Results*", as well as the 2013/2014 financial statements as of and for the year end 2014, together with the related notes, all of which are reproduced elsewhere in this Prospectus.

	As at 31 December 2014 *(GEL thousands)*
Cash and cash equivalents	**9,486**
Indebtedness:	
Current loans and borrowings	356
Non- current loans and borrowings	78,573
Total loans and borrowings	**78,929**
Equity:	
Charter capital	208,469
Accumulated deficit	(97,020)
Revaluation reserve	58,250
Total equity	**169,699**
Total capitalisation	**248,628**

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The financial information of the Company set forth below as of and for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 has been extracted from, should be read in conjunction with, and is qualified in its entirety by the consolidated financial statements, including the related notes, contained elsewhere in this Prospectus.

Investors should be aware that the financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Year ended 31 December 2013 and the Year ended 31 December 2014" is taken from the 2014 financial statements, whilst, in order to facilitate comparison between the results of operations for the year ended 31 December 2012 and 2013, the financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Year ended 31 December 2012 and the Year ended 31 December 2013" is taken from the 2013 financial statements.

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

Statement of Financial Position

(Amounts expressed in thousands of Georgian Lari)

	31-Dec-14	31-Dec-13	31-Dec-12
ASSETS			
Non-current assets			
Property, plant and equipment	244,027	226,886	226,945
Non-current trade receivables	571	1,667	2,320
Non-current loan issued	-	2,394	-
Other non-current assets	1,491	787	1,040
Deposit in bank	2,460	2,460	-
Total non-current assets	**248,549**	**234,194**	**230,305**
Current assets			
Inventories	11,124	11,812	8,331
Trade and other receivables	15,513	16,505	15,447
Loans Issued	1,716	1,430	8,436
Current income tax prepayments	2,213	640	1712
Restricted cash	-	1,207	-
Deposits in bank	-	-	2460
Cash and cash equivalents	9,486	16,336	3,751
Total current assets	**40,052**	**47,930**	**40,137**
TOTAL ASSETS	**288,601**	**282,124**	**270,442**

EQUITY			
Charter capital	208,469	208,469	208,469
Accumulated deficit	(97,020)	(48,252)	(45,614)
Revaluation reserve	58,250	59,286	59,788
TOTAL EQUITY	**169,699**	**219,503**	**222,643**
LIABILITIES			
Non-current liabilities			
Long term borrowings	78,573	11,788	3,916
Deferred income tax liability	20,564	18,344	16,746
Total non-current liabilities	**99,137**	**30,132**	**20,662**
Current liabilities			
Current borrowings	356	8,544	4,475
Trade and other payables	16,671	18,928	18,946
Provisions for liabilities and charges	2,005	4,525	1,842
Other taxes payable	733	492	1874
Total current liabilities	**19,765**	**32,489**	**27,137**
TOTAL LIABILITIES	**118,902**	**62,621**	**47,799**
TOTAL LIABILITIES AND EQUITY	**288,601**	**282,124**	**270,442**

Statement of Profit or loss and Comprehensive Income

	2014	**2013**	**2012**
Revenue	101,968	99,230	91,506
Other income	5,595	5,029	3,411
Provision of trade receivables	(1,127)	(1,517)	(2,032)
Salaries and benefits	(23,395)	(20,711)	(21,448)
Depreciation and amortisation	(16,998)	(17,567)	(16,887)
Electricity and transmission costs	(8,673)	(8,829)	(9,943)
Raw materials, fuel and other consumables	(5,036)	(4,740)	(3,891)
General and administrative expenses	(2,594)	(2,179)	(2,662)
Infrastructure assets maintenance expenditure	(3,523)	(2,329)	(2,063)
Disposal of construction in progress items	-	(2,043)	
Other operating expenses	(14,535)	(11,425)	(9,751)
Operating profit	**31,682**	**32,919**	**26,240**
Finance income	667	950	1,805
Finance costs	(5,836)	(2,105)	(1,148)
Profit before income tax	**26,513**	**31,764**	**26,897**
Income tax expense	(5,509)	(7,191)	(6,739)
Profit for the year	**21,004**	**24,573**	**20,158**
Other comprehensive income for the year	**-**	**-**	
Total comprehensive income for the year	**21,004**	**24,573**	**20,158**

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

The following discussion and analysis of the Company's consolidated financial condition and operating results principally covers the years 2012-2014. Unless otherwise specified, the financial information for the periods presented in this document has been extracted and/or derived from the financial statements. This section should be read in conjunction with the financial statements and the other financial information included elsewhere in the Prospectus.

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

1.1. Factors Affecting the Company's Financial Statements

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

1.1.1. Macroeconomic Conditions

For more than 10 years, the Georgian economy has been growing at an average rate of 6% per year despite the 2008 Conflict and the global financial crisis. The country's growth was stimulated by very significant reforms in many areas aimed at eliminating corruption, making government bureaucracy more efficient, simplifying the tax regime, and creating an investment-friendly environment. In June 2014, Georgia and the EU signed an Association Agreement. The deal includes a DCFTA (Deep and Comprehensive Free Trade Agreement), effective 1 September 2014, which will vastly simplify Georgia's access to EU market, a common-customs zone of c. 500mn customers, further spurring exports and enhancing the diversification and competitiveness of Georgian products. In 2012, a peaceful, democratic transition of power following elections helped to strengthen the perception of political stability. Now in its third year of Government, the ruling Georgian Dream coalition has shown willingness to continue building a pro-business environment and in fact has initiated several programs to support local businesses, particularly in the agriculture sector.

Georgian economic growth has several drivers. The country's geographic location between land-locked, energy-rich Azerbaijan and Central Asia and their customers in the West has predetermined importance of transportation and logistics. Tourism has been one of the success stories of the last decade. Travel inflows, with 28.9% CAGR in number of visitors over 2005-2014, are a significant source of foreign currency for Georgia, generating US$1.8 billion in 2014. The economy is also well positioned to become a destination for significant FDI in the hydro energy sector. Further opportunities for accelerated growth are expected to come with affective EU DCFTA.

Georgia's Economic Liberty Act, which came into effect on 31 December 2013, caps Government expenditure at 30% of GDP, the fiscal deficit at 3% of GDP and Government debt at 60% of GDP. Under the Economic Liberty Act, subject to certain exceptions, public referenda initiated by the Government are required to be held before the introduction of new state-wide taxes or increases in the existing tax rates (except excise). This is intended to ensure the continued existence of a good business environment, especially considering that Georgia is already one of the world's most tax-friendly states: only six taxes are imposed, including corporate income tax (15%) and personal income tax (20%).

1.1.2. Water utility sector analysis

Georgia has one of the largest renewable water resources per capita in the former Soviet Union. Although rich in natural resources, the country faces a number of challenges in improving the service and standards in the drinking water supply and sanitation (WSS) sector.

Until 2009, 66 water companies provided WSS services to the consumers across the country. Following the privatization in 2008, the assets of the companies servicing Tbilisi, Mtskheta, and Rustavi were sold to Georgian Global Utility (GGU) group, currently represented by Georgian Water and Power (GWP) in Tbilisi, Mtskheta Water Company (MWC) in Mtskheta, and Rustavi Water Company (RWC) in Rustavi. The other companies were consolidated into 3: East Georgia, West Georgia and Adjara. In 2010, further consolidation followed and East and West merged into one regional authority – United Water Supply Company of Georgia (UWSCG), or the SakTskalKanali. AdjaraTskali or the Batumi Water Company (BWC) continues to serve the autonomous republic of Adjara.

Table #: 1 main players of the sector:

Company	**Coverage area**	**% of urban population serviced**	**Ownership type**	**Revenue source**
GGU	Tbilisi, Rustavi, Mtskheta	32%	Private	Revenues collected from the customers
BWC	Adjara region	9%	Public	Revenues collected from the customers, government subsidies
UWSCG	Georgia (except select urban centers listed above)	59%	Public	Revenues collected from the customers, government subsidies

Source: ADB Water Supply and Sanitation Report

Decreasing number of WSS service providers and privatization of public assets by privately held company triggered overall sector performance improvement in terms of water supply enhancement (24 hours supply), collection rate improvement, technological upgrade etc.

A significant portion of the Georgian population lacks access to a functional WSS system. According to a survey from ADB, only 57% of the surveyed households are connected to water supply networks, 33% of the households have home water supply from alternative sources, and 10% of the households do not have water supply at home and obtain water from surface waters. Only about 40% of the surveyed households are connected to a functional central sewage system.

As GGU serves 32% of total population of Georgia, out of which 87% is served by GWP (26% of total population), The Group and the Company itself hold leading positions in the sector.

WSS service customers are mainly divided into two categories:

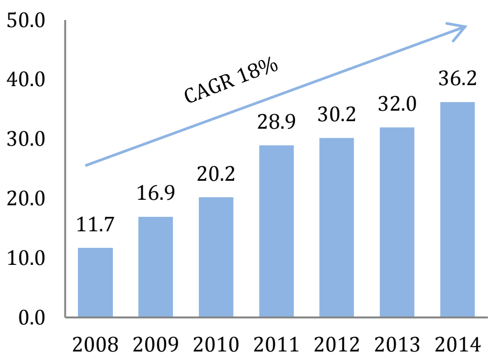
1. Commercial and industrial – which comprise significant part of total revenues;
2. Household.

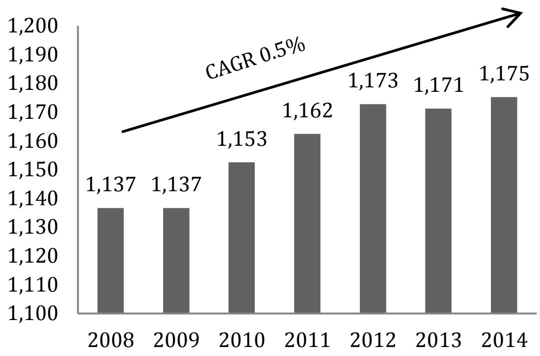
Bilateral contracts govern the relationships between WSS utility companies and consumers. The agreement terms are subject to supplier discretion, as long as they are in compliance with the rules of supply and consumption of WSS services.

Households are granted the legal right to refuse water meter installation in which case they pay a certain price per capita/per day, whereas the industrial/commercial customers are required to have water meters installed for proper metering and billing per m3.

