Limited liability Company

"Kakhetian Traditional Winemaking"

(ID 200075113)

Term Sheet of the Prospectus

Term sheet lists down the offering terms of the Prospectus.

Name of the Security	“Kakhetian Traditional Winemaking ” LLC Bonds
Name of the Issuer, legal form, identification number and contact information	Limited Liability Company “Kakhetian Traditional Winemaking”, ID 200075113. Address: Sulkhan Tsintsadze st N12, Tbilisi, Georgia Tel: (995 32) 223 77 22; E-mail: info@ktw.ge; Web-page: www.ktw.ge
Name and contact information of the Placement Agent	JSC Galt & Taggart (Identification Code 211359206), Address: 79 D. Agmashenebeli Avenue, Tbilisi 0179, Georgia, Tel: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge; Web-page: www.galtandtaggart.com
Name and contact information of the body responsible for approving the Prospectus	**National Bank of Georgia** - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge
Prospectus Approval Date	
Approval date of Term Sheet	
ISIN	

Term Sheet represents the integral part of the Final Prospectus.

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.

Approved by the National Bank of Georgia

Information about the Bonds:

Main characteristics of the Bonds:

Interest (coupon)	Annual interest (coupon) rate for bonds is [7%-8%] on the nominal value of the Bonds. Final interest (coupon) is determined following the book-building Process. (see, *Condition 1 "Bond Offering Process" – pg. 135*)
Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the date of issuance of Bonds until the maturity date. The interest will be accrued based on a 365-day year. The accrued interest will be payable quarterly. The first payment of interest will be made on [●].
Currency of the Bonds	Bonds are denominated in US dollars
Rights and Restrictions related to the Bonds	There are no special and material rights and restrictions related to the Bonds except for the ones presented in the Terms & Conditions part of the prospectus.
Limitations to the free circulation of the Bonds	There are no special limitations to the free circulation of the Bonds
Credit rating of the Bond	The Bonds have no credit rating
Maturity Date	***The Bonds will be redeemed on [●] at their nominal value together with accrued and unpaid interest (if any)***
Contact Information of the Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)** Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Status and Ranking of the Bond	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst them. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Company
Dividend disbursement policy	The Company does not have a predefined dividend disbursement policy.

Overview of the offering:

The Offer	10,000,000 USD Debt securities (Bonds) due on [●], 2022
Minimal placement lot	1 Bond
Security	Coupon bond (fixed interest bearing security)
Nominal value	1,000 (thousand) USD
Quantity of bonds	10,000 (ten thousand)
Total Nominal Price of the Issue	10,000,000 (ten million) USD
Issue Price	100% of the principal amount (nominal value) of the Bonds
Indication of the minutes of the meeting of the partners (shareholders) and the decisions of the management on the approval of the issue;	The Act of General Meeting, conducted on 30 November, 2020.
Bond Issuance Date	The Bonds will be issued on [●], 2020
Bond Deferred Placement Date	Any date after the Bond Initial Issuance Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Bond Deferred Placement price	Bond nominal value plus accrued interest for the period between Bond issuance date and Bond deferred placement date
Offering Completion Date	[●], 2021 when offering and issuance of the Bonds will be completed
Maturity Date	The Bonds will be redeemed on [●] at their principal/nominal value together with accrued and unpaid interest (if any)
Currency of the Bonds	Bonds are denominated in US Dollars.
The ranking of securities in the capital structure in case of insolvency/bankruptcy	In case of bankruptcy the claims of the bondholders will be satisfied according to the order of unsecured creditors – the sixth priority claims – after satisfaction of all the secured claims.
Rights and Restrictions related to the Bonds	There are no special and material rights and restrictions related to the Bonds except for the ones presented in the Terms & Conditions part of the prospectus.
Limitations to the free circulation of the Bonds	There are no special limitations to the free circulation of the Bonds
Listing and Admission to Trading	The Issuer intends to make applications to the Georgian Stock Exchange for the Bonds to be admitted to listing on the official list and to the trading system of the Georgian Stock Exchange, as soon as practicable after the placement of the Bonds.
Calculation and Paying Agent	JSC Galt & Taggart (Identification Code: 211359206)
Default	If an "Event of Default" occurs, the Bond Representative (and in some cases the Bondholder(s) and/or Nominal Holders) may notify the Issuer of a request for an immediate payment of 100% principal amount of the Bond and the accrued interest (if any) (see chapter "Terms and Conditions of the Bonds", Subsection 10, "Events of Default")
Use of Proceeds	Net proceeds from the issuance of the bonds will be used to refinance the existing loan liabilities towards JSC "Bank of Georgia". In case of Full placement of the bonds, net funds attracted from the transaction will be no less than US$ 9,800,000.
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
Placement Agent	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave.; Tel: (+995 32) 2401111 E-mail: gt@gt.geვებ-web-page: ww.gt.ge
Main terms of Bond Placement Agreement	The agreement obliges JSC Galt & Taggart to provide underwriting of bonds only on a non-guaranteed basis. It is the duty of the placement agent to prepare the documentation required for the placement of the bonds (including the bond prospectus), to act as the placement agent, and to advise the company on the issuance, sale, and settlement of the bonds
Placement Fee	The placement fee does not exceed 2% of the placed bonds. The commission is fully covered by the issuer and no costs will be charged to investors

Possible fees imposed onto investors

Fees associated with placement of the bonds are reimbursed in full by the issuer and the investor will not incur any additional costs under the offer.

Conflicts of interest connected with the offering

The issuer, the placement agent, the calculation and principal paying agent and the registrar are not related parties

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

Limited liability Company

"Kakhetian Traditional Winemaking"

(ID 200075113)

Final Prospectus

Offering USD 10,000,000 (ten million) Bonds (10,000 units) with fixed interest (coupon) rate. The Bonds mature in 24 months from the date of their issue. The nominal value of each Bond is USD 1,000 (one thousand). Issue price: 100% of the nominal value. Interest on the Bonds is payable quarterly interest rate is determined by the *"Final Term Sheet Document"*

The Bonds represent unsecured and unsubordinated liability of the Company.

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

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

Persons responsible for preparation of the document:

Zurab Chkhaidze - General Director of "Kakhetian Traditional Winemaking" Ltd.

Koba Kharkheli - Financial Director of "Kakhetian Traditional Winemaking" Ltd.

Signed on behalf of LLC Kakhetian Traditional Winemaking:

Signatory:

Name, surname: Zurab Chkhaidze
Position: General Director
Signature:
Date:

Signatory:
Name, surname: Aleksandre Chkaidze
Position: Chairman of the Supervisory Board
Signature:
Date:

Signed on behalf of JSC Galt and Taggart:

Signatory:

Name, surname: Otar Sharikadze
Position: General Director
Signature:
Date:

IMPORTANT INFORMATION FOR THE INVESTORS:

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

Responsible body for approval of this Prospectus:

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

Limitation of the liability:

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

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

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

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

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

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

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

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

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

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

Approved by the National Bank of Georgia

[date]

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GENERAL OVERVIEW OF THE PROSPECTUS

Introduction

Name of the Security	"Kakhetian Traditional Winemaking " LLC Bonds
Name of the Issuer, legal form, identification number and contact information	Limited Liability Company "Kakhetian Traditional Winemaking", ID 200075113. Address: Sulkhan Tsintsadze st N12, Tbilisi, Georgia Tel: (995 32) 223 77 22; E-mail: info@ktw.ge; Web-page: www.ktw.ge
Name and contact information of the Placement Agent	JSC Galt & Taggart (Identification Code 211359206), Address: 79 D. Agmashenebeli Avenue, Tbilisi 0179, Georgia, Tel: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge; Web-page: www.galtandtaggart.com
Name and contact information of the body responsible for approving the Prospectus	**National Bank of Georgia** - Address. Sanapiro str. N2, Tbilisi 0114, Georgia, Tel: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge
Regulatory legislation	Georgian Legislation
Prospectus approval Date	●

Important references:

The general overview is an integral part of this Prospectus;

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

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

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

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

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

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

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

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

Warning

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

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

Information about the Issuer

The company was founded in August 2001. The company's field of activity is the production and sale of alcoholic beverages in local and various export markets. Today, the company is one of the largest wine and spirits producer companies in Georgia and the Caucasus region.

The main business direction of the company is to produce high quality wine, brand and traditional Chacha from unique vine varieties grown in Eastern and Western Georgia. The company owns up to 1,000 hectares of cultivated vineyards in Racha-Lechkhumi, Kakheti (Kvareli, Akhalsopeli, Tsinandali, Telavi, Gurjaani, Akhmeta, Manavi, Akhasheni, Vachnadziani) and Kartli (Saguramo, Gori).

The group is actively presented on the international markets of Europe and Asia, as of 1H20 main export markets are as follows: Russia – 67%, Ukraine – 28%, Belarus – 2%, Moldova – 1%, other – 2% (As of FY19, Russia – 56%, Ukraine – 35%, Moldova – 4%, China – 3%, other – 2%).

The group owns wineries in accordance with ISO 22000 standards in Velistsikhe, Manavi, Patardzeuli, Saguramo and Keda with a total processing capacity of 1,750 tons of wine per day and bottling plants with a total capacity of 280 thousand bottles / hour. The company also owns historic wine cellars - "Guramishvili Cellar" and "Velistsikhe Veranda" where premium grade wine is made from the unique variety of grapes.

In addition to the production of alcoholic beverages, in 2015 the company began to develop agro directions and under the brand "Nena", company produces different varieties of compotes, jams, honey and tkemali. The issuer owns fruit processing plants in Chokhatauri and Keda, equipped with modern technology satisfying the international standards.

The issuer also operates a hotel and restaurant network in the hospitality sector. In 2018, the company launched its first modern, four-star, 41-room hotel - "AKHASHENI WINE RESORT".

In the second quarter of 2020, the company opened its second, four-star, 23-room hotel in Tbilisi, on Orbeliani Street - "ORBELIANI RESIDENCE".

For the date of preparation of the prospectus, the group owns tasting salon / restaurant "Georgian Wine Chamber" in Mtskheta, near the Guramishvili Cellar in Saguramo, and two hotel restaurants located in "AKHASHENI WINE RESORT" and "ORBELIANI RESIDENCE" with cumulative capacity of 820 seats.

Detailed information on the issuer's activities is provided in the "Main Activities" section.

There are 19 companies nested into the group. Each and every one of them is 100% subsidiary of "Kakhetian Traditional Winemaking Ltd".

"Kakhetian Traditional Winemaking Ltd" is the parent company of the group, owning all the group factories (except factory in Keda). Main business industry for the company is production and sale of wine and spirits. The business activities of the company include purchasing primary agricultural goods, processing, bottling and selling the bottled beverages on local and international market. "Kakhetian Traditional Winemaking Ltd" owns chain of retail shops, where it distribute and sell its products. Wholesale distribution on local market is performed via the company "Old Kakheti".

The company also owns, maintains and plants vineyards. "Kakhetian Traditional Winemaking Ltd" operates hotel "AKHASHENI WINE RESORT", "GURAMISHVILI CELLAR" and "Georgian Wine Chamber".

"Keda Wine Factory" is stand-alone legal entity which purchases primary agricultural goods, processes, bottles in 3-5L bottles and sells bottled production in the shop located near the factory located in Keda, which company owns and operates.

Planting and maintenance of the vineyards in Gurjaani, Manavi and Kvareli is performed respectively by LTD "Gurjaani Agro", LTD "Chateau Manavi" and LTD "Georgian Wine Bank".

Companies LTD "Kakhetian Traditional Winemaking – Agro Chokhtauri" and LTD "Kakhetian Traditional Winemaking – Keda" focus on fruit and tinned food. Those companies purchase the primary goods and process it. The finished goods are distributed via LTD "Old Kakheti".

LTD "KTW Khobi" is planting and maintaining the nut farm.

Full list of the companies in the group is provided in "Issuer Structure" section.

Information about the consolidated revenue and profitability of the group is stated in the table below:

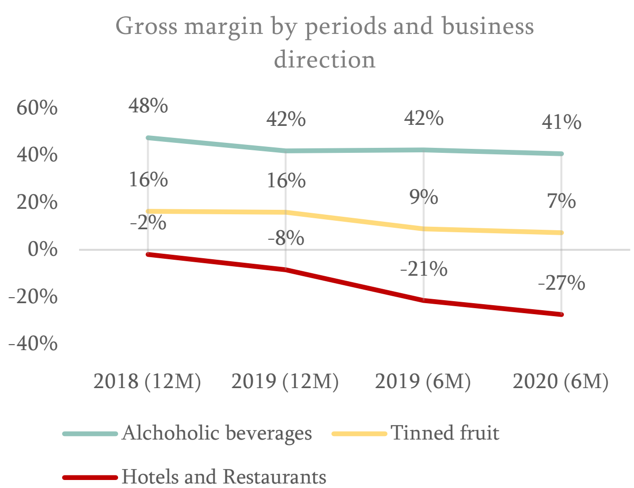
Consolidated income statement *(shortened)*	*unaudited*	*udaudited*	*audited*	*audited*
GEL	**2020** *6 months*	**2019** *6 months*	**2019** *12 months*	**2018** *12 months*
Revenue	51,185,113	46,391,666	105,239,812	84,523,905
Cost of goods sold	(31,014,920)	(27,983,130)	(63,552,888)	(46,307,617)
Gross profit	**20,170,193**	**18,408,536**	**41,686,924**	**38,216,288**
Gross margin	*39%*	*40%*	*40%*	*45%*
Operating profit	**13,303,634**	**13,083,106**	**31,099,238**	**29,296,334**
Operating margin	*26%*	*28%*	*30%*	*35%*
Earnings before income tax	**553,549**	**7,454,201**	**23,070,806**	**24,246,880**
Income tax	**(60,746)**	**(96,367)**	(459,017)	(350,332)
Net income	**492,803**	**7,357,834**	**22,611,789**	**23,896,548**
Net income margin	*1%*	*16%*	*21%*	*28%*

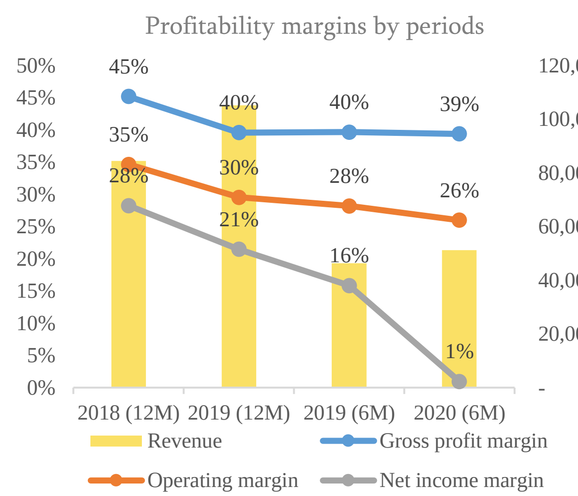
As of 1H20, 97.4% of total revenue is from sales of alcoholic beverages, 1.5% from hotels and restaurants and 1.1% from sales of tinned fruit.

Breakdown of revenue sources are described in the table below:

GEL	**2020** Half year	**2019** Half year	**2019** Full year
Revenue from sales of alcoholic beverages:	49,868,729	44,178,518	99,304,881
Revenue from export	48,812,719	40,530,028	93,017,826
Revenue from local wholesale	751,951	2,024,616	3,130,885
Revenue from local retail	304,059	1,623,874	3,156,170
Revenue from hotels and restaurants	742,341	1,656,109	3,879,244
Revenue from sales of tinned fruit	574,043	557,039	2,055,687
Total revenue:	**51,185,113**	**46,391,666**	**105,239,812**

Gross profit margin for main business categories are as follows:





As of 1H20, operating profit of the company is 13.3 mln GEL, 2% higher than 1H19. Operating profit margin shows slight decrease to 26%, mainly caused by the slight increase in sales and administrative expenses. Abovementioned increase can be explained by the active investment strategy and growth of number of professional employees, such as project managers, agro-specialists, etc. As a result, Average salary per employee has increased.

As of 1H20, major part of company liabilities is denominated is US Dollars, resulting in open foreign currency position of 38.8 mln USD. Due to 6.5% devaluation of GEL towards USD from the beginning of 2020 to 1H20 the company reported the exchange loss of 6.4 mln GEL, doubled compared to the same number from 1H19. Due to the exchange loss, net income for 1H20 period is 493 thousands GEL, much less than 7.4 mln in 1H19.

Detailed financial information is presented in “Operating Results” section.

The 100% owner of the Company is Zurab Chkhaidze (ID 01017000455), who is also the General Director of the issuer.

As of the date of the prospectus preparation Company has employed 850 employees.

The issuer is Kakhetian Traditional Winemaking Ltd.

Issuer assets are geographically localized in Georgia.

Brief information about the Georgian Wine and Spirits and Hospitality Sector

Information used:

For use in this prospectus, the company obtained market data from unofficial internal surveys, industry sources, and public information available at the time the prospectus was prepared. The National Bank of Georgia is the main source of data on market and exchange rates used in the Prospectus. The company obtained data on the macroeconomic situation of Georgia mainly from the Georgian National Statistics Office (hereinafter referred to as Geostat) and the Government of Georgia. In case of using different sources, the relevant instructions are made in the text. The Company assumes responsibility for the correct disclosure of information obtained from third parties, and as far as the Company is aware and is able to substantiate the information disclosed by such third parties, no facts have been omitted which could have rendered such information incorrect or inaccurate.

The wine and spirits business is one of the most profitable sectors in Georgia. The sector's revenue doubled during 2014-19. Revenues in the wine and spirits sector grew by 29.6% year-on-year and reached GEL 1.1 billion in 2019. Such an increase in 2019 is explained by the unprecedented grape harvest of the previous year and the increase in export earnings (exports in USD in 2019 increased by 8.6% year-on-year, while in GEL - by 20.7%). Despite the increase in the turnover of the sector, operating profit in 2019 remained almost unchanged annually and amounted to 239.2 million GEL (-0.7% y / y), which is explained by the increased prices for grapes.

The high profitability of the sector and the growth rate have increased the interest of companies in it. The number of investments in 2019 amounted to GEL 146.2 million 3.1 times more than the investments made in 2017, at the same time the number of companies operating in the sector also increased from 441 to 591 in 2017-19. The increase in investments also increased the debt ratio of the sector, which was reflected in the profit margin of the sector. In 2019, the net profit margin of the sector was 5.1%, which is significantly lower than the 19.3% in 2018.

About 600 companies operate in the sector and employ 8,600 people. About 93% of these companies are small in size[1]. The high profits made in recent years, as well as the availability of various grants and subsidized loans are the main reasons for the presence of a large number of winemakers in the sector.

About 85% of the revenue stream for the wine and spirits sector comes from export markets. At the same time, a large part of the local demand is still met by Georgian households – Georgians are proud when they treat their guests with their own wine. This tradition still exists, but growing urbanization and the influx of tourists are increasing local demand for bottled wine.

Export dependence makes the sector very sensitive to the conditions in export markets. Thus, due to currency weakness and poor economic performance of Georgia's major export partners, turnover in the alcohol sector fell by 28.5% in 2015 compared to the previous year, and then recovered in the wake of market stabilization in 2017. The sector indicators and turnover is also greatly affected by the exchange rate volatility: Export revenue is denominated in USD, whereas cost of sale is depended partly on GEL in terms of grape harvest/maintenance costs and partly on USD, as the bottles are mainly imported and costs are nominated in USD.

Pandemic Impact on the Alcohol Sector:

Wine and spirits exports remained stable in 2020 as well, amid declining global demand and falling prices due to the pandemic. For the first 9 months of 2020, wine and spirits exports increased by 1.2% to $ 217.4 million, of which $ 143.3 million (65.9% of the total) was wine exports. It should be noted that despite the pandemic, the brand's exports increased significantly, both in terms of amount (+ 18.0% y / y) and liters (+ 23.4% y / y), wine exports remained unchanged in quantity, while in amount they decreased by only 5.8% per year.