Businesses and population is mainly concentrated in capital city of Tbilisi, serving area of the Company and their number gradually increases from year to year:

Chart #1: Number of legal entities in Tbilisi (thsd) **Chart #2:** Population in Tbilisi (thsd)





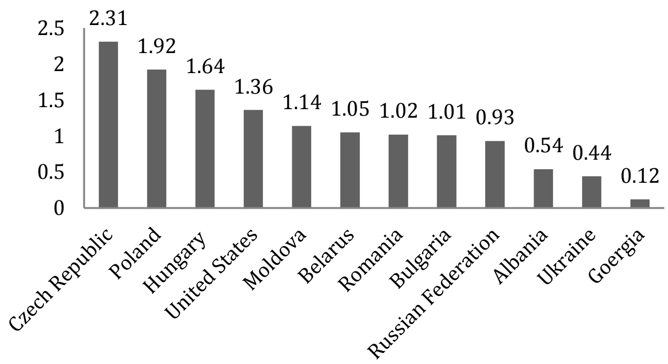
Source: Geostat

There are three tariff levels for the two components of WSS service – water supply and sewage. Household customers and commercial/industrial customers pay different rates. Furthermore, household customers tariffs vary based on whether they are metered or pay per capita. Most household consumers pay per capita/month.

Table #2: WSS service tariff components (incl. VAT):

Service	Household (GEL/m3)	Household (GEL/capita/month)	Legal entities (GEL/m3)
Water supply	0.23	2.67	3.50
Sewage	0.04	0.48	0.90
Total fee	**0.27**	**3.15**	**4.40**

Chart #3: Average revenue WSS (US$/m3 water sold)

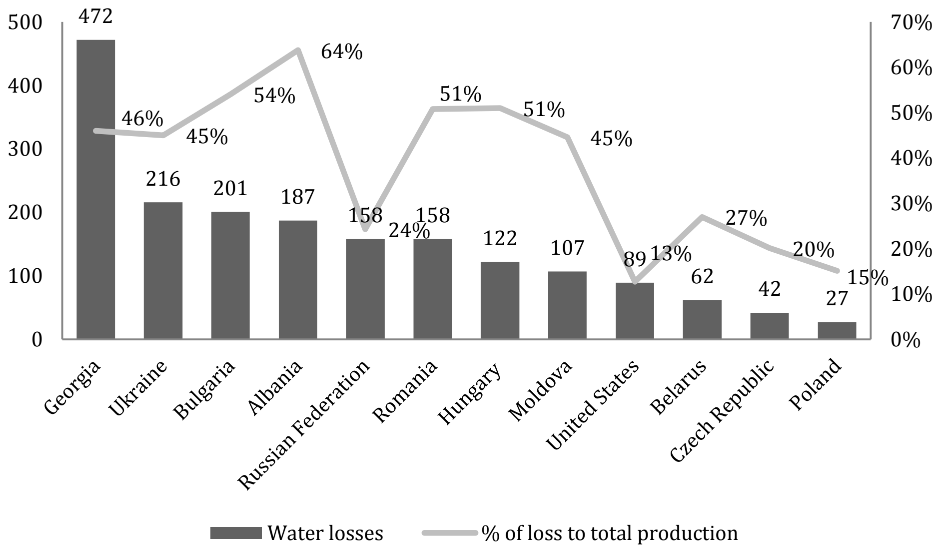


Source: World Bank Group, The IBNET WSS Blue Book 2014 (the data is collected from different years for different countries ranging from 2005-2012)

Compared to our peer countries, like Albania, Moldova etc. our water tariff is the lowest and water consumption highest, second after United States. Such figures indicate potential for growth of service tariff and room for consumption improvement. In developed countries, where WSS service is available for almost 100% of population and is in a good condition, operates without significant interruptions, tariff is high. Reason to high service tariff is high maintenance capital expenditures and heavy investments associated with introduction of new technologies for proper and up to date operations.

Also another important indicator of the sector is amount of water losses. Water losses as a % of total production is not characterized with strongly expressed trend and is quite volatile across the countries, but still is more or less positively correlated with amount of water losses.

Chart #5: Water losses in l/person/day and as a % of total water production



Source: World Bank Group, The IBNET WSS Blue Book 2014 (the data is collected from different years for different countries ranging from 2005-2012)

Amount of water losses as a percent of total production fluctuates from 13% in US up to 64% in Albania, the highest rate. The Company stands in between of these two countries and its water loss is around 46%. Decreasing water losses rate is one of the main challenges for the sector in Georgia. It needs heavy investments, in terms of rehabilitating water supply network, which is the main source of losses and introduction of appropriate regulations and adequate sanctions to decrease or fully eliminate water larceny.

The main regulatory bodies in the Georgian WSS sector are the Ministry of Regional Development and Infrastructure (MRDI), Ministry of Environment and Natural Resources (MENR), and GNERC. The state policy for the sector is developed by the special commission led by the PM of Georgia. GNERC regulates the economic and license-related aspects of the WSS services. MENR oversees the environmental safety and sustainability aspects of the water recovery and supply process. MRDI is responsible for channeling the funds and planning WSS infrastructure development. Most of the IFI funds are channeled through the Municipal Development Fund – an independent body created under the MRDI. Another independent body under the Ministry of Agriculture, the National Food Agency (NFA), is responsible for ensuring that the drinking water quality standards are met.

Today several directions for right and proper investment have been outlined. Sector players to meet international standards and future demand for their service have to accomplish several milestones:

1. 24 hours water supply;
2. Water quality;
3. Energy-efficient infrastructure;
4. Water losses management (reduction);
5. WSS service providers' compliance with country's long-term economic development tendencies.

1.2. Company overview

GWP is a daughter company of Georgian Global Utility Ltd, a privately owned company, which supplies water and provides wastewater services to 1.2 million people (approximately 1/3 of Georgia's total population) in Tbilisi.

GWP is the biggest revenue contributor to GGU (c. 90%). Other subsidiaries, like Rustavi Water Company (RWC) generates on average 9% of Group revenues, and Mtskheta Water Company (MWC) less that 1% of Group revenue. Thus RWC and MWC represent only a minor part of Group's activity.

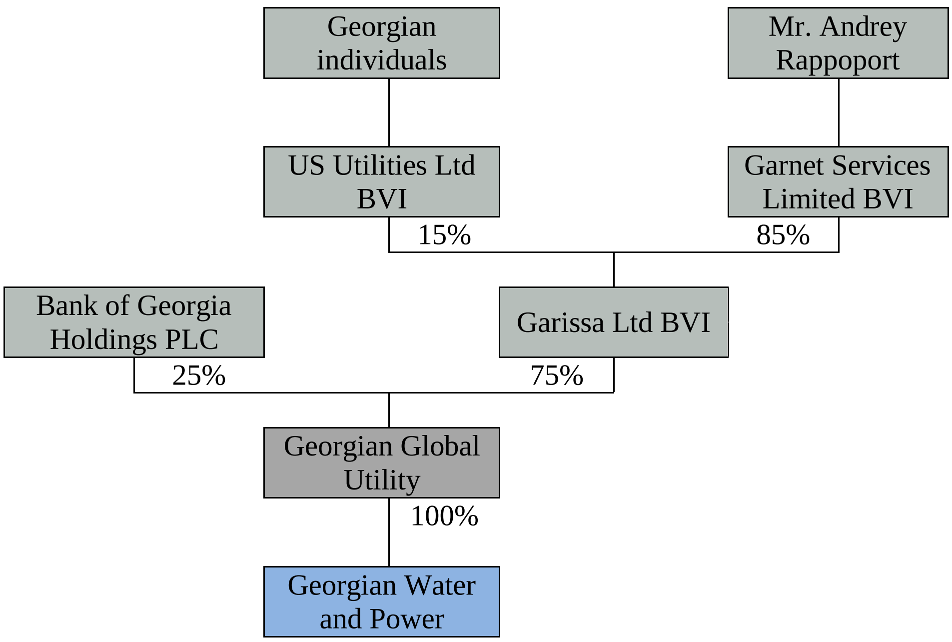
To build up the trust of investors and to demonstrate its transparency, discipline and strong corporate governance, the management of the Company has made a decision to apply for international ratings.

For this purposes the Company has signed an agreement with FitchRatings and started the preparation for rating process.

Management of the Company believes that the ranking from international rating agency would allow the Company to access local and international public debt and capital markets more easily.

1.3. Shareholding structure of the Company

GWP is 100% owned by Georgian Global Utility. Ultimately more than 60% of shares of the GWP are owned by Mr. Andrey Rappaport, 25% of shares are owned by the Bank of Georgia Holding PLC.



1.4. Description of business of the Company

The Company’s core activities are as follows:

- Supply of potable water - leader in the Georgian potable water market in terms of sales with
- Generation of electric power;
- Wastewater collection and processing.

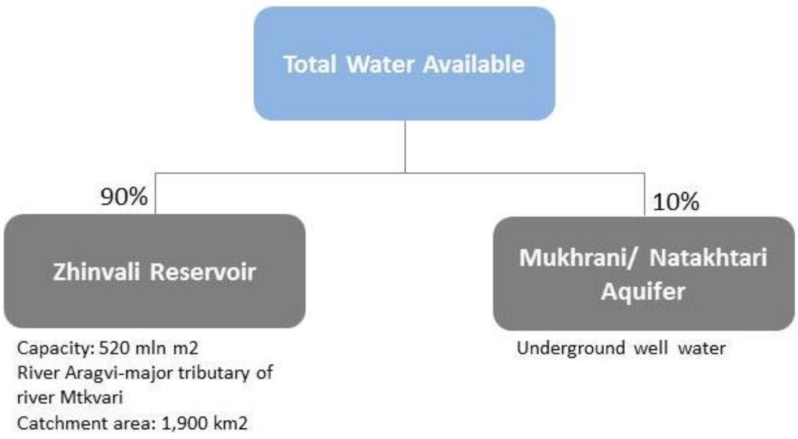
The Company’s total revenue reached c. GEL 102 mln in 2014. Major portion was attributable to water sales which amounted to c. GEL 90.3 mln, followed by power sales c. GEL 8.7 mln and other sales c. GEL 2.9 mln.

Table 3: Revenue split per activities - 2014:

Revenue items	Amount in GEL, '000	Share
Water sales	90,377	89%
Electricity sales	8,673	9%
Other sales	2,918	3%
Total	**101,968**	**100%**

1.4.1. Water Sales

Water sale is the most significant stream of revenue for the Company. Water is sourced from Zhinvali reservoir and Mukhrani/Natakhtari aquifer.



Almost all produced raw water originates from the nearby Aragvi valley. Secondary source of water is the Tbilisi Lake which is a buffer reservoir. Both water extraction and distribution are regulated in Georgia, the former is administered by the Agency of Natural Resource, whilst the latter is regulated by GNERC. The company is licensed to extract water until 04.09.2022 (licence numbers 1000821 and 1000822) and permitted to distribute water in perpetuity (license number 005).

Surface water is treated in natural sand and gravel infiltration areas situated on extended land areas owned by the Company in the Aragvi valley outside Tbilisi and in two water treatment plants in Samgori and Grmaghele.