[1] *According to the Geostat classification, the annual income of small companies is less than 12 million GEL and employs less than 50 employees.*

Figure 1: Wine and spirits sector turnover, GEL mn

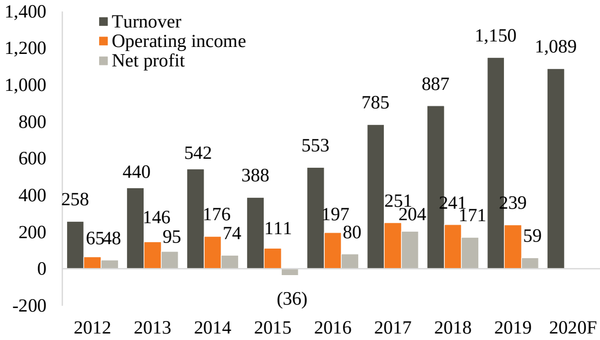
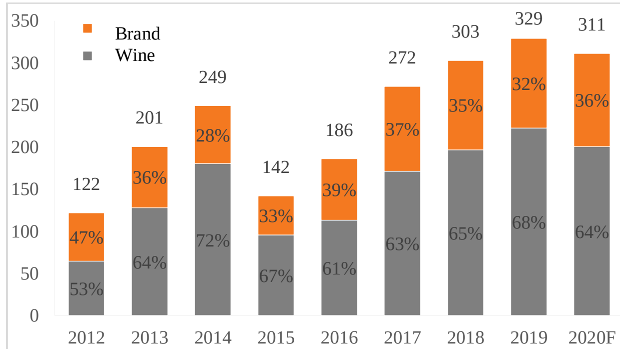
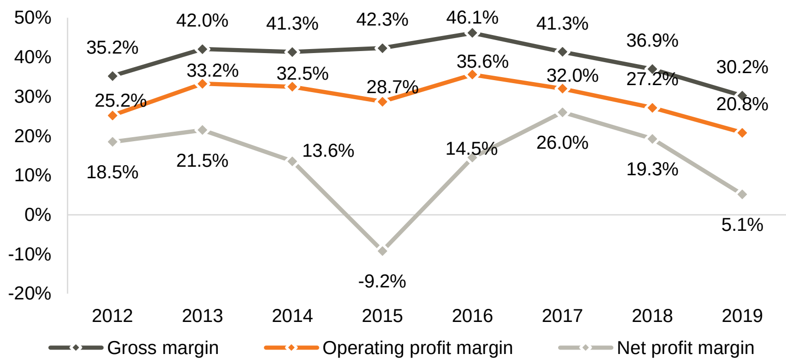


Figure 2: Wine and spirits sector turnover, USD mn



Source: Galt & Taggart Research, Geostat

Figure 3: Wine and spirits sector profitability



Source: Galt & Taggart Research, Geostat

As for the local market, the demand here has decreased significantly during the pandemic, which is largely explained by the limited work of cafes and bars. Store sales were relatively high at the beginning of the pandemic, although this increase did not appear to be enough to offset the decline in the HORECA (hotels, restaurants, and cafes) sector. Accordingly, local sales are expected to halve in 2020 compared to 2019. Restrictions caused by the pandemic and the state of the tourism sector will continue to affect the sale of wine and spirits in the local market.

Wine and spirits exports remained stable in 2020 as well, in times of declining global demand and falling prices due to the pandemic. For the first 9 months of 2020, exports of wine and spirits increased by 1.2% in dollars to $ 217.4 million, of which $ 143.3 million (65.9% of the total) was wine exports. It should be noted that despite the pandemic, the brand's exports increased significantly, both in dollar terms (+ 18.0% y / y) and in liters (+ 23.4% y / y), wine exports in quantities remained unchanged and in monetary terms, in US dollars, showed slight annual 5.8% decrease, which is mainly explained by the decline in prices caused by the pandemic in export markets and the world.

As for the local market, the demand here has decreased significantly during the pandemic, which is largely explained by the limited work of cafes and bars. In the first 6 months of 2020, the turnover of the wine and brand sector from local sales decreased by about 40% annually (in GEL). Market participants estimate that store sales increased relative at the beginning of the pandemic, although this increase did not appear to be sufficient to offset the decline in the HORECA sector. Accordingly, local sales are expected to halve in 2020 compared to 2019. Restrictions caused by the pandemic and the state of the tourism sector will continue to affect the sale of wine and spirits in the local market.

In terms of prices, average brand and wine retail prices have risen by an average of 8-9% over 2020 (in GEL terms), which is partly explained by the change in sales channels (HORECA and sales at tourist and customs points decreased and contrary sales of bottled wine in the store increased. Another reason for the price increase is the increased cost of production, both the price of grapes increased (see part of the vintage) and the cost of bottles expressed in GEL also increased due to the fact that the sector mainly uses imported bottles. The price of the brand has increased significantly, by an average of 9.5%, and the price of a 0.5-liter bottle reached 21.6 GEL in September 2020. The price of bottled wine increased by 8.1% on average annually and in September 2020 amounted to 13.7 GEL per 0.75 liter bottle. The price of bottled wine has increased the least. The price of 1 liter of bottled wine rose to 4 GEL in April-May, but then decreased again and became 3.4 GEL / liter, on average 3.5% higher than the previous year's average price of 3.3 GEL / liter.

Hospitality Sector

Georgia's tourism sector is growing rapidly due to visa-free travel to more than 100 countries, rich culture, improved services and government support (tourism is one of the key components of the four-point reform plan starting in 2016). Georgian seaside resorts, medical and health resorts, winter ski resorts, four-season resorts, wine tourism, cultural attractions and gambling business make tourism a key service sector.

Traditionally, most of the visitors to Georgia come from the CIS countries and Turkey, although last year saw significant growth in other markets as well. The results of the diversification drive are obvious - the share of the top four countries (Azerbaijan, Armenia, Russia and Turkey) was 79.6% of total visitors in 2015, and decreased to 71.4% in 2019, as the number of visitors from the EU and the Middle East increased significantly.

The hotel market is dominated by international brand hotels. Currently, there are 33 international brand hotels in Georgia, with a total of 4,257 rooms, most of which are located in Tbilisi and Batumi. The number of international brand hotels will increase even more as 43 more hotels are planned to open by 2024, with a total of 6,436 rooms (Source: Galt & Taggart Studies).

Current developments, in particular the global spread of the coronavirus, pose a major threat to the economy, especially to the tourism sector. The spread of the coronavirus had a negative effect on the hotel and restaurant business, especially against the backdrop of mandatory restrictions in the country (during the lockdown imposed in the third quarter of the year, businesses operating in the country were closed, border crossings were suspended). The damage to the sector will intensify if the crisis is to continue. On the other hand, delays in international travel may stimulate domestic tourism, which will alleviate some of the difficult period for regional hotels.

Company owner
100% owner of the company is Zurab Chkhaidze (ID 01017000455).

Issuer Directors

Zurab Chkhaidze- General Director

The founder and at the same time the General Director of the Company is Zurab Chkhaidze. He has been the CEO since the company was founded in 2001. From 1997 to 2001, he worked for the Askanel Brothers[2] Ltd. as co-founder and CEO of this company. Zurab holds a bachelor's degree in microeconomics and management from Ivane Javakhishvili State University, a master's degree in food production management from the Georgian Technical University, and in 2017 he holds a doctorate in business technology from the same university.

Koba Kharkheli- Financial Director

Mr. Koba has held the position of CFO of the Group since 2013. Prior to joining the company, he worked for Good Valley LLC in 2009-2011 and for Akhali Style Construction Company in 2008-2009, where he also held the position of Business Manager. In 2006-2008, Koba held the position of Vice Director at the Accounting and Consulting Group. Prior to that, he was the Financial Supervisor of Burji Ltd. He holds a bachelor's degree in mechanical engineering from the Georgian Technical University. Koba took courses of corporate finance in ESM Tbilisi in 2007-2008 and Business Management in 2002.

Issuer's auditors and third parties involved/mentioned in the Prospectus

Issuer's Financial Auditor

Issuer's external/independent financial Auditor is "BDO" Ltd. Identification code: 205145403. Address: Georgia, City Tbilisi, I. Tarkhnishvili st. 2. E-mail: bdo@bdo.ge

Third persons and experts
The real estate injected into the Company's capital in 2018 is valued by Levan Samkharauli National Forensics Bureau. Legal address: Georgia, Tbilisi 0162, Chavchavadze Ave. # 84, Tel: (995 32) 2258484. Evaluated in accordance with the requirements of International Valuation Standards (IVS 2013).

By Levan Chutlashvili: The Expert of the Commodity Expertise Division of the Commodity and Financial Expertise Department, specializes in 7 years of experience. Certificate of Conformity issued by the Centre for Professional Development of Assessors and Experts according to ISO / IEC 17024 standard N-0153.

Detailed information on the results of the assessment is provided in the subchapter "*Information on Capital and Loan Liabilities*."

Individuals and legal entities involved in the implementation of the offer

Placement Agent: JSC "Galt & Taggart" (ID 211359206), Address: Georgia, Tbilisi 0179, Agmashenebeli Ave. N79, Tel: (995 32) 2444-132 (995 32) 24401-111; Email: st@gt.ge.

The Agreement signed with placement agent obliges JSC Galt & Taggart to provide underwriting of bonds only on non-guaranteed basis. The agent's duty is to prepare the necessary documents (including the Bonds Prospectus) for placing bonds, perform the functions of the placement agent and provide consultations about bond issuance, sales and settlement for the company.
The Issuer, Placement Agent, Calculation and Principal Paying Agent and Registrar are not related parties.

[2] *Due to the fact that Zurab Chkhaidze holds a 25% stake in Askanel Brothers Ltd as of the date of Prospectus preparation, he is not a decision-maker in the company and there is no conflict of interest between this fact and the duties / responsibilities of the issuing company.*

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

Main Financial Indicators

The table below shows the consolidated audited financial statements of Kakhetian Traditional Winemaking Ltd for the years 2018 and 2019 and the unaudited financial statements for the first half of 2020.

As per audit opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2019 and 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

Statement of Financial Position (Consolidated)	**Unaudited**	**Audited**	**Audited**
(GEL)	**2020** 30 June	**2019** 31 December	**2018** 31 December
Assets			
Non-current assets			
Property, Plant and equipment	171,040,734	144,698,612	78,160,320
Biological assets	27,611,821	12,725,094	3,962,587
Intangible assets	415,252	323,597	256,284
Total non-current assets	**199,067,807**	**157,747,303**	**82,379,191**
Currents Assets			
Cash and cash equivalents	767,732	2,221,139	4,038,890
Financial assets at fair value through profit or loss	1,050	208,881	234,780
Trade and other receivables	40,344,112	35,915,467	22,026,128
Inventory	54,029,667	62,435,687	55,895,919
Total current assets	**95,142,561**	**100,781,174**	**82,195,717**
Total assets	**294,210,368**	**258,528,477**	**164,574,908**
Equity			
Charter capital	408,374	408,374	408,374
Retained earnings	118,536,798	118,634,089	99,641,689
Total equity	**118,945,172**	**119,042,463**	**100,050,063**
Non-current liabilities			
Borrowings	100,332,800	-	30,737,246
Deferred revenue	60,180	80,240	1,254,786
Total non-current liabilities	**100,392,980**	**80,240**	**31,992,032**
Current Liabilities			
Trade and other payables	21,687,109	14,571,834	8,256,540
Financial Liabilities at fair value	2,850,953	1,514,927	1,113,824
Short-term borrowings	50,334,154	123,319,013	23,162,449
Total current liabilities	**74,872,216**	**139,405,774**	**32,532,813**
Total Liabilities	**175,265,196**	**139,486,014**	**64,524,845**
Total equity and Liabilities	**294,210,368**	**258,528,477**	**164,574,908**