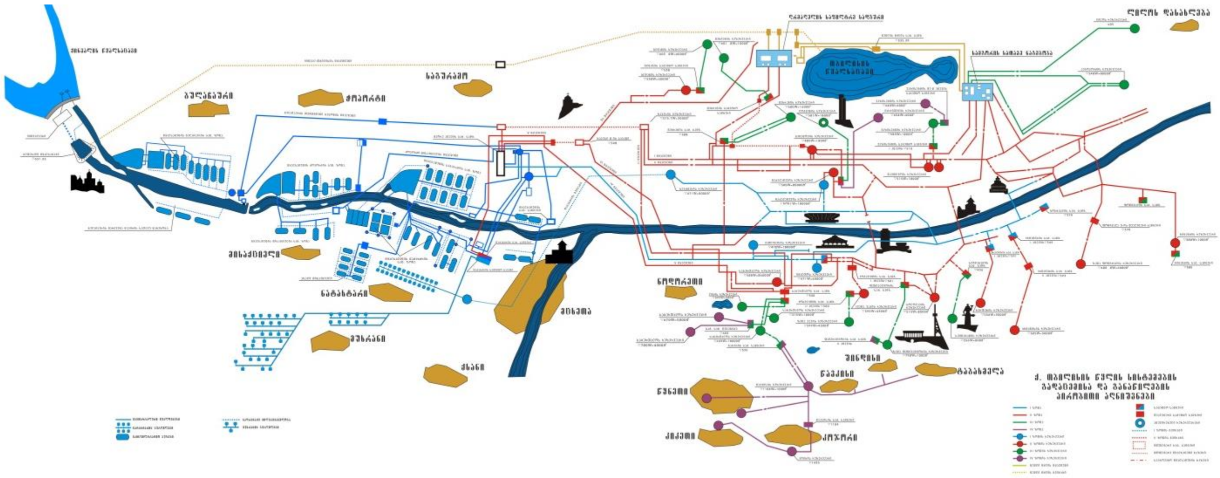
Some 520 mln m3 of potable water is supplied from water production/treatment facilities in Bulachauri, Natakhtari, Saguramo, Samgori and Grmaghele on an annual basis.

Water is chlorinated and if necessary, coagulated with aluminium sulphate. Water quality complies with World Health Organization (WHO) standards. The Company has Chemical Micro-biological Laboratory (CML) for water quality control. Water quality monitoring is conducted on a daily basis, along with planned recurrent monitoring procedures in Tbilisi and its surroundings on 374 points of water supply network.

Water pipeline structures of Tbilisi are running from Zhinvali to Rustavi.

Company operates 3 thousand km of water pipeline network which consists of: main water lines, tunnels of pure water ad aqueducts, distribution networks and branches to customers.

In total the enterprise has 36 pumping stations, 94 reservoirs of pure water (85 of them are on GWP balance) with total capacity of 300 thousand m3. The most important reservoirs are equipped with level detectors monitored by central dispatch service.



The Company services capital city of Tbilisi with portable water. Since 2014 inhabitants of and businesses registered in: Tabakhmela, Shindisi, Tsavkisi, Kojori, kiketi, Tskneti, Betania and Akhaldaba have been added to the pool of customers of the Company. These new territories were added to the capital city of Tbilisi according to new administrative regulation.

Total customer pool includes both legal entities and population. Among population, there are unregistered households, which are not metered. The Company receives information about non metered customers from public service database, to generate bill according to per capita tariff. If household is not registered and not metered at the same time, the Company cannot charge for water and waste water services. The Company's Breakdown of revenue by customer type is provided in the table below:

Table 4: Water sales split per group of clients – 2014:

Revenue type	Amount in GEL, '000	Share
Legal entities	63,113	70%
Households	27,264	30%
Total	**90,377**	**100%**

Georgian IT programing company has developed the specialized program for data warehousing for GWP, Telasi (electricity distributor) and KazTransGaz (gas distributor). Customer information is recorded in the program and bills for water, electricity and gas are generated monthly. Combined utility bills (gas, water, electricity) are delivered to the final customers through Telasi and Energo-pro(electricity distributor). If the customer fails to pay for water supply, Telasi/Energo-pro will cease the supply of electricity to the defaulted customer. Abovementioned penalty system supports effective revenue collection for GWP.

Immaterial number of customers (c. 2%) is billed separately for water and other utilities. In this case defaulting in water payment does not result in electricity cut out, however revenue collection is high even with these type of customers.

Serving area	Bill distributor
Capital city of Tbilisi	Telasi
Tabakhmela, Shindisi, Tsavkisi, Kojori, kiketi, Tskneti, Betania and Akhaldaba	Energo-Pro, GWP

Bill generation is made on monthly bases, for both legal entities and households, whether metered or not. In order to minimize revenue losses due to potential water larceny from clients, the Company has put in place a control and monitoring group. Client inspection is performed in following cases:

1) Information received through call center: If call center receives information that a specific customer is stealing the water, investigating team inspects the customer to ensure whether the received information is accurate.
2) Database review: old and new bills of the same customers are regularly compared, if significant discrepancy is noticed monitoring group makes onsite visit and inspects metering machine, water pipes etc
3) Peer review: bills of similar entities are compared regularly, if material differences are identified in terms of water usage, monitoring group performs inspection of the customer.

Sales to legal entities comprise significant portion of total water sales (70%). Sales to legal entities are closely tied to the economic environment. Economy growth triggers the higher business activity of companies which therefore results in higher consumption of utilities. Legal entities are metered clients. Meters are read on a monthly basis. Historically collection rate has been close to 100% for legal entities.

Metering process has been also implemented among the population but significant portion of this client base remains non-metered. The customers who do not have a meter are billed based on the number of individuals formally registered by the civil register and by application of the relevant tariff fixed per capita per month.

Table 5: Number of households and legal entities and their growth tendency:

Description	2008	2009	2010	2011	2012	2013	2014
Number of households	377,730	391,258	398,207	418,501	433,193	443,930	456,932
y/y growth		*3.6%*	*1.8%*	*5.1%*	*3.5%*	*2.5%*	*2.9%*
Number of legal entities	18,328	20,065	21,841	23,726	25,278	27,535	29,518
y/y growth		*9.5%*	*8.9%*	*8.6%*	*6.5%*	*8.9%*	*7.2%*

Table 6: Revenue from different customers and their growth tendencies:

Description	2009	2010	2011	2012	2013	2014
Revenue from households	14,912	18,727	25,099	28,390	26,910	27,264
y/y growth		*25.6%*	*34.0%*	*13.1%*	*-5.2%*	*1.3%*
Revenue from legal entities	54,832	55,715	56,804	57,913	60,652	63,113
y/y growth		*1.6%*	*2.0%*	*2.0%*	*4.7%*	*4.1%*

Due to the intensive metering program performed in 2012-2013, newly-metered customers' attitude changed significantly resulting in the reduction of water consumption. An average monthly consumption decreased from 24m^3 to 8m^3, leading to the reduction of accruals. However, the reduction in accruals was compensated by the respective decrease in costs necessary for water treatment and distribution; hence EBITDA margin growth remained stable, 8% y/y growth 2012/2013 and amounted to c. GEL 43.1 mln in 2012 and c. GEL 50.5 mln in 2013.

Table 7: Collection rates:

Description	2009	2010	2011	2012	2013	2014
Households	46.5%	60.9%	88.9%	91.0%	95.0%	93.4%
Legal entities	98.0%	97.6%	97.4%	99.5%	98.7%	97.7%

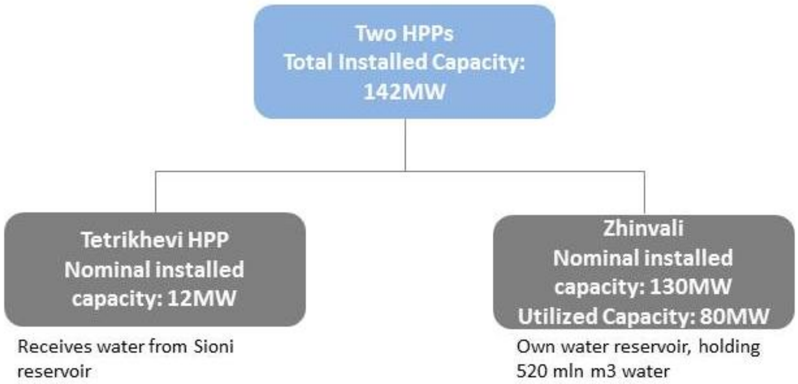
Historically, collection rates for population were relatively low compared to legal entities. But there has been a significant improvement (+42%) in 2009-2011. Improvement in collection rates from population after 2010 was notably due to new legislation allowing the electricity distribution company to disconnect power supply to customers who are overdue in their water supply payments.

There are several reasons why collection rates slightly decreased in 2014 compared to 2013:

- Among households: Policy of granting vouchers to households by Tbilisi City Hall has been changed in 2014. Due to new policy vouchers were granted to customers characterized with low collection rates. So as a result the Company in 2014 received funds from Tbilisi City Hall for good paying households, while bad paying customers were left without vouchers and their unpaid bills has reflected in collection rates of 2014.
- Among legal entities: The collection rates' slight deterioration is attributable to new customers in 2014. Big portion of overdue charges has been agreed with the customers and scheduled for payments in 2015.

1.4.2. **Electricity Sales**

Revenues generated from electricity sale totaled c. GEL 8.7 mln (9% of total revenue) in 2014. the Company owns two hydropower stations with total installed capacity of 142 MW and average electricity generation of 445 GWh.



Zhinvali HPP has an installed capacity of 130 MW and water reservoir of 520 mln m3 of water. The Company uses major part of electricity generated by Zhinvali for internal purposes. The rest is sold to third parties. HPP was constructed during Soviet Union, in early 70s. Georgian law of Energy and Natural Gas states that HPPs constructed before August 2008 with installed capacity equal or above 13 MW, are regulated; therefore Zhinvali HPP energy tariff is determined by regulatory body, GNERC. Purpose for regulation is to manage prices and to maintain overall low market rate, as all old plants together comprise significant part of Georgian electro system.

Tetrikhevi HPP is small run-of-the-river plant and receives water from Sioni water reservoir. Installed capacity of the plant is 12 MW, which means that it is still deregulated (HPPs with installed capacity less than 13 MW are deregulated). The plant sells generated electricity at a market price.

The Company also has an operating lease on Pshavela HPP, which was constructed in 2014 and is owned by Pshavela Ltd. HPP is small run-off-river plant, with 2 MW installed capacity. Operating lease agreement terminates by 5th of December, 2015 and has an automatic prolongation clause if parties do not declare their willingness of termination 3 months prior to the ending date of the agreement.

The Company sells surplus power to the market. As water demand decreases in winter period, the Company has excess capacity of electricity which it sells to external customers. Prices in winter are relatively high which further contributes to the Company's revenue from electricity sale.

Electricity generation holds a great potential for further growth. In February 2014, the Company signed a contract to export electricity to Turkey via the new Akhaltsikhe-Borcka high voltage line. Furthermore, the Company has developed investment projects to build 2 small HPPs with a total capacity of 14.2 MW.

First and smaller one, Saguramo HPP is a run-of-the-river plant in Mtskheta Region. The plant is currently in the pre-construction phase; construction works are planned to commence by Q4 2015. The company is currently negotiating financing structure with one of the local bank; provider of the major equipment has already been selected and pre-contracted. Full-blown feasibility study and financial model is also in place.

The plant will receive water from Jinvali water reservoir via the Bodorna-Grmagele water supply tunnel. HPP's installed capacity is 4.2 MW and the projected generation potential is up to 32GWh. The expected commissioning date is in 2017. As per the Ministry of Energy's decree any HPP built post August 2008 will be fully deregulated, which effectively means that Saguramo HPP will be selling the generated electricity at a market price.

Second plant Bodorna HPP is a medium size run-of-the-river plant that the management is interested in developing. The project is in an early planning stage. It would require a pre-feasibility study in order to make a decision whether to move forward.

The plant will receive water from the Bodorna Reservoir and HPP's installed capacity is planned to be c. 13MW with annual generation projected at c. 62GWh. If built, the plant will be fully deregulated and will be selling the generated electricity at a market price.

Company also plans to reduce its own consumption which would result in increased electricity sales. During the last few years the Company achieved certain efficiencies in terms of own energy consumption.

Table 9: Power generation, consumption and sales analyses:

Description (GWh)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Generation	426	469	557	439	319	397	379
Purchase	5	-	-	19	20	6	10
Total available electricity	**431**	**469**	**557**	**458**	**339**	**403**	**389**
Consumption	301	292	291	290	288	281	273
Y/y changes of consumption		*-3%*	*0%*	*0%*	*-1%*	*-2%*	*-3%*
Selling	130	177	266	168	51	122	116

1.4.3. Other Revenue

Other revenue (GEL 2.9 mln of revenues in 2014) includes following sub streams:

- Revenue from Technical Support consists of fees charged to households and legal entities for water supply and waste water discharge project preparation;
- Revenue from Water Meters are simply metering equipment price paid by customers;
- Other Sales include income from reconstruction of the newtork (paid by municipality for performing unscheduled reconstruction works of the water pipes by GWP due to required road constructions), income from rent and disposal of non-core PP&E.

1.4.4. Privatization agreement (“PA”)

In 2008, the Government of Georgia, Ministry of Economic Development of Georgia and the Government of Tbilisi sold 100% shares in Rustavtskalkanali, Mtskhetatskalkanali, Saktskalkanal and Tbilisi Water. These companies were acquired by Georgian Global Utilities Ltd BVI (formerly Multiplex Energy Ltd).

Within the Privatization Agreement (PA), the government required the buyer to carry out certain number obligations:

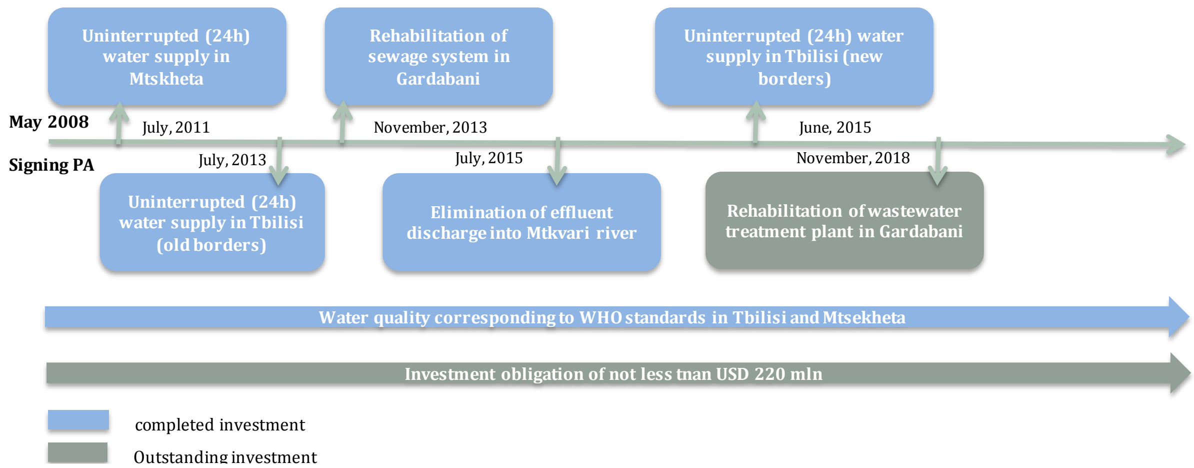
- Technical obligations: Investments related to refurbishment and rehabilitation of the water supply and wastewater management infrastructure.
    - 24 h water supply within old borders of Tbilisi;
    - 24 h water supply within new borders of Tbilisi;
    - 24 h water supply in Mtskheta;
    - Rehabilitation of sewage system in Gardabani town;
    - Eliminating effluent discharge into river Mtkvari;
    - Gardabani WWTP rehabilitation;
    - Water quality corresponding to WHO standards in Tbilisi;
    - Water quality corresponding to WHO standards in Mtskheta.
- Investment obligations: An investment obligation of not less than USD 220m to be completed until May 2018.

PA also states a timeframe in which all the obligations should be fulfilled. In case of violation of terms of the PA, the Company can be subject to penalties.

Moreover, the Company has provided a bank guarantee for the amount of USD 15 mln for securing obligation fulfillment. Due to execution of certain number of technical conditions, this amount has been reduced to USD 6 mln and by the end of June 2015 guarantee amount will be reduced by additional USD 3 mln, for completion of obligation of 24 hours water supply in Tbilisi (new borders).

1.4.4.1. Technical Obligations

Table 8: Obligations per PA and their timeline (as of April, 2015)



Along with fulfillment of technical obligations listed above, the Company has to continuously maintain water quality corresponding to World Health Organization Standards in Tbilisi, Rustavi and Mtskheta. As of today water quality has been achieved. GWP follows regulations implemented by Tbilisi Municipality which are based on World Health Organization guidelines. Moreover, GWP has acquired ISO certificates for water quality in Tbilisi.

Table 9: Status of Technical obligations per PA (as of May, 2015)

	SPA obligation - Current status	Due date	Grand Thornton confirmation	Samkharauli Bureau reports	Government confirmation
Completed obligations					
1	24 h water supply within old borders of Tbilisi		Yes	Yes	Yes
2	24 h water supply within new borders of Tbilisi		Yes	Yes	Pending
3	24 h water supply in Mtskheta		Yes	Yes	Pending
4	Rehabilitation of sewage system in Gardabani town		Yes	Yes	Pending
5	Eliminating effluent discharge into river Mtkvari		Yes	Yes	Pending
Outstanding obligations					
1	Gardabani WWTP rehabilitation	May, 2018			
All time outstanding obligations					
1	Water quality corresponding to WHO standards in Tbilisi		n/a	Yes	Yes
2	Water quality corresponding to WHO standards in Mtskheta		n/a	Yes	Pending

As shown on table above the Company has fulfilled seven out of eight technical obligations. For each implemented investment it is required to receive approval from relevant authorities. Before submitting documentation on fulfillment, Grant Thornton, an independent audit company prepares assessment reports for each completed technical obligation. Moreover, the Company submits these assessment reports to Levan Samkharauli National Forensics Bureau, for additional assessment report.

The Company has also initiated a tendering process for last outstanding technical obligation which involves rehabilitation of waste water treatment plant in Gardabani. The management team plans to rehabilitate the existing plant for mechanical treatment

According to Georgian Legislation, the water outflow from Gardabani WWT facility should comply with certain pollutant concentration requirements. The management team has negotiated with the Ministry of Environment and Natural Resources Protection of Georgia and the parties have agreed to put in place two groups of acceptable concentration levels:

- Concentration levels to be met before April 2018
- Concentration levels to be met after April 2018.

Based on the analysis carried out by GGU's laboratory, Group's mechanical treatment facility is already capable of complying with most of requirements which will be in place after 2018. Hence the Group will be able to rehabilitate and operate only mechanical treatment facility and still comply with regulations.

Table 10: Compliance with concentration requirements (as of April, 2015)

Measurement: mg/I	Acceptable level of concentration after 10-April-2018	Acceptable level of concentration until 10-April-2018	Existing Concentration in Entering Waste Water (2015)	Expected Concentration After mechanical Treatment (2015)
Total suspended solids	35	60	75	28
Biological oxygen demand 5	25	40	20	15.3
Chemical oxygen demand	125		132	44
Total nitrogen	10	20	13	4
Total phosphorus	1	2	0.82	0.7

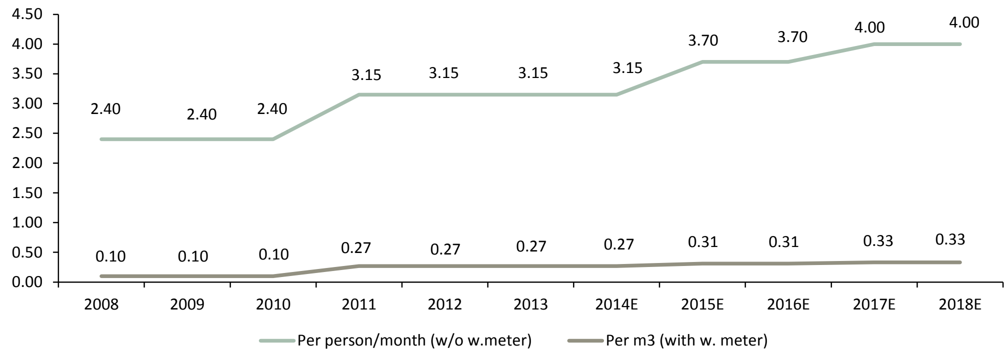
1.4.4.2. Investment Obligation

Besides the Technical obligations, GGU has a binding obligation to invest not less than USD 220m until May 2018. Eligible investment is supposed to be in conjunction with the fulfilment of the privatization obligations (Table 9). The management team considers that most of abovementioned investing obligations have already been met. For the avoidance of any doubt, the company is hired qualified auditors to perform the valuation of the eligible expenditures.

1.4.4.3. Water Tariff

Maximum allowable limit of water tariffs are regulated by PA. GGU has a right to set tariffs as it is defined in the PA but needs final approval from regulatory body GNERC (Georgian National Energy and Water Supply Regulatory Commission).

Water Tariff Evolution per PA (GEL incl. VAT)



In 2010, water tariff was successfully increased in Tbilisi from 2.4 to 3.15 GEL per capita for non-metered clients and from 0.1 to 0.27 GEL per m3. Further tariff increase is expected in 2015 (3.7 GEL) and in 2017 (4.0 GEL) which is expected to have overall positive impact on EBITDA. The Company has submitted an official request to increase tariffs in Tbilisi from 3.15 to 3.7 GEL for non-metered clients and from 0.27 to 0.31 GEL per m3 for metered clients in Tbilisi. However, GNERC recalculated the tariffs with the existing water tariff setting methodology and retained tariffs at the same level. Currently, extensive negotiations are being held between the Company, the Government and GNERC in order to reach mutually acceptable agreement.