Statement of Profit or Loss (Consolidated)	Unaudited	Unaudited	Audited	Audited
(GEL)	**2020** 6 month	**2019** 6 month	**2019** 12 month	**2018** 12 month
Revenue	51,185,113	46,391,666	105,239,812	84,523,905
Cost of goods sold	(31,014,920)	(27,983,130)	(63,552,888)	(46,307,617)
Gross Profit	**20,170,193**	**18,408,536**	**41,686,924**	**38,216,288**
Selling and distribution expenses	(2,411,450)	(2,047,934)	(4,659,471)	(4,722,116)
General and administrative expenses	(4,689,094)	(4,397,982)	(8,380,671)	(6,499,082)
Other income	233,985	1,120,486	2,452,456	2,301,244
Operating profit	**13,303,634**	**13,083,106**	**31,099,238**	**29,296,334**

Net loss from fair value accounted financial instruments	(2,769,352)	(1,368,536)	(964,630)	(969,684)
Financial expenses	(3,630,340)	(1,668,320)	(4,401,120)	(3,198,348)
Foreign exchange loss	(6,350,393)	(2,592,049)	(2,662,682)	(881,422)
Income before income tax expense	**553,549**	**7,454,201**	**23,070,806**	**24,246,880**
Income tax (expense)/ benefit	**(60,746)**	**(96,367)**	(459,017)	(350,332)
Net income for the year	**492,803**	**7,357,834**	**22,611,789**	**23,896,548**

Main Financial Ratios

Various ratios of the company are presented below:

	Financial Leverage Ratios	Unaudited 2020 (6 Month) [3]	Unaudited 2020 (6 Month)	Audited 2019 (12 Month)	Audited 2018 (12 Month)
1.	Long term Debt to Equity	1.12	0.84	n/a[4]	0.31
2.	Debt Service Ratio[5]	0.73	0.73	0.59	0.94
3.	Interest Coverage Ratio[4]	3.80	3.80	5.22	7.86
4.	Interest Coverage Ratio (including Depreciation)[4]	3.28	3.28	4.54	7.11
5.	Total Debt Ratio	0.51	0.51	0.48	0.33
6.	Total interest bearing liabilities to total Capital	1.27	1.27	1.04	0.54
7.	Total interest bearing liabilities to EBITDA[4]	4.15	4.15	3.45	1.67
8.	Retained cash flow to net debt[4]	0.02	0.02	0.03	0.32
	Profitability Ratios				
9.	Return on Assets[4]	0.06	0.06	0.11	0.17
10.	Return on Equity[4]	0.13	0.13	0.21	0.27
11.	Return on Capital Employed[4]	0.12	0.12	0.16	0.21
12.	Gross Profit Margin[4]	0.39	0.39	0.40	0.45
13.	EBITDA Margin[4]	0.33	0.33	0.34	0.38
14.	Net Profit Margin[4]	0.14	0.14	0.21	0.28
	Liquidity Ratios				
15.	Liquid Assets/Total Assets	0.14	0.14	0.15	0.16
16.	Liquid Assets/Current Liabilities	0.98	0.55	0.28	0.81
17.	Working Capital (‘000 GEL)[6]	53,270	20,270	(38,625)	49,663
18.	Current Ratio	2.27	1.27	0.72	2.53
19.	Free cash flow[4,7](‘000 GEL)	(47,563)	(47,563)	(65,329)	(5,827)
20.	Operating cash flow Ratio[4]	0.29	0.25	0.28	0.55
21.	Cash and cash equivalents ratio	0.02	0.01	0.02	0.12
	Operating Ratios				
22.	Fixed Asset Turnover[4]	0.62	0.62	0.88	1.20
23.	Days inventory outstanding[4]	319	319	340	385
24.	Days sales outstanding[4]	126	126	100	96
25.	Days payable outstanding[4]	99	99	66	50
26.	Cash Conversion Cycle[4]	346	346	375	432

Notes:
Earnings before interest and taxes (EBIT) and Earnings before interest taxes depreciation and amortization (EBITDA) for the purposes of calculating the ratios do not include losses from the difference between the exchange rates and net losses from financial instruments carried at fair value.

Since 30th June 2020 until 31st October company’s debt liabilities have increased to GEL 193,837 thousand, hence as of 31st October total debt to total capital amounted to 1.63, total debt to EBITDA 5.33 (EBITDA is calculated for the last 12 months i.e. includes period from 30th June 2019 to 30th June 2020.)

[3] *The ratios are adjusted on an assumption that the Company issues $ 10,000,000 loan securities which will cover existing loan obligations. Profit and loss captions do not take into account the issuance of the bond.*

[4] *Due to the reclassification of loans as short-term liabilities due to breach of covenant as of 31 December 2019, the ratio could not be counted. In case of non-violation of covenant the mentioned coefficient by December 31, 2019 would be 69.09%.*

[5] *The Ratios for 2020 are calculated for the last 12-month period (i.e. takes into account the period from June 30, 2019 to June 30, 2020).*

[6] *Working capital is negative due to reclassification of loans to short term liabilities as a result of a breach in the covenant in 2019*

[7] *Operating cash flows are negative due to the company's active investment policy in recent years.*

Criteria of international rating agency Moody's for evaluating companies in alcoholic beverage sector based on financial ratios, as well as corresponding figures of KTW are given below:

Ratio/Sector Average figure for various ratings	Rating Agency criteria for corresponding ratings A	Baa	Ba	B	KTW (2020 6 m)	KTW Category
EBITA Margin (Earnings before interest, taxes, depreciation and amortization divided by revenue)	30% - 35%	22.5% - 30%	15% - 22.5%	10% - 15%	26%	Baa
Retained cash-flows divided by net debt	35% - 50%	20% - 35%	12.5% -20%	5% - 12.5%	9%	B
Debt/ EBITDA (Debt liabilities divided by EBITDA)	1.5x – 2.5x	2.5x – 3.5x	3.5x – 4.5x	4.5x – 6.5x	4.1x	Ba
EBIT /Interest Expense (Earnings before interest and taxes divided by interest expense)	10x - 15x	4x - 10x	2x - 4x	1x – 2x	2.4x	Ba

1. Long term debt to equity – Long-term debt divided by Shareholders' Equity
2. Debt service coverage ratio – earnings before interest, taxes, depreciation and amortization divided by debt service (principal and interest)
3. Interest Coverage Ratio – Earnings before interest, taxes, depreciation and amortization (EBITDA) divided by interest expense
4. Interest coverage ratio (including depreciation) – Earnings before interest and taxes divided by interest expense
5. Total Debt Ratio – Interest bearing liabilities divided by total assets
6. Interest bearing liabilities to total Capital – Interest bearing liabilities divided by the sum of interest bearing liabilities and total equity
7. Total interest bearing liabilities to EBITDA- Total interest bearing liabilities divided by EBITDA
8. Retained cash flows to net debt – free cash flows from operation minus dividends disbursed in the same year, minus free cash flows from operations minus dividends disbursed in the same year, divided by net debt
9. Return on Assets - Net income divided by the average assets of the last two years or, in the absence of information for the previous year, by the assets of the same year
10. Return on Equity - Net income divided by the average capital of the last two years or, in the absence of information for the previous year, by the capital of the same year
11. Return on Capital Employed – Pre-tax income plus Interest Expense divided by Shareholders' average Equity plus average Interest Bearing Liabilities
12. Gross Profit Margin – Gross profit divided by revenue.
13. EBITDA margin – earnings before interest, taxes, depreciation and amortization divided by revenue
14. Net Profit Margin- Net profit divided by revenue.
15. Liquid Assets/Total Assets –Cash & Cash Equivalents plus receivables less than or equal to one year, plus Financial assets at fair value through profit or loss, divided by total assets
16. Liquid Assets/Short-term Liabilities – Cash & Cash Equivalents plus receivables less than or equal to one year, plus Financial assets at fair value through profit or loss, divided by short-term liabilities
17. Working capital ('000) – short term assets minus short term liabilities
18. Current Ratio – Short-term assets divided by short-term liabilities
19. Free Cash flows ('000) - Net cash flows from operating activities minus capital expenditures
20. Operating Cash Flow Ratio - Operating cash flows divided by average short-term liabilities for the period.
21. Cash and cash equivalents ratio – cash and cash equivalents divided by current liabilities
22. Fixed Asset Turnover – Revenue divided by average balance of fixed assets and biological assets, or for the same year in the absence of prior year information.

23. Days of inventory outstanding- Average stocks (or stocks at the end of the period in the absence of prior year information) relative to the cost of the period multiplied by the number of days in the period.
24. Days sales outstanding- Average receivables (or receivables at the end of the period in the absence of prior year information) relative to the number of days multiplied by income over the period;
25. Days payables outstanding- Average payables for the period (or credit debt at the end of the period in the absence of prior year information) relative to cost multiplied by the number of days in the period;
26. Cash Conversion Cycle- Days of inventory outstanding plus Days sales outstanding minus Days payables outstanding.

Main Characteristics of the Securities

The main characteristics of securities are defined in the "*Term Sheet Document*".

Brief Information of the Material risks, that are Specific to the Company's Activities

1. Risks related to the sale of alcoholic beverages

1.1 *Alcohol exports are concentrated mainly in a few countries, such as Russia and Ukraine, which is a significant risk factor.*

1.2 *The company's export sales are concentrated mainly on a few customers / importers, which is a significant risk factor;*

1.3 *A depreciation of the local currency in major export markets against the US dollar could adversely affect the Company's operating performance and profitability.*

1.4 *The supply of grapes to the local market and price fluctuations, as well as increase of the expenses related to the imported goods, may have a significant impact on the financial condition of the company.*

2. Risks related to the hotel and restaurant services and real estate sector

2.1. The company's hotel service revenues may be subject to seasonal fluctuations

2.2. The hotel and restaurant service business is heavily dependent on tourism, and reduced tourist flows due to the global pandemic could have a significant negative impact on the implementation of both the company's current and future strategic plans;

2.3. Planned projects in the real estate sector (commercial real estate, residential complexes) are associated with certain risks, which may reduce the budgeted profitability of these projects;

3. Risks related to the effective management

3.1. Risks of non-compliance with corporate governance standards;

3.2. If the company fails to provide an effective internal control system, the accuracy of the financial statements may be compromised;

4. Risks related to the human resources and personnel safety

4.1. Shortage of qualified personnel on the market may hinder the development and efficient operation of the company;

4.2. A company's success in business depends on its ability to attract and retain senior management and leading staff;

4.3. Labour disputes and labour strikes, as well as potential health injuries sustained by workers in factories may have a negative impact on a company's production level and profitability;

5. Risks related to the liquidity and financing

5.1. The current and future business strategy of the company is capital intensive, there is a risk that the company will find it difficult to attract additional funding on favourable terms;

5.2. The company has short-term loan refinancing and liquidity risks;

5.3. A breach of the covenant of debts may cause significant damage to the Company's financial and operating activities, its liquidity and solvency.