On the other hand, the Company is cooperating with GNERC in order to improve water tariff setting methodology.Both parties decided to address international consultants to elaborate proper water tariff methodology in Georgia.

1.5. Analysis of Financial statements of the Company

Financial Statements for the company for and as of year ended 2012, 2013 and 2014 have been prepared in accordance with IFRS and audited by audited by the Company's independent auditors, PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch (PwC), in accordance with International Standards on Auditing ("**ISA**").

Table 8: Revenue vs. EBITDA: 2012-2014

Description (GEL, thousands)	**2012**	**2013**	**2014**
Total revenues	91,506	99,230	101,968
Y/y growth		*8.4%*	*2.8%*
EBITDA	43,127	50,486	48,680
Y/y growth		*17.1%*	*-3.6%*
EBITDA Margin	*47.13%*	*50.88%*	*47.74%*

Total revenue of the Company has an increasing tendency. During last 3 years the Company's sales grew by 5% p.a. on average, generating additional c. GEL 10.4 mln. Company provides water services to both legal entities and individuals. Water sales presented 89% of total revenues out of which 62% were revenues from legal entities. Although total revenue has increased for 2014, there was a slight decrease of EBITDA mainly driven by an increase of salary costs and other expenses. Increase of salary expense is attributable to the remuneration of top management while increase in other expenses is due to professional fees and transport maintenance.

Table 9: Number of customers and revenue streams – 2012-2014:

Description (GEL, thousands)	**2012**	**2013**	**2014**
Number of households	433,193	443,930	456,932
Revenue from households	28,390	26,910	27,264
y/y growth of revenue		*-5.2%*	*1.3%*
Number of legal entities	25,278	27,535	29,518
Revenue from legal entities	57,913	60,652	63,113
y/y growth of revenue		*4.7%*	*4.1%*

Decrease of Revenue from households in 2013, was mainly driven by water meters installation, which in turn caused the decrease of consumption. However, in 2014, new customers compensated shrinking consumption of water. Moreover, water consumption habit of households is affected by meters installation only in short term perspective and thus has one-off effect on revenue streams.

Revenue from legal entities tends to grow gradually and converge with economic growth trends of the country. This revenue stream is characterised by 3% p.a. on average increase.

During last 3 years number of households and number of legal entities have increased by, additional c. 24,000 and c. 4.300 of new customers respectively.

Table 10: Power sales and other revenue – 2012-2014:

Description (GEL, thousands)	**2012**	**2013**	**2014**
Revenue from power sales	1,431	4,905	8,673
y/y growth		*242.8%*	*76.8%*
Other revenue	3,772	6,763	2,918
y/y growth		*79.3%*	*-56.9%*

Revenue from power sales increased throughout the period. The main reason for this increase was growing energy prices. Hike in sales in 2013 compared to 2012 was mainly due to weather conditions. 2012 was exceptionally bad year and was characterized with historically low level of water in Zhinvali reservoir. **Other revenue** growth in 2013 was triggered by water meter sales (60% share in other revenue). In 2014 metering program has been postponed, thus leading to other revenue decrease.

Table 11: Cost structure of the Company:

Description (GEL, thousands)	**2012**	**2013**	**2014**
Salaries and benefits	21,448	20,711	23,395
General and Administrative Expenses	2,662	2,179	2,594
Infrastructure assets maintenance expenses	2,063	2,329	3,439
Disposal of construction in process items	-	2,043	-
Raw materials, fuel and other consumables	3,891	4,740	5,036
Electricity and transmission costs	9,943	8,829	8,673

Provision of trade receivables	2,032	1,517	1,127
Other expenses	9,751	11,425	14,619
Charge/reversal of provisions		1,776	245
Taxes other than on income	3,574	3,904	3,505
Professional fees	564	740	1,339
Bill processing expenses	800	1,099	1,089
Production expenses	1,503	1,126	1,737
Bad debt collection expenses	1,005	803	869
Transport maintenance expenses	492	618	779
Rent expenses	411	440	759
Insurance expense	127	61	169
Fines and penalties	220	191	679
Lubricants	104	144	99
Other expenses	951	523	3,350

Salary and benefits decrease in 2013 was mainly due to management decision not to distribute same amount of bonuses as in 2012. On the contrary, this item of cost structure increased in 2014 notably due to increased number of top management representatives. The Company has established new divisions within the company, e.g. customer relationship department. Moreover, new employees were hired in order to improve overall effectiveness of existing business lines.

General and administrative expenses are more or less stable from year to year.

Other expenses mostly increased due to professional fees, transport maintenance expenses and fines and penalties growth. Transportation maintenance and fines and penalties were one-off events. In 2014 the Company has renewed significant part of transportation vehicles and purchased several new ones. Professional fees increased due to new range of financial services the Company received in 2014, which include additional audit services from existing auditor and Grant Thornton assessment reports on fulfilled obligations of SPA.

Table 12: Outstanding financial liabilities (inthousands GEL):

#	Lender	Current liabilities	Non-current liabilities
1	JSC Bank of Georgia	339	78,250
2	National Bank of Georgia	6	323
3	Rustavi Water Company Ltd	11	-
	Total borrowings	**356**	**78573**

Loan issued by JSC Bank of Georgia in amount of USD 25 mln was utilized for dividend distribution to the existing shareholders (prior to shares acquisition by Bank of Georgia Holdings PLC).

Table 13: Total equity (in thousands GEL)

Equity	2012	2013	2014
Charter capital	208,469	208,469	208,469
Accumulated deficit	(45,614)	(48,252)	(97,020)
Revaluation reserve	59,788	59,286	58,250

Accumulated deficit increased in 2014 due to excess of dividends declared over generated profit of the year by c. GEL 48.8 mln.

Charter capital As at 31 December 2014, the Company had fully contributed charter capital of GEL 208,469 (2013: GEL 208,469).

Dividend in the amount of GEL 70,808K was declared during the year 2014 (2013: GEL 27,713K).

REGULATION

The main regulatory bodies in the Georgian water supply and sanitation (WSS) sector are:

- The Ministry of Regional Development and Infrastructure (MRDI);
- Ministry of Environment and Natural Resources (MENR), and:
- Georgian National Energy and Water Supply Regulatory Commission (GNERC).

The state policy for the sector is developed by the special commission led by the PM of Georgia. GNERC regulates the economic and license-related aspects of the WSS services; states methodology for calculation of water supply and consumption tariffs. MENR oversees the environmental safety and sustainability aspects of the water recovery and supply process. MRDI is responsible for channelling the funds and planning WSS infrastructure development. Most of the IFI funds are channelled through the Municipal Development Fund (MDF) – an independent body created under the MRDI. Another independent body under the Ministry of Agriculture (MoA), the National Food Agency (NFA), is responsible for ensuring that the drinking water quality standards are met.

Table 14: Elements of regulatory discretion for the MRDI, MENR, MoA and GNERC for the WSS sector:

	MRDI / MDF	MoA / NFA	MENR	GNEWRC
Regulatory provisions and by-laws				
Environmental safety and sustainability				
Recovery of surface and underground waters				
WSS infrastructure planning and development				
WSS service licensing and regulation				
WSS services economic regulation				
Drinking water quality control				

There are three tariff levels for the two components of WSS service – water supply and sewage. Household customers and commercial/industrial customers pay different rates. Furthermore, household customers tariffs vary based on whether they are metered or pay per capita. Most household consumers pay per capita/month.

WSS service providers pay regulatory fees to GNERC and the natural resource retrieval fees to the MENR. The regulatory fee is set at 0.3% of total revenues. Fee for connecting a new customer to the water supply system is also determined by the regulator and shall be paid by the license holder. The fee for using natural resources amounts to GEL0.0001 per m^3 of water retrieved. The fee is paid monthly by the licensees to the relevant administrative unit of MENR.

Tariffs for WSS businesses are designed by GNERC. There is no elaborate methodology for setting the WSS service tariffs. The WSS market is not competitive, over 60% of the population is serviced by the state owned USCG (United Water Supply Company of Georgia, or the SakTskalKanali). The revenue that the company gets is not sufficient for cost recovery and roughly 50% of the cost is subsidized by the government.

The current methodology that is used to set tariffs for privately owned GWP is based on the total expenditures (TOTEX) principle. The TOTEX principle serves the purpose of incorporating all economically justified (under discretion of GNERC) expenditures associated with supplying the WSS services to the end-consumer. The economically justified expenses include:

- Expenses associated with ensuring that water quality standards are met;
- Operational expenses that are related to the provision of WSS services;
- Capital expenditures;
- Investments;
- Fair profit margin/rate of return for the utility companies.

The methodology was adopted in 2008 and has not been updated since. GNERC sets the tariffs separately for each licensee.

Network losses should be a part of the methodological framework set by GNERC. However, accounting for the losses within the water supply network is rather complex due to the lack of meters in the household segment. Therefore, currently there are no normative losses set out for the WSS service provision.

WSS service tariffs may be subject to adjustments/corrections if the following occurs:

- Inflationary pressure (over/under 10%);
- Change in the fees for using the natural resources;
- Change in electricity tariffs;
- Legislative changes.

Tariff for the WSS services is set per m^3 of water supplied to the customers. The WSS service supplier has to present to the regulator the justified detailed account of the projected revenues needed to recover costs for supplying WSS services for the price control period. Based on this information, GNEWRC determines the fair profit margin for the company, takes into account the justified costs needed to deliver WSS services and sets the final tariff on consumption, which serves as the revenue cap for the WSS service provider.

WSS service tariff calculation

T water = Projected revenues/Amount of water supplied to the customers (m3)

Currently the water tariffs are fixed for GWP on the back of a SPA signed with the Georgian Government, Ministry of Energy and Tbilisi City Hall in 2008.

GWP will enjoy the fixed tariff up till the end of 2018. Tariffs will again be the subject for recalculation in 2018 to determine the fair price on the water supply for the year 2019. As the Water and electricity tariff regulations have a tendency to converge in most of the developed economies, we assume that the water tariff calculation methodology will most likely converge with the methodology which is already in place for electricity distribution and consumption in Georgia and is the subject of annual calculation by the commission.

Tariff application procedures are announced by the commission prior to every price control period. The tariff application shall be submitted no less than 150 days prior to the beginning of the next price regulation period. The initial review of the tariff application is completed in 3 working days. The applicant is entitled to an additional 45 days if the application does not match the standards set out by GNERC. If the applicant does not satisfy the application requirements the third time around, the tariff application will be discarded. In such cases, either the past tariff will remain intact, or, if the tariff changes were required by the law, the entity can be sanctioned.

POLICIES AND PROCEDURES

The Company has established policies and procedures for labor safety norms, water quality assessment, accident management and new customer linkage to the network.

1.1. Labor safety norms

Ministry of Labor Health and Social Affairs of Georgia initiated formation of labor inspection standards. Currently inspections are conducted upon legal entity's request. In the nearest future Ministry plans to take responsibility for monitoring, whether legal entities comply with labor inspection standards or not and conduct needed inspection on its own discretion.

The Company has established certain number of in-house procedures and policies in order to comply with labor inspection standards:

- New employee training program according to assigned duties;
- Once in a year the Company organizes fire safety and first aid training programs for employees engaged in accident elimination and other technical processes of the Company;
- Once in a year qualification checks;
- Providing employees with specific manuals for certain duties and any other additional handbooks;
- Implementing periodical health check procedures;
- Providing different divisions with needed uniforms and other safety camouflages;
- Twice in a week (or more frequently if needed) employee or group of employees monitor or check procedures on implementing organizational or technical safety rules;
- Planned site visiting of strategic facilities, like HPP, chlorine stations, collectors, vehicle park etc. and defect elimination;
- Monitoring of firefighting equipment and if needed immediate acquisition or recharge of extinguisher;
- Electrical protective equipment monitoring and check on energy supply chain.

1.2. Water quality control

Water quality in capital city of Tbilisi is monitored and maintained according to Georgian State Resolution #58. The Company has Chemical Micro-biological Laboratory (CML) for water quality control and acts according to drinking water technical regulation standards.

For the purposes of assessment of water treatment technology, the laboratory collects water samples from 26 different points and performs sanitary procedures.

The laboratory follows planned recurrent monitoring procedures in Tbilisi and its surroundings (like Tskneti, tabakhmela, Shindisi, Okrokana, Akhaldaba, Tsavkisi etc.) on 374 points of water supply network.

On a daily basis for the purposes of drinking water quality monitoring the laboratory performs following procedures:

- Takes sample of drinking water from 15 small reservoirs of water supply network in Tbilisi;
- Takes sample of water from 20 points of whole water supply network;
- Takes sample of water from city reservoirs if needed (mostly after reservoirs have undergone planned cleaning);
- Takes sample of water from city water distribution network if needed (mostly after network has been rehabilitated or renovated);
- Takes sample of water on behalf of the customer complaint.

According to Georgian State resolution regarding drinking water regulation, 400 samples have to be assessed by the laboratory during one month period.

Registration of completed activities and preparation of supporting reports:

Every completed water quality assessment activity is registered and on a weekly basis distributed to the Company CEO. On a semi-annual basis 6 month water quality report is submitted to the:

- Georgian Government;
- Ministry of Economy and Sustainable Development of Georgia;
- Tbilisi City Hall.

On a quarterly basis the Company submits to regulatory body (GNERC) water quality assessment reports carried out on main knots of water supply network.

1.3. Accident reporting and management

The Company has an obligation to supply water 24 hours a day. So accident management is one of the crucial issues for the business which needs to be address promptly and efficiently.

From year to year the Company improves accident management practice in terms of time and quality. One of the main supportive actions towards the accident management improvement is easy, clear and efficient procedures.

Water supply accident

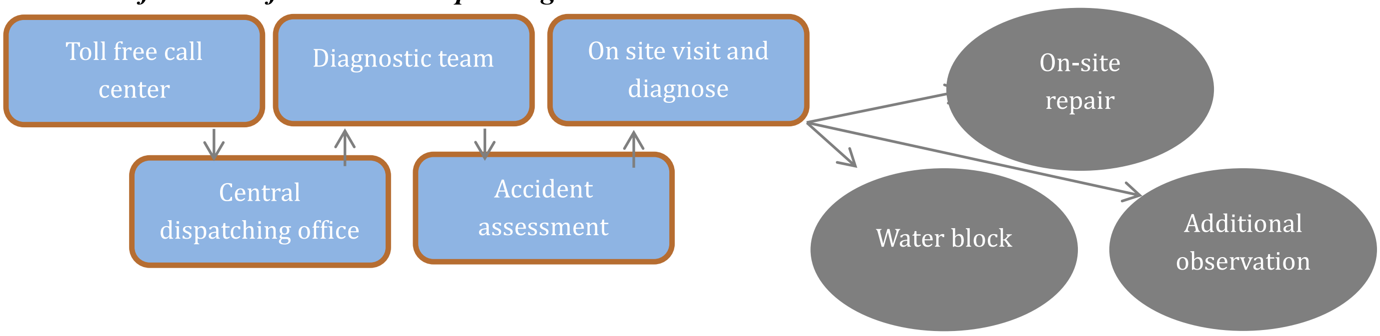
Initially information about the accident is delivered through toll free call centre. ,There are 16 call centre operators, working in shifts. They service the calls 24/7. Tbilisi and Rustavi are both covered through it. The company has recently implemented CRM based on Microsoft Dynamics business solution. All calls are recorded and stored for the sake of further service quality control.

Call centre operator registers the accident and information is transferred to the central dispatching office. On duty engineer analysis the accident, assigns type and degree of difficulty, sketches route for diagnostic team and transfers information to the team. Diagnostic team follows the indicated route and makes on site accident assessment.

There are several outcomes:

- Accident is diagnosed as considerable loss maker; information is immediately delivered to proper division and water is blocked;
- Accident is diagnosed, no large scale threats are identified; information is delivered to accident management team;
- Accident cannot be diagnosed and will be observed during next 24 hours.

Information flow and corresponding actions:



Wastewater accident

Initially information is received through toll free call centre, like in water supply accident case, but is immediately classified as wastewater category and wastewater treatment team arranges on-site visit and conducts repair works directly. Information about the accident is registered and transferred to the central dispatching office for statistical purposes.

In order to lessen the amount of any type of accident the Company aims to:

- Conduct quality repair works, thus decrease accident occurrence probability on the same network part;
- Reduce accident elimination time and as a result minimize revenue losses due to grid disruption;
- Create precise network map, to quickly identify damaged network point and save money on excavations in several different points that is currently needed for breakage point identification.

The company has been improving its efficiency in terms of grid management hence reducing number of accidents.

Table 11: Number of registered accidents:

Year/Month	December	January	February
2013/2014	1260	1263	1380
2014/2015	969	878	669
Change	*291*	*385*	*711*

Table 12: number of transient accidents:

Year/End of month	December	January	February
2013/2014	83	22	30
2014/2015	11	16	9
Change	*72*	*6*	*21*

The Company has 21 brigades working 24 hours, out of which 10 brigades work for water supply accidents, 5 – for wastewater accidents and 6 – for diagnostic purposes of any type of accidents.

1.4. New user linkage to water supply and wastewater network

The Company's main revenue stream is generated from water supply and wastewater management charges. Any amount or type of new customer is important to the business and process of linkage to the network has to be easy, clear and efficient. The process itself requires engagement of several parties, the Company and the enquirer for the agreement signing purposes, and state bodies might be involved in certain cases..

Steps of new user linkage:

- New user submits electronic or written inquiry to the Company; on the same day through chancellery inquiry is transferred to new user linkage and network knot recording department;
- New user linkage and network knot recording department within one business day evaluates the inquiry and all attached documents and in case of any fault informs the inquirer via text message, mail and other electronic means; If inquiry is satisfactory (without any fault) within one business day new user linkage and network knot recording department transfers scanned inquiry and all documents to the water supply and/or wastewater treatment department;
- Specialist of water supply and/or wastewater treatment department within 3 business days develops sketches for new linkage and transfers it back to the new user linkage and network knot recording department;
- Received information is analyzed by the new user linkage and network knot recording department and technical conditions of the works to be implemented are prepared. Then all documents are transferred to the technical supervision department and Georgian Engineering and Management Company (GEMC, sister company);
- GEMC development department immediately starts the process of project approval with different other departments and submits needed documentation to the Tbilisi City Hall for necessary permits receipt; If terms of permits receipt are subject to delay GEMC is obliged to inform new user linkage and network knot recording department, which in its turn informs inquirer about expected delays;
- After all needed permits are received GEMC starts on site works; after works are finished GEMC submits corresponding documents indicating work completion to the new user linkage and network knot recording department;

- New user linkage and network knot recording department informs inquirer about works completion and simultaneously transfers information about new user to the customer relationship and water sales department for registration;
- As a final step acceptance acknowledgement is signed between the Company and the inquirer and new water network is set on the Company's balance sheet.

During the site works implemented by GEMC, the Company's technical supervision department monitors the whole working process.

Advance payment for new user linkage is required in amount of 50% of total project cost, which has to be paid by the inquirer right after the submission of inquiry. The remaining amount is payable after all works are completed. If new user delays payment or some disagreement arises about amount of payment new user linkage and network knot recording department is obliged to record service fee as a receivable and reflect that amount in utility bill, which will became payable within 10 days after water supply starts for legal entities and within 20 days – for households. As water supply cannot be blocked user by user in case of not paying billed amount electricity supply has been linked to it, for the purposes to support water supply charges collection. If water supply bill is not paid within certain period of time, indicated on the bill, user will be blocked from electricity supply.

RISK MANAGEMENT

Risks	The Company's risk management efforts
• ***Contamination of primary water:*** – Natural and man-made factors;	• Contamination of primary water source is one of the main risks that the Company bears Natural disasters as well as man-made factors can lead to contamination, especially when primary water reservoir is located in seismic zone. The Company has implemented certain measures in order to minimize these risks. The Company has built a special protective wall around the reservoir that can prevent debris getting into the water, in the event of earthquake or landslide. Moreover, the Company has onsite security system: security guards at important points around the reservoir and automatic surveillance systems. The company has also identified alternative water sources which could be used in case of water supply disruptions. The management team is currently conducting negotiations with relevant authorities on issuance of license on water investigations.
• ***Inability to serve existing and future customers due to changes in water level driven by bad weather conditions***	• As discussed in Risk Factors section water level highly depends on weather conditions. Correlation between demand and availability due to natural conditions is negative. The company has identified alternative water sources which could be used in case of water supply disruptions.
• ***High contingency level in capital expenditures driven by uncertainty of future demand on new customers linkage***	• Negotiations are held with the Tbilisi City Hall to jointly elaborate long-term city development plan. This will enable the Company to timely adopt its infrastructure to meet future demand and be in line with the city development plan.

• ***Unavailability of sufficient funds to support capital expenditures of ordinary business course***	Currently the Company's main assets (including water pipes) are partly amortized which creates following risk factors: water contamination during water transportation from primary water source to the end user; frequent water accidents and associated water supply disruption, etc. Significant funding is required to manage and prevent such events The Company secures funding through credit line from banks.. The financial performance of the Company is highly monitored by the management team to see upcoming shortfalls if any and promptly react on them, as cash generated from operations is also one of the source for financing capital expenditures. To build up the trust of investors and to demonstrate its transparency, discipline and strong corporate governance, the management of the Company has made a decision to apply for international ratings. For this purposes the Company has signed an agreement with FitchRatings and started the preparation for rating process. Management of the Company believes that the ranking from international rating agency would allow the Company to access local and international public debt and capital markets more easily.
• ***Environmental risks that can arise due to unsafe water purification method using gaseous chlorine***	• The Company uses Liquid chlorine for water purification purposes. Gaseous chlorine is highly dangerous substanceand bears a risk of explosion. The company applies all standard safety procedures to manage this risk on a daily basis. Moreover, the Company is working on implementing a less dangerous purification method aimed at replacing the gaseous chlorine.
• ***Fulfillment of SPA Obligation***	• There are several uncertainties associated with fulfillment of the obligations of SPA, as discussed previously (risk factors). Management considers that all obligations that were due have been fulfilled. For the avoidance of any doubt, the Company is hiring qualified auditors to get reasonable assurance over the accuracy and completeness of expenditures associated with compliance to SPA obligations.