5.4. Interest rate volatility has a direct impact on a company's financial performance;

6. Risks related to investments

6.1. *During the construction of future and current projects, the company may face risks related to: cost increases, quality of construction materials, production and obtaining construction permits and / or contractors;;*

6.2. *The company may be subject to additional sanctions, or lose investments / fees paid on property acquired under state grants, in case of improper fulfilment of respective obligations;*

7. Reputational Risk

7.1. *The company depends on the brand and its reputation, reputational damage can have a significant negative impact on the company's revenue;*

8. Risks related to unforeseen events

8.1. *Incomplete insurance of the assets and business processes owned by the Company may have a material adverse effect on the Company's revenue;*

8.2. *Inadequate maintenance of company-owned biological assets, as well as damage to the asset as a result of unforeseen natural disasters, may result in significant financial loss to the Group;*

9. Operational Risks:

9.1. *Operational risks associated with the production of the required quantity / quality of alcohol*

9.2. *The Company may be exposed to the risk of maintaining supplier contracts, or the risk of delays in the supply of inventories, which may adversely affect the Company's operating and financial performance.*

9.3. *Temporary delays in business processes may result in significant production losses and adversely affect period earnings.*

Brief Overview of Macroeconomic Risks and Political Risks Related to Georgia

10. Risk of economic instability and investment risks are high in developing countries, such as Georgia

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

10.2. Company business may be materially adversely affected by any depreciation of the Georgian Lari against the U.S. dollar/other currencies of economically linked countries.

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

11. Risks related to neighbouring countries and the region:

11.1. Regional tensions could negatively affect the local economy and the company's business;

11.2. Destruction of neighbouring markets of Georgia could have adverse effects on its economy

12. Risks related to competition and market demands:

12.1. The company operates in an ever-growing competitive market that grows more and more every year;

12.2. New regulations and laws adopted in exporting countries may make the market unattractive for the company and lead to a significant decrease in revenue.

12.3. There are different requirements for labels and packaging in different countries, which change periodically. There is a risk that the company will not be able to meet the required criteria and will have to return the drink and change the label / packaging, which will incur additional costs.

13. Risks related to the legislative and judicial systems:

13.1. Political and governmental instability in Georgia will have a significant negative impact on the local economy and the company's business;

13.2. There may be challenges related to the harmonization of Georgian legislation with EU legislation, which is requires by a deep and comprehensive free trade agreement;

13.3. The ambiguity in the Georgian tax system may lead to adjustment of the company's tax liabilities or fines for the company in the future. It is also possible to change the tax legislation and policy in force in Georgia;

14. Risks related to the regulatory framework:

14.1. If in the future the Company fails to comply with any applicable regulations relating to money laundering or terrorist financing, or if the Company associates with them, this may adversely affect the Company;

Brief Overview of the Material Risks, that are Specific to the Bonds

15. Risks associated with market price, liquidity and interest rate of bonds

15.1. The market price of the Bonds may be volatile

15.2. There may not be an active trading market for the Bonds

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

16. Risks associated with rights attached to bonds

16.1. The Bonds constitute unsecured obligations of the Company

16.2. Alienation of the Bonds will be subject to certain restrictions

16.3. 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

17. Risks associated with the legislation regarding bonds and their holding

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

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

17.3. An investment in the Bonds involves certain legal investment considerations

Overview of the Offering

The terms of the offer are defined in the "*Term Sheet Document*".

RISK FACTORS

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

Risks related to the company's activities

The company has three main sources of revenue: revenue from the sale of alcohol, revenue from hotel and restaurant services, and revenue from the sale of canned fruit. As of June 30, 2020, the share of these revenue streams in total revenue was: 97.0%, 2.0% and 1.0%, respectively. (2019 12 months: 94.0%, 4.0%, and 2.0%).

Assessment of the impact of the Covid-19 pandemic on the company's operations:

During the pandemic, the growth of exports of wine and spirits did not slow down, which indicates the stability of the sector. Despite the current tense economic situation in the world, in the first half of 2020, the volume of exported alcoholic beverages increased by 18% and amounted to 4,806 tons (6 months of 2019: 4,069 tons). On one hand, the volume of the sold brandy slightly decreased by 2% compared to the last year, but on the other hand, there is an increase in wine sales by 40%, which positively affects the overall export. The depreciation of the national currency also had a positive impact on the company's export earnings.

As for the negative consequences of the pandemic, according to the data for the first half of 2020, the revenue from both restaurant (by 29%) and hotel (by 109%) business is decreased. Due to a sharp decrease in tourist flows in the country, the company's revenue from hotel services is decreasing: as of the first half of 2020, the average daily price of a hotel in Akhasheni is decreased by 60%, and the occupancy rate by 4%.

The company's net profit was also significantly affected by the 6.5% depreciation of the national currency due to the pandemic (for the period of June 30, 2019 - June 30, 2020). The company suffered a significant foreign exchange loss (due to debt in foreign currency), which amounted to GEL 6.4 million and doubled compared to the same period of prior year. As a result of a significant increase in losses from exchange rate differences, the company's net profit in the first half of 2020 amounted to GEL 493 thousand, which is significantly lower than it was for the same period prior year. (2019 n / a: 7.357 thousand GEL).

Risks related to the main activities of the issuer

1. **Risks related to the sale of alcoholic beverages**

1.1 Alcohol exports are concentrated mainly in a few countries, such as Russia and Ukraine, which is a significant risk factor.

The main source of income of the company is the export sale of alcoholic beverages. As of the first half of 2020, exports accounted for 95.4% of total revenues (2019: 86.3%), export sales are significantly concentrated in the Russian and Ukrainian markets. Revenue from these markets for 6 months of 2020 was 67% and 28% of total export revenue respectively (2019: 56% and 35%). Important trade dependence on the two countries and the non-diversified nature of export markets create significant operational and political risks, such as political and economic instability in these countries, deteriorating trade relations with Georgia, and trade interventions by local governments (e.g., imposing trade barriers (excise, embargo, etc.); as well as, changes in the preferences of consumers in the mentioned countries may have a significant impact on the sales of the company and cause material damage to the operational and financial activities of the company.

To diversify this risk, the company began fundamental market research and active work from the beginning of 2020 to enter the Polish market. According to the management of the company, entrance on this market is planned from the second quarter of 2021. There are three sales leaders in this market in the segment of Georgian wines: Telavi Wine Cellar, Tbilvino and Teliani Valley. There are no special requirements on the market, standard requirements are presented in the form of a table:

Main requirements	Status of the issuer
Import and retail license.	Done
Registration with the tax authority.	Done
Sending an annual pre-order to the excise stamp office.	Done
Hiring at least one local (Polish) employee.	Done
Installing licensed software required for distribution	Done

1.2 The company's export sales are concentrated mainly on a few customers / importers, which is a significant risk factor;

According to the data for the first two quarters of 2020, the export sales of alcoholic beverages are mainly distributed to 5 clients / importers. As export sales are the main source of revenue for the company, it suffers from above-average risk of concentration on customers. The proportion of the top 5 customers / importers in the total revenue of the company is distributed as follows:

Distributor	Share in the total revenue of the company (2020. QII)
Top 1	39%
Top 2	66%
Top 3	76%
Top 4	84%
Top 5	89%

Note: These top importers do not represent anyone associated with the company and / or each other.

High concentrations may lead to the following additional risk factors:

- In case of loss of any of the top 5 clients, the company may suffer material financial loss and profitability may be reduced significantly for the period required to replace the existing client;
- High concentrations may affect changes in the future terms of the contract in favour of customers / importers, which may adversely affect the company's profitability;
- Replacing existing customers may involve additional costs, which may adversely affect the Company's financial condition;

1.3 A depreciation of the local currency in major export markets against the US dollar could adversely affect the Company's operating performance and profitability.

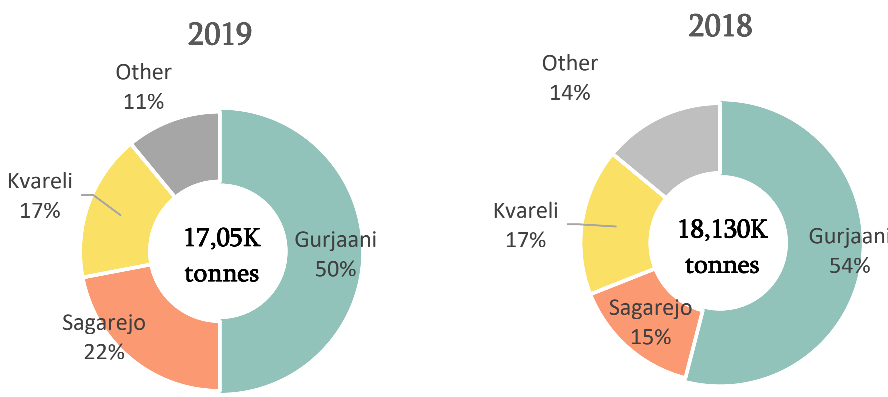
The volatility of the local currencies of export countries against the US dollar may have a significant negative impact on the Company's operations. (For example, the currencies of the company's main exporting countries - Russia and Ukraine - ruble and hryvnia depreciated against the dollar by 20.7% and 2.2% in the period from October 31, 2018 to October 31, 2020, respectively). Although export contracts are fixed and denominated in US dollars, the selling price is subject to periodic revision, so the instability of the local economy of export countries may negatively affect the negotiations on price in US dollars and be adjusted in in accordance with the local currency inflation.

1.4 The supply of grapes to the local market and price fluctuations, as well as increase of the expenses related to the imported goods, may have a significant impact on the financial condition of the company.

The company procures grapes in the local market. In 2019, the company purchased 17 thousand tons of grapes of up to 20 different varieties, and in 2018 18.3 thousand tons of grapes, which is 96% of the grapes processed by the company as a whole (2018: 97%).

The grape harvesters are only individuals, local farmers. The company's concentration on suppliers is minimal. During 2019-2018, none of the individual farmers represented more than 2% of the total grape volume delivered.

Although the company's focus on grape suppliers is quite low, from a regional point of view the company purchases grapes from three main regions. The distribution of horns purchased by the company during the last two years by regions is as follows:



As can be seen from the chart, grapes are mainly purchased from three regions: Gurjaani, Sagarejo and Kvareli. High dependence on local supply puts the company at significant risk for changes in the quality and price of grapes to be purchased, which are sensitive to climatic conditions, the emergence of various agricultural pests, vine diseases, state regulations related to agriculture and subsidies. The state has been subsidizing grape production for years, as wine is a major export product and also a strategically important product for Georgia's regional development. The state subsidy for grapes was completely abolished in 2018 and 2019, due to the high demand for Georgian wine in the export markets, however, in order to avoid the negative impact of the coronavirus, in 2020 the state again imposed a subsidy for grape producers. (For details, please see the section "Regulatory environment" - "Production of alcoholic beverages"). Market demand-supply and consequently the price of grapes to be purchased are sensitive to these factors. There is a risk that unfavourable variability in price and quality will have a significant impact on the Company's operating margins and, consequently, its financial condition. There is a risk that as a result of the influence of various factors, such as: termination or reduction of subsidies by the state, reduction of grape yield, deterioration of grape quality, etc., the price of grapes will increase. Since the price of grapes is a significant part of the cost of production, all this may have a negative impact on the financial condition of the company.

To reduce this risk, from 2019 the group actively began to develop the viticulture sector in the regions of Kakheti, Kartli and Western Georgia, purchased and planted vineyards on thousands of hectares of land. The harvest from their own vineyards will reduce the company's dependence on local raw material suppliers.

It should also be noted that at the cost of the manufactured product, a certain part of the production materials, such as bottles, stoppers, caps, labels, countertops are imported. Imports are made in dollars from the following countries: Portugal, Moldova and Ukraine. As of June 30, 2020, the total imported production materials amount to 9,012 thousand GEL (2019 6 months: 5,629 thousand), which is 29% of the total cost (2019 6 months: 20%). The cost of imported products at cost increased by 9% compared to the previous period due to the depreciation of the GEL against the US dollar between periods.

Consequently, there is a risk that as a result of the influence of various factors, such as the domestic policy of exporting countries (including support for local production), the exchange rate, the economic situation, etc. Increase the cost of imported materials, which may adversely affect the financial condition of the company.

2. Risks related to the hotel and restaurant services and real estate sector

2.1. The company's hotel service revenues may be subject to seasonal fluctuations

In the village of Akhasheni, Gurjaani district, the company operates a 41-room hotel "Akhasheni Wine Resort", as wells as 23-room hotel “Orbeliani Residence” in Tbilisi and restaurant “Chamber of Georgian Wine” in Mtskheta region. The Company makes additional investments in the hotel Guria Palace (Ozurgeti, completion date 2021 II Q.), Hotel Royal Askana (Askana, completion date 2020 IV Q.), In a multifunctional residential complex and commercial spaces on Pirosmani and Tarieli streets in Tbilisi (completion date 2022 III Q.) And in the tourist centre in Kazbegi (completion date 2021 III Q.). The number is 64, and the total volume of commercial space is up to 10,000 sq.m.

According to 2020 data, revenue from hotel and restaurant services is 1.5% of total revenue (2019: 3.7%). The hotel industry is seasonal. Occupancy rates and revenues of the Company are generally below average during the fourth and especially the first quarters of each calendar year, which is typical for the industry.

Seasonal income volatility can have a negative impact on a company’s recent operating income and cash flows, which in turn may have a negative impact on the company’s business, financial condition, and operating results.

2.2. The hotel and restaurant service business is heavily dependent on tourism, and reduced tourist flows due to the global pandemic could have a significant negative impact on the implementation of both the company’s current and future strategic plans;

Hotel and restaurant activities largely depend on tourism. Outside of company control, there are developments that may disproportionately affect the tourism industry. Similar events are war, political unrest in the country, strained relations with neighbouring countries, which directly affects the reduction of tourist flows in the country. Factors such as transport and fuel prices also affect the number of tourists; Delays in transportation systems, travel related accidents, fires, natural disasters and more.

The economic shock caused by the current pandemic as well as the above factors may adversely affect the company's hotel service business. Revenue from hotel and restaurant services in the first 6 months of 2020 is reduced by 55% compared to the same period in 2019. However, in April 2020, Hotel Akhasheni was used by the government as a quarantine zone. Since September 2020, the epidemiological situation in the country has deteriorated sharply, and by the beginning of November, the number of daily infections has increased to 3-4 thousand. As a result, from November 28 to January 31, 2021, new restrictions were imposed across the country, including: traffic bans from 21:00 to 05:00, closure of restaurants and food outlets, suspension of public transport and etc.

Abovementioned processes, of course had negative impact on company’s hotel and restaurant service business. Pandemic effects may limit or reduce demand and prices, which may have a significant negative impact on the operating results and growth of hotel service revenue streams. A detailed assessment of the impact of the pandemic on the alcoholic beverages sector is presented in the subsection "Primary Markets".

2.3. Planned projects in the real estate sector (commercial real estate, residential complexes) are associated with certain risks, which may reduce the budgeted profitability of these projects;

The company has made significant investments in the construction and construction of residential / commercial buildings. (Detailed information about the projects can be found in the section "Future Strategy and Goals"). Owning real estate is generally associated with many risks, including changes in the real estate sector, attractiveness of real estate to potential tenants / owners, competition with other owners of similar space, and so on. There is no guarantee that the company's operations in this sector will be profitable. The value of real estate, like many other types of long-term investment, fluctuates significantly, and a company's competitiveness in this sector will depend on many factors, including (i) changes in general economic conditions (such as mortgage or other types of credit availability, terms and price); (ii) real estate market conditions (such as oversupply of real estate or declining demand for real estate in a particular area); (iii) changes in the occupancy ratio; (iv) attractiveness of real estate to potential tenants / owners; (v) competition with other homeowners with similar premises; (vi) changes in real estate tax rates and other operating expenses; (vii) Various uninsured and uninsured risks, including the global pandemic. Deteriorating economic situation and / or oversupply of newly built apartments in Tbilisi, as well as the other risks mentioned above, may have a significant negative impact on the company's sales. The company does not have significant pricing power, so it may face the need to reduce the sale / rental price. This may have a negative effect on the financial condition of the company.

It is also noteworthy that the reduced economic activity due to the spread of the pandemic and the virus naturally has a negative impact on most sectors of the economy, including a particularly significant impact on the real estate market: the hotel, commercial and residential segments. This is due to the fact that these sectors are closely correlated with the cyclicality of the economy and the fluctuations of the economy. There is a risk that the situation in the real estate market will not improve in the long run or will not improve at all or will not improve enough to be profitable for the company - this may have a negative impact on the financial situation of the company.

3. Risks related to the effective management

3.1. Risks of non-compliance with corporate governance standards;

Georgian legislation does not oblige Georgian companies to comply with corporate governance procedures that meet international standards. Under Georgian law, a company is considered a reporting enterprise, under which the supreme governing body is the Supervisory Board, which is chaired by an independent member and to which the Audit Committee reports. The corporate governance structure is established in accordance with the company's charter and relevant legislative / regulatory acts, in particular: the Law of Georgia on Entrepreneurs, the Law of Georgia on the Securities Market and the orders of the President of the National Bank of Georgia issued on their basis.

In addition, it should be noted that the company operates in 3 different sectors. While the majority of its revenue (97.4% in the first six months of 2020) is currently in the spirits segment, given its future strategies (details can be found in the Strategy and Goals for the Future section), the Company is actively planning to enter and/or increase operations in hotels / restaurants / real estate industries. Thus, further increasing the importance of corporate governance standards and effective governance processes.

There is no guarantee that the current corporate governance policy of the company is or will comply with internationally recognized standards in the future. Consequently, there is a risk that the company's decision-making procedure, the degree of impartiality and independence of the information provided will not meet internationally recognized standards.

3.2. If the company fails to provide an effective internal control system, the accuracy of the financial statements may be compromised;

Continuous monitoring and evaluation of internal financial and accounting controls and procedures is essential for the Company to ensure the preparation of accurate and accurate financial statements timely. In accordance with the Law of Securities of Georgia, the company - as an accountable enterprise - has established an audit committee, which controls the veracity of the issuer’s financial statements and ensures the effectiveness of internal control systems.

Failure by the Company to ensure a transparent and sound internal control policy may impair the accuracy of the financial statements, which could have a material adverse effect on the Company's credibility as well as on its financial and operating activities.

4. Risks related to the human resources and personnel safety

4.1. Shortage of qualified personnel on the market may hinder the development and efficient operation of the company;

The company has about 850 employees as of the date of this prospectus. The activities of the group are diversified and include various specializations such as: wine technologists, field experts, agronomists, etc.

There is a risk that the company will not be able to attract, train and retain the necessary specialists, which will negatively affect the quality of the product and / or service provided.

Lack of qualified personnel in the market may hinder the effective functioning of the company.

4.2. A company’s success in business depends on its ability to attract and retain senior management and leading staff;

The company depends on leading personnel and qualified personnel specialized in the field, who have significant experience and competence. If the group fails to encourage and adequately remunerate highly qualified and experienced executives, the departure of leading staff from the organization may have a negative impact on the company, even for a short period of time.

4.3. Labour disputes and labour strikes, as well as potential health injuries sustained by workers in factories may have a negative impact on a company's production level and profitability;

The company's workforce includes both processing and bottling plant workers, as well as winemakers, agronomists, brigadiers, administrative staff and more. Manpower is one of the main driving forces behind a company’s current production level. Labour disputes and / or strikes may lead to the disruption of the Company's operations, which could result in significant material damage to its financial and operational activities.

The company's staff work with chemical compounds and inorganic chemicals that are used to kill harmful bacteria in grapes / wine when setting alcohol. These substances can be harmful to the health of employees. As a result of such or other injuries sustained by employees at the enterprise, the Company may additionally be exposed to the risk of labour disputes and strikes. These events can negatively affect the level of production, reputation and profitability of the company.

5. Risks related to the liquidity and financing

5.1. The current and future business strategy of the company is capital intensive, there is a risk that the company will find it difficult to attract additional funding on favourable terms;

As of June 30, 2020, the Company's debt to equity ratio is 126.7% (31.12.2019: 103.6%). There is a risk that the company will not be able to find financing for future and current investments under the current conditions. From June 30, 2020 to October 31, 2020, the debt liabilities of the company increased to GEL 193,837 thousand, respectively, as of October 31, the total debt to the total equity ratio is 1.63.

In addition, the company is actively investing in long-term agriculture, in particular for the development of viticulture in the regions of Kakheti, Kartli and Western Georgia. The vineyards reach full yield 4 years after planting. The group plans to plant vineyards on up to 3,500 hectares of land in 2019-2024, the effect of which will be fully reflected in income only from 2028.During the period from the initial investment to full yield, the Group requires significant financial resources for proper maintenance of the vineyard and other capital expenditures.

The company’s ongoing and planned projects are also capital intensive in the real estate and hotel construction sector as well. By 2021-2022, the company plans to build an additional 64 hotel rooms and build multifunctional residential complexes of up to 11,500 sq.m. Management estimates that the total investment will exceed 18 million GEL.

As a result, these projects create the need to find new sources of funding. Currently the company has high leverage and low liquidity. In particular, for example, the company's DSCR ratio for the 6 months of 2020 is 0.73 and the total debt / EBITDA ratio for the same period is 4.15. (These and other ratios for calculation methods can be found in the section "Basic Financial Ratios"). The Company is working to improve its debt service ratios by restructuring its existing liabilities - including the issuance of bonds under this Prospectus. However, there is a risk that the company will not be able to improve these ratios or, conversely, worsen the situation, which may lead to a liquidity problem and adversely affect the financial condition of the company.

There is a risk that the company may find it difficult to raise additional funding, under favourable conditions, to finance negative cash flows, which may increase interest costs and have a negative impact on the company’s financial data.

5.2. The company has short-term loan refinancing and liquidity risks;

The company has short-term loan refinancing and liquidity risks. For example as of June 30, 2020, 33% of the company's loans, GEL 50.3 million, are short-term (loans with a payment schedule of up to 1 year) or current part of the long-term loans (the part of long-term loans to be repaid within the next 12 months). Short-term loans are mostly used for working capital financing, such as the purchase of grapes in the third-fourth quarter of the year. And they are covered by the funds received from the sale of the final product. The terms of refinancing or renewal of short-term loans depend on the market conditions at the time of refinancing, the financial condition of the company and other market factors. Refinancing of loan terms or lack of refinancing terms can have a significant negative impact on the Company's financial and operating activities, its liquidity and solvency.

5.3. A breach of the covenant of debts may cause significant damage to the Company's financial and operating activities, its liquidity and solvency.

The total loan obligation of the group as of the date of drawing up the prospectus is GEL 150.7 million. The main financial constraints on loans received by the Company are: Loan service ratio not less than 1.3.

As the Group has been in an active investment phase in recent years and their impact on income has not yet been fully reflected, the Group Fails to meet the minimum ratio set out in the Loan Agreements as of December 31, 2019 and the date of approval of this Prospectus. In case of violation of the ratio, the lender will have the right and not the obligation to request full or partial repayment of the loan ahead of schedule. Accordingly, the loans received by December 31, 2019 are presented in current liabilities.

After the reporting period, the Group reached an agreement with the lender that the lender would not require full or full repayment of the Loan by the end of 2021 due to breach of financial constraints.

In the future, the breach of covenant by the Company may cause significant damage to the Company's financial and operating activities, its liquidity and solvency.

5.4. Interest rate volatility has a direct impact on a company's financial performance;

As of June 30, 2020, 99.8% of the Group's borrowings are interest bearing, with floating interest rates. In case of foreign currency (USD and EUR) the interest rate is tied to the LIBOR rate, and in case of national currency to the refinancing rate set by the National Bank of Georgia. Interest rate risk arises from potential changes in market interest rates that could adversely affect the Group's financial position and cash flows.

As of June 30, 2020, 83% of the company's loans are denominated in US dollars, while in GEL and EUR are 13% and 4%, respectively. Interest rate risk arises from potential changes in market interest rates that could adversely affect the Group's financial position and cash flows.

Detailed information on the Group's current loans is presented in the "Capitalization and Debt" section.

6. Risks related to investments

6.1. During the construction of future and current projects, the company may face risks related to: cost increases, quality of construction materials, production and obtaining construction permits and / or contractors;;

The company builds a network of hotels (Royal Askana and Guria Palace) and multifunctional residential complexes in Tbilisi and Kazbegi. The total estimated investment for the date of preparation of this prospectus exceeds 18.8 million GEL, the total number of hotel rooms under construction is 64, and the total volume of commercial space is up to 11,500 sq.m. In addition, in the future, the company plans to implement a project of a chateau-type residential complex at the Kindzmarauli villa, as well as the construction of hazelnut plantations and a processing plant with a total investment of GEL 7.2 million and almond plantations, for which the company plans to GEL 5.4 million. Within the framework of the planned projects, the company plans to invest GEL 31.35 million. Detailed information on future projects is presented in the subsection "Strategy and goals for the future".

Risks can arise in relation to the following three main components:

Exceeding Budget Costs - The prices of basic construction materials may increase and / or the estimates used in compiling the workload sheet may be subjective and change, resulting in an excess of budgeted costs.

Subcontractor Risk - Subcontractors may not be able to deliver the project on time and / or may not be able to provide adequate quality. In case of occurrence, these risks may have a material negative impact on the financial condition of the company.

Risk of project overdue - There is a risk that the company may extend the construction permit period, fail to mobilize the required materials in a timely manner, fail to mobilize the required capital in a timely manner, and / or be affected by events beyond the company's control (e.g. global pandemic, force-majeure and etc.).

6.2. The company may be subject to additional sanctions, or lose investments / fees paid on property acquired under state grants, in case of improper fulfilment of respective obligations;

Inadequate fulfilment of government grant obligations may result in financial obligations under the grant conditions, which may have a significant effect on the Company's revenue and expenses. The company may also impose additional sanctions, and / or lose investments in state grants.

As of the date of approval of the prospectus, the company has an ongoing dispute with the State Property Management Agency in the amount of GEL 1.85 million. Detailed information on litigation is provided in the "Litigation" section. Also, under the grant received for the construction of a fruit processing plant, the total number of processed products in 2019 is less than the minimum demand. For detailed information on the company's grant obligations, see the section "Main Activities - Information on State Grants".

7. Reputational Risk

7.1. The company depends on the brand and its reputation, reputational damage can have a significant negative impact on the company’s revenue;

The company enjoys a good reputation and high credibility in both local and export markets, therefore the company has implemented a number of measures to ensure compliance with the standards of continuous quality and safety of alcoholic beverages, their periodic inspection and continuous monitoring and improvement of technology.

The company has implemented a food safety management system and has received ISO certificate: 22000: 2005, with a maturity of 18 June 2021. There is a risk that the company will not be able to maintain quality due to unforeseen events and the group will damage its reputation, which will significantly affect its operational and financial results.

8. Risks related to unforeseen events

8.1. Incomplete insurance of the assets and business processes owned by the Company may have a material adverse effect on the Company's revenue;

The company has certain risks that are not insured through insurance companies. Consequently, the occurrence of several insurance cases at the same time may have a substantial negative impact on its performance.

The Company's existing insurance covers only the insurance of the following properties: buildings, vehicles and machinery in the factory.

As of June 30, 2020, the Company's insured fixed assets by insurance classes and policy maturity are as follows:

Insured Property	Location	Insurance amount	Policy term
Factory and machinery	Velistsikhe	14,561,630	November -21
Factory and machinery	The bride	8,572,852	July 21
Factory and machinery	Manavi	5,240,841	January 21
hotel	Build it	7,744,593	April 21
Restaurant	Mtskheta	2,400,000	August 21
Road transport	Various	843,050	Oct-21

Total:	**39,362,966**

The company has insured 23% of total fixed assets and 36% of fixed assets excluding land.

There is a likelihood of significant uninsured risks in relation to the following components such as:

Business Process Interruption Insurance - Production interruptions may occur as a result of temporary equipment malfunctions and / or other unforeseen events. In case of overcoming this risk, the financial condition of the company will suffer significant financial loss.

Product quality assurance - when exporting a product, importers check the quality of the wine, if this procedure is not followed, the company may return significant products, causing the finished product to depreciate, as well as the risk of damaging the company's reputation and brand, which negatively affects its financial and operational activities.

Risk of inventory damage - As of June 30, 2020, inventories amount to GEL 54.0 million, which is 18% of total assets (31/12/2019: GEL 62.4 million, 24%), for the same period the company has insured about 56% of inventories (insurance contract is valid By May 2021, with automatic renewal), amounting to GEL 30.2 million. Stocks should be stored in accordance with pre-established standards such as temperature, humidity, etc. In case of non-compliance with these standards and / or various unforeseen natural disasters, there are risks of inventory depreciation and product quality degradation, which may cause material financial damage to the company.

Product Shipping Risk - At present, in most export contracts (approximately 70% as of the first half of 2020), the buyer provides the product shipping, while in other cases, the delivery is made through CPT (carriage paid to) incoterms, according to which the company (seller) prepares the goods for export. Pays freight for transportation to the place named by the buyer. In such cases, the entire transportation risks are borne by the carrier. There is a risk that the shipping company will not be able to reimburse the potential loss to the company, which may have a significant negative impact on the company's reputation, operating and financial results.

8.2. Inadequate maintenance of company-owned biological assets, as well as damage to the asset as a result of unforeseen natural disasters, may result in significant financial loss to the Group;

As of the date of this prospectus, the Group owns a total of 5 million vines planted on up to 1,000 hectares of land, the maintenance of which is subject to appropriately qualified personnel, pesticides, special equipment, regular supervision and maintenance. As of June 30, 2020, biological assets amounted to GEL 27.6 million, which is 9% of total long-term assets (31/12/2019: GEL 13 million, 5%).
The company does not insure existing biological assets as of the date of issue of the prospectus. Therefore, there is a risk that, failure to comply with pre-established vine care standards as well as unforeseen events such as natural disasters (hail, floods, etc.) can significantly damage and devalue the asset. The occurrence of these cases may cause material financial loss to the company.

9. Operational Risks:

9.1. Operational risks associated with the production of the required quantity / quality of alcohol

Timely production of high quality products by the company is quite dependent on raw materials. There is a risk that due to poor harvests or any other reason, suppliers will not be able to deliver raw materials on time and / or with the required quality. This in turn may prevent the company from producing the required amount of alcohol in a timely manner. There is also a risk that the company will violate the norms related to the production process, which may put the company at various operational risks.

The above-mentioned risks may adversely affect the financial condition and image of the company.

9.2. The Company may be exposed to the risk of maintaining supplier contracts, or the risk of delays in the supply of inventories, which may adversely affect the Company's operating and financial performance.

There is a risk that existing contractors will not be able to ensure the timely delivery of raw materials and supplies and / or fail to ensure adequate quality. This may impede the Company's sales and adversely affect the Company's financial and operating results.

9.3. Temporary delays in business processes may result in significant production losses and adversely affect period earnings.

The manufacturing business is characterized by an extensive and interconnected chain of time-consuming manufacturing processes, the component of which, such as malfunctioning, personnel error and / or other malfunctions and interruptions in the manufacturing process, can significantly reduce a company's operating income and/or damage and devalue raw materials.

Macroeconomic Risks and Political Risks Related to Georgia

10. Risk of economic instability and investment risks are high in developing countries, such as Georgia

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

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

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

Additionally, Georgian economics might be adversely affected by financial and political instability. In such case, capital outflow might occur which could severely damage the financial system and stagnate the economy.

For the date of submission of the prospectus, the following rating has been assigned to Georgia by the international rating agencies (each of them has been assigned as of August 2020:

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

10.2. Company business may be materially adversely affected by any depreciation of the Georgian Lari against the U.S. dollar/other currencies of economically linked countries.

The carrying amount of financial assets and liabilities denominated in foreign currencies as of June 30, 2020 is as follows:

(Data are presented in GEL)	**USD**	**EUR**	**GBP**
Trade and other receivables	6,639,198	152,998	-
Financial assets at fair value	-	305	-
Cash and cash equivalent	64,950	6,432	71,478
Total Financial Assets	**6,704,147**	**159,735**	**71,478**
Trade and other payables	(3,782,116)	(1,165)	-
Financial liabilities at fair value	(930,006)	-	(2,548)
Borrowings	(40,857,406)	(1,847,477)	-
Total Financial Liabilities	**(45,569,527)**	**(1,848,642)**	**(2,548)**
Net Financial position	**(38,865,380)**	**(1,688,907)**	**68,929**

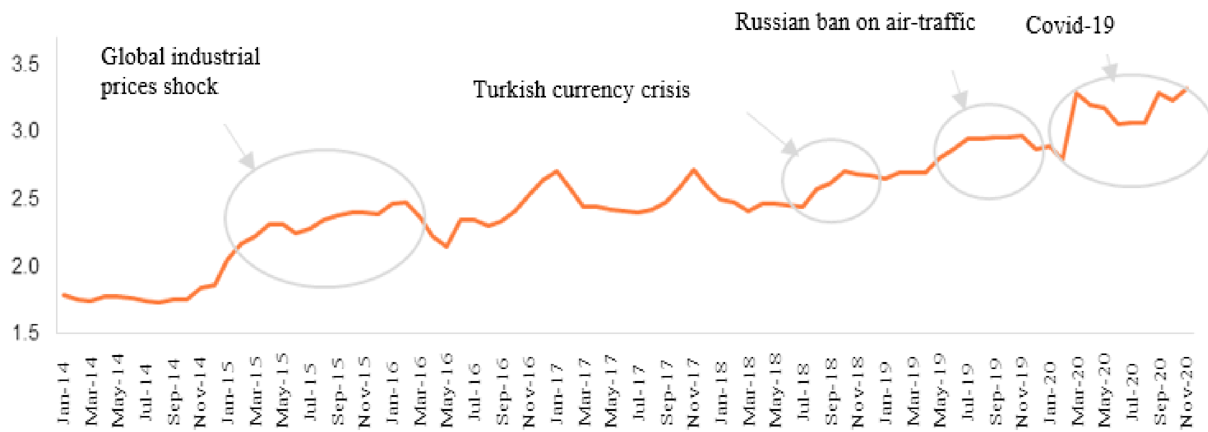
As of June 30, 2020, the Company's net foreign exchange position is mainly denominated in US $ 38.9 million and EUR 1.7 million. Consequently, the company is significantly dependent on the exchange rate. According to the data of 6 months of 2020, the loss from the difference between the exchange rates has increased by 145% compared to the same period of the previous year and amounts to a loss of 6.4 million GEL (2019: 2.6 million GEL loss).

Although the lari is a fully convertible currency, there is no foreign exchange market for its conversion outside Georgia. There is a market in Georgia for converting GEL into other currencies, but its volume is limited. According to the National Bank, in 2018, the total volume of trade turnover in the GEL-USD and GEL-EUR markets (including the sum of sales and purchases, excluding the activities of the National Bank) amounted to 32.0 billion USD and 11.4 billion EUR, respectively, the same figure in 2019 respectively $ 48.6 billion and € 28.7 billion, up from $ 19.9 billion and € 13.5 billion in the first five months of 2020, respectively.

According to the National Bank of Georgia, its official reserve amounted to USD 3.6 billion as of May 31, 2020, which is reduced by 3.3% annually, which is mainly due to foreign exchange interventions carried out by the NBG since the beginning of the year. The current level of reserves is adequate, according to the International Monetary Fund, which allows the country to cope with crisis situations in the short term. In addition, reserves can be used if the GEL exchange rate has depreciated significantly due to one-off factors, as currency depreciation can have a significant negative impact on the country's economy.

Over the years, the GEL exchange rate against the dollar has fluctuated significantly due to both external shocks and seasonal factors. The global shock of oil and industrial commodity prices in 2015 made a significant correction in the nominal exchange rate of the GEL, followed by the formation of negative expectations for the currency and seasonal fluctuations in subsequent periods. As a result, The GEL started to strengthen from the beginning of 2017 and remained stable against the US dollar in the range of 2.4-2.5, however, due to the negative expectations formed in previous years, the average GEL exchange rate in 2018 against the US dollar was 2.53, which is 1% Depreciation compared to 2017. Due to the fact that the GEL exchange rate remained more or less stable in 2018, the National Bank was able to replenish its reserves by buying foreign currency at foreign exchange auctions. In total, in 2018, the National Bank purchased $ 197.5 million in foreign currency, while in 2019 purchased a total of US $ 216 million. At the same time, it should be noted that from July 8, 2019, after Russia banned direct flights to Georgia, the GEL began to depreciate against the US dollar. Accordingly, the National Bank sold USD 92.8 million in the foreign exchange market in August-November to stop the excessive depreciation of the GEL. Due to the second wave of the pandemic and the political instability resulting from the elections, the GEL exchange rate depreciated by 8.0% between September 1 and November 30. In total, the National Bank intervened in the foreign exchange market in March-November 2020 with $ 823.4 million to curb the excessive depreciation of the GEL.

Nominal exchange rate of GEL to USD



Also, any volatility of the GEL depends on several political and economic factors, including the control of inflation by the National Bank and the government. According to Geostat, annual consumer price inflation in Georgia was 6.7% in 2017, 1.5% in 2018, and 7.0% in 2019. The deviation of inflation from the NBG 3% target in 2019 was mainly due to the realization of external risks and the increase of tobacco excise tax, the effect of which was expected to weaken by the beginning of 2020. However, against the background of the spread of the coronavirus, the depreciation of the GEL has put significant pressure on the price level, and in the first 5 months of 2020, inflation remained above 6%. Amid reduced demand and weakened economic activity, the price level is expected to start declining in the second half of the year and approach the target in the first half of 2021. In April 2020, the NBG began easing its tightening monetary policy and reducing its refinancing rate by 0.50 pp to 8.50%.According to the NBG, the exit from the tightened monetary policy will take place in stages and will depend on the dynamics of the factors affecting inflation, both demand and supply.

Maintaining inflation targets plays an important role in the sustainable development of the economy. High inflation can lead to instability in the foreign exchange and financial markets, weaken consumers' purchasing power, and reduce their confidence. All this can lead to a low level of economic performance in Georgia and have a significant negative impact on the businesses of the company's corporate clients, which, in turn, has a negative impact on the company.

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

Although most of the company's revenue (as of the first six months of 2020, 98% of its revenue from the sale of alcoholic beverages) comes from exports, the company operates in Georgia and thus the results of the Company's operations are significantly affected by current and related financial and economic events in Georgia, especially Georgia's economic activity, and this impact will continue in the future. Factors such as gross domestic product (GDP), inflation, interest rates and exchange rates, as well as unemployment, personal income and the financial condition of companies, have a significant impact on consumer demand for the company's products and services.

The crisis caused by the Covid-19 pandemic this year has had a severe impact on the Georgian economy, as it has significantly affected the tourism sector, which plays a large role in the Georgian economy. According to Geostat, in the first ten months of 2020, the Georgian economy shrank by 5.1% compared to 2019. According to the forecasts of the International Monetary Fund and the Government of Georgia, the Georgian economy is expected to shrink by 5.0% in 2020. This naturally has a negative impact on most sectors of the economy, including a significant impact on the real estate market: the hotel, commercial and residential segments. This is due to the fact that these sectors are closely correlated with the cyclicality and fluctuations of the economy. At the same time, the International Monetary Fund forecasts that economic activity is expected to recover from 2021 and real GDP growth is projected at 4.3%. According to the information, the Georgian economy grew by 5.0% in 2019, by 4.8% in 2018, by 4.8% in 2017, and by an average of 3.0% in 2015-2016.

Georgia's economic growth prospects continue to face significant threats, including exchange rate fluctuations, weakening financial stability, inflation, budget execution, and capital outflow risks. The market crisis and the deterioration of the economy in Georgia may lead to a reduction in consumer costs and a serious negative impact on the liquidity and financial condition of the company's customers in Georgia. Uncertain and unstable global economic conditions due to the virus could lead to significant political and macroeconomic reforms worldwide, which in turn will have a significant impact on the Georgian economy, which will have a negative impact on the company's business, financial condition and operations results.

11. Risks related to neighbouring countries and the region:

11.1. Regional tensions could negatively affect the local economy and the company's business;

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

At the same time, it is noteworthy that the Armenia-Azerbaijan war in September-October 2020, which had a negative impact on the economic situation in the region, created negative expectations for the recovery of the region's economies in 2021. However, on November 10, a ceasefire agreement was reached, which reversed the situation - calming political tensions in the region and thus neutralizing negative expectations.

Tensions exist between Turkey and Russia as well. Relationships between the two countries worsened in 2015, after Russian military aircraft has been crashed at Turkish-Syrian borders. Relationships are further affected by Syrian conflict as well, where Turkey and Russia side with opposing parties.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and currently economy is recovering but precise forecast is difficult. The United States and EU have imposed trade sanctions on various Russian and Crimean officials and against Russia, including several Russian banks and companies. The ongoing political instability, civil disturbances and military conflict in

Ukraine, any prolongation or further escalation of the geopolitical conflict between Russia and Ukraine, any further decline in the Russian economy due to the impact of the trade sanctions, falling oil prices or currency depreciation, increasing levels of uncertainty, increasing levels of regional, political and economic instability and any future deterioration of Georgia's relationship with Russia, may have a negative effect on the political or economic stability of Georgia.

From 8th of July 2019 direct flights from Russia to Georgia have been prohibited, which has affected tourism sector. Additionally, decrease of Russian visitors has affected currency markets as well. GEL started to devalue from 8th of July and reached historical maximum on 27th of September, when GEL-USD exchange rate reached 2.98 (6% devaluation of GEL). According to NBG, Georgia received 300 million less income than expected due to the flight ban. Despite the abovementioned shock, Georgian foreign balance improved in 2019 compared to 2018.

In 2020, the conflict between Azerbaijan and Armenia in Nagorno-Karabakh escalated. The Prime Minister of Armenia, Nikol Fashinyan, said that Azerbaijan had launched a military offensive in Nagorno-Karabakh. A state of war and universal military mobilization was declared. A ceasefire agreement was signed in Moscow on October 10, 2020, although on October 11, Armenia and Azerbaijan reportedly bombed each other's cities. Azerbaijan has accused Armenia of attacking major cities overnight, saying the country violated a ceasefire agreement reached in Moscow on October 10.

The continuation of the Nagorno-Karabakh conflict may have a negative impact on foreign direct investment and the tourism sector in the region, including Georgia.

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

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

11