• ***Non-receipt of relevant authorities confirmation on already fulfilled obligations of SPA***	• The Grant Thornton and Levan Samkharauli National Forensics Bureau independently verify the fulfillment of obligations stated in the SPA. Hence the management team mitigates this risk.
• ***The Company's business will suffer if it fails to attract and retain key management personnel***	• The remuneration system, employee trainings, bonus schemes and other benefits are designed to maintain employee loyalty, and the Company does not expect to lose any of its key managers in the foreseeable future
• ***The Company could be adversely affected by a failure or disruption of its technology systems***	• Currently, there are two data-centres within the company, one is Primary (active) and another is Secondary (passive), where the backup files are being stored. However, the company initiated the modification of the network topology and server infrastructure models, to become an active/active data-centre. The benefit of change is the ability to recover separate parts of the IT infrastructure, services like email, telephony etc. in case of disruption faster than previously.
• ***Strikes and other actions could disrupt the Company's operations***	• Trade unions unite most of the company employees. A collective agreement between the parties serve as a mitigation for the potential risks related to the strikes and other disruptions. In addition, the company subsidized the trade unions on a regular basis to solicit the process of communication.
• ***Infrastructure of energy business line is old and partly amortized***	• The company allocated considerable amounts of capital investments for the planned rehabilitation process of the owned HPPs. The survey by the qualified consultants have been conducted to pinpoint the risk zones of the infrastructure. At the same time the company started to obtain insurance coverage for most of the industry specific risks, which shall be reinsured by the international insurance companies.

MANAGEMENT AND EMPLOYEES

1.1. Overview

The Company's supreme governing body is the Partner's Meeting of the shareholders (**"Partner's Meeting"**) and is authorized to take any decision in regard to the Company's activity. The general director of the Company (**"General Director"**) is the sole manager and is responsible for day-to-day operations. The Company has deputy general director ("**Deputy General Director"**), which together with General Director are managing the Company's activities according to the Company's charter and regulations determined by the Partner's Meeting.

1.2. Partner's Meeting

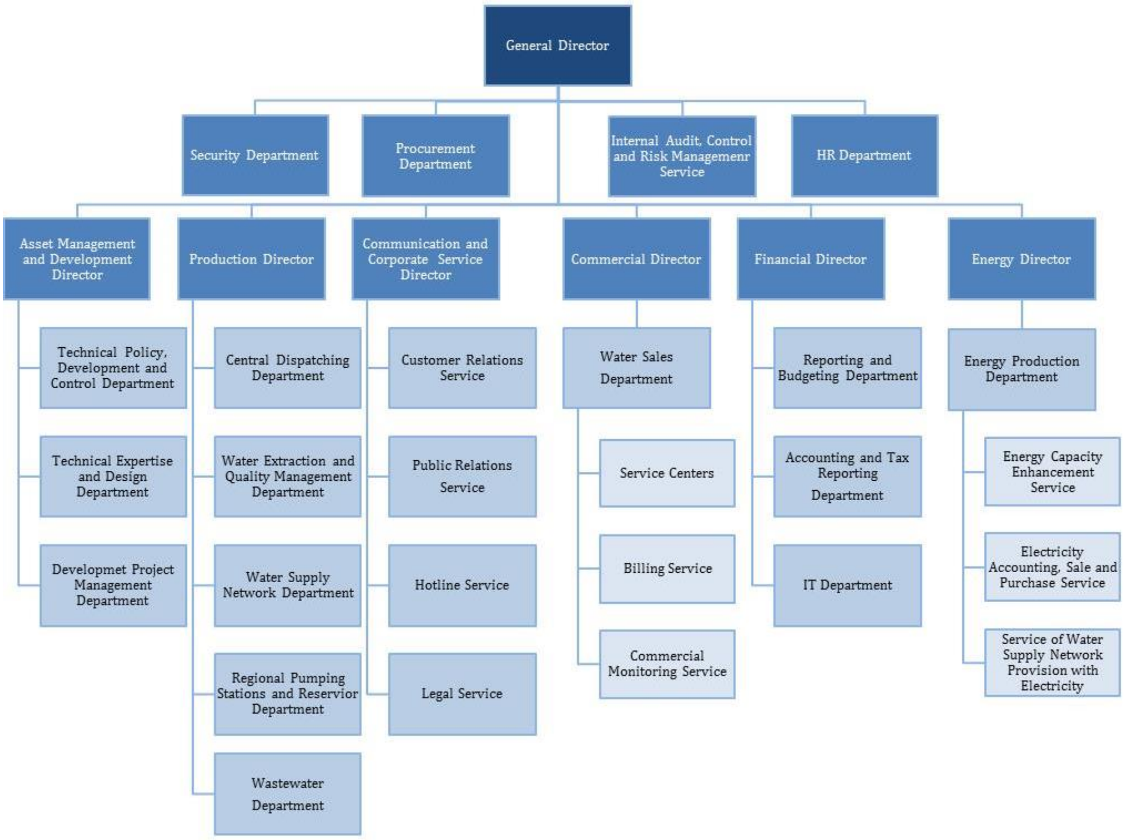
The resolutions that are passed by the General Meeting include:

- Any decision to amend or supplement the constituent documents of the Company;
- Any decision to increase or decrease the share capital of the Company;
- Any decision approving new line of business activities, other than the existing core business activity of the Company;
- Any decision on approval of mergers, acquisitions and split of the Company;
- Any decision on establishment of new subsidiaries, joint ventures, representative offices and branches by the Company;
- Any decision on purchase of shares or stakes in any legal entities;
- Any decision to approve a dividend or any distribution on the Company's shares (other than a dividend);
- Any decision approving any management contracts of the Company and approval of the amount of their remuneration exceeding parameters of budget plan;
- Any decision approving any debt conversion be the Company or making any loan by the Company exceeding maximum amount of 100,000 US dollars;
- Any decision approving investment budget and business plan of the Company;
- Any decision on appointment or change the Company's auditors

1.3. General Director

Management and representation of the Company is executed by the Partner's Director in accordance with the Company's charter and decision made by the General Meeting. General Director defines the number of Deputy General Directors and sphere of their competence.

General Director is obliged to lead the Company business diligently and in good faith observing the provision of this charter, requirements or legislation and executed employment contract.



The Company's management currently includes the CEO/Director and other senior managers listed below:

Name	Current Position	Term of Employment / Reappointment
Giorgi Tskhadadze	Chief Executive Officer	1 year
Ekaterine Beridze	Director of Communication and Corporate Service	1 year
Mamuka Kikalishvili	Chief Operating Officer	1 year
Irakli Babukhadia	Chief Commercial Officer	1 year
Giorgi Vakhtangishvili	Chief Financial Officer	1 year
Melsik Hakobiani	Energy Director	1 year
Alexey Frolov	Operations Director	1 year
Evgeniy Timonin	Assets Accounting and Development Director	1 year
Guram Akhvlediani	Head of Investment policy and project management department	1 year

1.4. Director/CEO - Mr. Giorgi Tskhadadze

Mr Tskhadadze Joined GWP in June 2014 as a First Deputy General Director. Since 2015 is The Company's General Director.

Previously held managerial positions in various business sectors: in 2014 was General Director Counselor at United Water Supply Company of Georgian; for 6 years, starting from 2007 was group Financial Director at IDS Borjomi Beverages Georgia; and for 2 years, starting from 2004 was Financial Director at Poti Sea Port.

Mr. Tskhadadze is a member of Georgian Federation of Professional Accountants and Auditors.

1.5. Senior Managers

1.5.1. Giorgi Vakhtangishvili – CFO

Joined GWP in 2015
Previously held different managerial positions at Bank of Georgia group companies; before joining GWP, Giorgi served as CEO of m2 Real Estate, the leading real estate development company in Georgia
Holds a bachelor degree in Business Administration from European School of Management (ESM)

1.5.2. Mamuka Kikaleishvili - COO

Mr Kikaleishili Joined GWP in 2015. Has an extensive experience of working on infrastructural projects; before joining GWP, Mamuka held a position of Manager of Field Operations at Tetra Tech ENE-Georgia (USAID/Power and Gas Infrastructure Oversight Project)
Graduated from Caucasus School of Business (MBA degree) and is the Doctor of Technical Science (Georgian Technical University)

1.5.3. Irakli Babukhadia – Commercial Director

Mr Babukhadia joined GWP in 2015. Previously worked as a management consultant both independently and at Tetra Tech Inc. and PA Consulting Group. The latest position held by Irakli was First Deputy CEO (finance and commerce) at Mixori Ltd. (construction and construction materials company)
Holds a degree in International Business Law from Tbilisi State University

1.5.4. Evgeniy Timonin – Assets Development Director

Joined GWP in 2015
Evgeniy has more than 15 years of experience in water supply field and has served as a Consultant and Technical Director both at state and private companies. Before joining GWP, he held the position of General Director at Kontakt Ltd. in Moscow, Russia.
Holds a degree of Engineer from Tomsk State University of Architecture and Construction

1.6. Employees

As of December 31, 2014 the Company had around 2,003 employees, out of which only 4 were hired for part-time job. As for the date of this prospectus number of employees is the same.
the Company aims for best practice in recruitment, training and development. Health and safety policies and procedures are delivered through programmes which integrate with other areas of the business including operations, human resources and quality. The Group has a range of training programmes aimed at different levels across the organisation.

According to current tax law of Georgia the Company has to retain 20% of the gross salary as an income tax and transfer it on behalf of the employee to the revenue service agency.

1.7. Remuneration and Benefits

The remuneration of the Company's employees is comprised of a fixed monthly salary and a quarterly or annual bonus depending on the position in the Company. Overall, the Company offers a highly competitive remuneration and benefits package to its employees.

Bonus schemes: Bonuses of call-center operators' are based on a quantitative formula and are paid on the quarterly basis, while the bonuses of senior managers have both quantitative and qualitative component and are paid on annual basis. The decision on bonuses is made by the General Director of the Company and is approved by the Supervisory Board.

Benefits:

- ✓ Every employee is included in an insurance scheme, with the Company contributing GEL 13.7 per month for employees with monthly salary not more than GEL 530
- ✓ Training is held frequently for the professional development of employees financed by the Company.

The table below sets out the aggregate amount of the salaries, and other benefit expenses paid to employees for the years 2013 and 2014:

	2014 *(Lari figures)*	**2013** *(Lari figures)*
Salaries	22,615	20,148
Bonuses	760	548
Other employee benefits	20	15

1.8. Litigation Statement

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

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

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1.1. Shareholders

63% of shares of the Company are ultimately controlled by Mr Andrey Rappaport and the rest 37% is held by Georgian individuals and Bank of Georgia Holding PLC

Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

Table xxx: The outstanding balances with related parties were as follows:

	Relationship	December 31, 2014	December 31, 2013
Loans issued	Owner	-	-
Loans issued	Entities under common control	1,716	3,824
Trade and other receivables	Entities under common control	6,336	7,551
Provision for trade receivables	Entities under common control	(5,174)	(4,722)
Prepayments for non-current assets	Entities under common control	724	-
Borrowings	Other related parties	(78,250)	
Interest payable	Other related parties	(350)	(960)
Trade and other payables	Entities under common control	(533)	(1,822)

Table xxx: The income and expense items with related parties were as follows:

	Relationship	2014	2013
Income			
Revenue	Entities under common control	2,666	1,252
Other income	Entities under common control	927	1,198
Income from rent	Entities under common control	795	432
Interest income	Entities under common control	404	204
Interest income	Owner		208
Expenses			
Purchase of PPE and capital expenditure	Entities under common control	(1,904)	(6,968)
Interest expenses	Other related parties	(1,751)	-
Production expenses	Entities under common control	(1,422)	(785)

Provision for trade receivables	Entities under common control	(384)	(399)
Interest expenses	Entities under common control	(154)	
Other expenses	Entities under common control	(46)	(90)

Conflict of interest 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 GEL 5,000,000 from 12% to 14% per cent. Bonds due on August 17th, 2017 was authorised by a resolution of the Meeting of the Partners of the Company passed on July 7th, 2015. 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 July 17th, 2015 (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 GEL1,000.

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

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

(a) Bond Offering Process

The Placement Agent will carry out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement 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 will carry 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 will provide to potential investors, in accordance with their preference, electronic link to the Prospectus, its scanned or printed version. The final Prospectus will be provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

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

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing 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 will make an announcement on its determination of the final interest (coupon) rate and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the 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 offinal interest (coupon) rate, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors ("**Subscribing Investors**").

Provided that the Minimum Placement Amount requirement is met, the Issuer and/or the Placement Agent are entitled to make deferred issuance of the Bonds after the Issue Date until the Offering Completion Date (including). Deferred issuance of the Bonds shall be made at the Deferred Placement Price. The investors may express interest for the deferred purchase of the 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 deferred purchase of the Bonds shall not be later than 2 Business Days Prior to Offering Completion Date. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).Subscribing Investors and the investors acquiring the Bonds on the Bond Deferred Placement Date (together the "Investors") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or the Bond Deferred Placement Date, as applicable. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer will deliver the purchased Bonds to the same brokerage account on the Issue Date or the Bond Deferred Placement Date, as applicable. In exceptional cases, the Placement Agent may at its discretion allow the Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Investor's brokerage account with the Placement Agent). In such cases, the Bonds will be delivered to the account of the Investor held with the Registrar or with other authorized Nominal Holder.

Following placement of Bonds, whether initial or deferred, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

The Issuer will not issue the Bonds pursuant to the Offer described in this Prospectus, or to the extent issued, will revoke any Bonds and return the payments made by the Bondholder(s) for the purchase of the Bond(s), if the Minimum Placement Amount is not subscribed for and placed by the Bond Issuance and Placement Date.

If the total Number of the Bonds issued pursuant to the final Prospectus is not placed by the Offering Completion Date, the Bonds that remain unplaced shall be deemed cancelled and the Issuer shall submit to the National Bank of Georgia information on the number of the issued and placed Bonds and make the announcement to the public pursuant to the requirements of Georgian law.

(b) Changes during Public Offering

If the Issuer decides to change material information about the Bonds, such as the number of securities to be issued pursuant to the final Prospectus, Minimum Placement Amount, price, period of offering, etc., during public offering (period between the commencement of offering until the Offering Completion Date) the Issuer shall take the following steps:

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

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

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

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

(c) Disposal of the Bonds

The Bonds may be disposed of in accordance with Georgian legislation (including Securities Law) within the jurisdiction of Georgia. Disposal of and transfer of title to Bonds shall be valid only if the title change is registered in the relevant Registry. As soon as possible after placement of Bonds but no later than October 17th, 2015, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

(c) A Bondholder (or a Nominal Holder on behalf of a Bondholder) may act directly against the Issuer for breach of its obligation to pay the principal amount of the Bond under Condition 7(a) and Clause 2.2 of the Agreement, and/or breach of its obligation to make any interest payment when due under Condition 8(a)(ii) and Clause 2.2 of the Agreement, or as provided in Condition 12.

5. COVENANTS

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

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

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

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

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

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

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

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

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

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

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

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; (iii) the leasing, sale and disposal of assets from its inventory in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests", does not, at any time, exceed 25% 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 USD 500,000 (five hundred thousand US dollars) (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 2014, exceeds the sum of:

(a) 100% 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 2014 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 2014 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2014 of any Indebtedness of the Issuer into or for share capital of the Issuer; or

(h) **Indebtedness**:

(i) The issuer shall not and shall not permit any of its Material Subsidiaries to create, incur, assume or otherwise become liable in respect of any Indebtedness, if

(A) Event of Default would occur as a result of such incurrence of financial indebtedness; or

(B) the ratio of Net Financial indebtedness of the Issuer and its Subsidiaries as of the date of such incurrence, after giving effect to such Incurrence, to the amount of EBITDA for the most recent annual financial period exceeds 3 to 1 for financial year 2015 until the maturity of bonds

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

(A) Inter-company indebtedness: between the Issuer and any Subsidiary and between the Subsidiaries

(i) **Financial Information**:

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

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

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

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

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

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

6. INTEREST

Each Bond bears interest from and including the Issue Date at the annual rate within the range indicated in – "*Overview of the Offering*" (*see, pg.1)*. The final interest rate will be determined pursuant to Condition 2(a) ("*Bond Offering Process*") and will be reflected in the final Prospectus. The interest is payable semi-annually in arrears on August 17th and February 17th each year (each an "**Interest Payment Date**"), commencing on February 17th, 2016. 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) **Final 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 August 17th, 2017. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

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

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

8. PAYMENTS

(a) **Method of Payment**:

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

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

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

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

(b) **Appointment of Agents**: The Calculation and Principal 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 Principal 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 Principal Paying Agent, Placement Agent or the Registrar and to appoint additional or other Calculation and Principal Paying Agent, Placement Agent or the Registrar, provided that the Issuer shall at all times maintain (i) a Calculation and Principal 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 Principal Paying Agent. Furthermore, the amount(s) due as calculated by the Calculation and Principal Paying Agent, except for manifest error, shall be binding on the Issuer. The Calculation and Principal Paying Agent shall calculate the amounts at least 3 Business Days before the relevant payment date and notify the Issuer. At least 1 Business Day before the relevant payment date, the Issuer must place relevant funds in United States dollars on its bank account maintained with the Calculation and Principal Paying Agent and instruct the latter to transfer such funds. If there are sufficient funds on the Issuer's account, the Calculation and Principal Paying Agent is entitled, but not obliged, to transfer payments due on Bonds without relevant instructions from the Issuer and in case the funds on the Issuer's account are not sufficient - notify the Issuer and Bondholders' Representative accordingly.

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

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

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made after deduction of any applicable Georgian withholding tax. If the Issuer determines, in its sole discretion, that any payment of interest qualifies for an exemption from withholding tax under the law, then the Issuer shall not withhold the relevant tax and the Bondholders entitled to the benefit of such exemption shall receive the gross amount of such payments, without withholding.

10. EVENTS OF DEFAULT

If any of the following events ("**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, and in addition to the terms defined in elsewhere in this Prospectus, the expressions used in these Conditions shall have the following meanings:

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

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

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

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

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

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

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

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

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

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

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

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

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), excluding any letters of credit, guarantees, or other similar instruments issued in the ordinary course of its business;

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

(e) all indebtedness of other Persons secured by Security Interests granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest annual financial statements (calculated in accordance with IFRS) of the Person granting the Security Interest) of such Person, whether or not such indebtedness is assumed by such Person;

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

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

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

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

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

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

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

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

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

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

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

"**Permitted Security Interests**" means:

a) Security Interests in existence on the Issue Date;

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

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

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

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

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

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

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

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

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

k) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of US$ 45,000,000 or 35% per cent. of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

"**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.

17. GOVERNING LAW AND JURISDICTION

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

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

TAXATION OF THE BONDS IN GEORGIA

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

Withholding Tax on Interest

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

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

Interest paid to Bondholders that are companies registered in countries having beneficial taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15%.
The applicability of Georgian withholding tax on interest may be affected by a double tax treaty between Georgia and the country of residency of the non-resident Bondholder.

Taxation of sale of Bonds – General

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

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

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

Taxation of sale of Bonds by Non-Resident Individual Bondholders

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

Taxation of sale of Bonds by Resident Legal Entity Bondholders

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

Taxation of sale of Bonds by Resident Individual Bondholders

If the Free Float Exemption does not apply, a Georgian resident individual Bondholder will have to pay income tax at 20% upon the disposal of the Bonds. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax.
Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than two calendar years and not use them in economic activity.

Tax on Payment of Principal

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

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

GENERAL INFORMATION

1. The Company has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a decision of the Partners' Meeting of the Issuer dated July 7^{th}, 2015
2. There has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since 31 December, 2014.
3. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
4. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the office of the Company:

a) a copy of this Prospectus together with any Supplement to this Prospectus or any further Prospectus;
b) the Agreement between the Issuer and Bondholders' Representative;
c) the audit report on the historical financial information of the Company set out in the annex to this Prospectus.

5. PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch has consented to the inclusion in the Prospectus of their report in the annex.

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

Issuer
LLC Georgian Water and Power

33 M.Kostava Str.
Tbilisi,
Georgia

Placement Agent
JSC Galt & Taggart
79 D Aghmashenebeli Ave
Tbilis, 0102
Georgia

Bondholders' Representative
Name

Address
Tbilisi
Georgia

Calculation and Principal Paying Agent
JSC Galt & Taggart

79 D Aghmashenebeli Ave
Tbilis, 0102
Georgia

Registrar
JSC United Securities Registrar of Georgia

11 Mosashvili Str.
Tbilisi, 0179
Georgia

Auditor

PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch

7 Bambis Rigi Str.
Tbilisi
Georgia

Legal Adviser to the Company
Name

Address
Tbilisi,
Georgia

Signed on behalf of LLC Georgian Water and Power

Signatory

Name: Davit Tskhadadze

Position: CEO

Signature:

Date:

Signed on behalf of JSC Galt and Taggart:

Signatory

Name: Irakli Kirtava

Position: CEO

Signature:

Date: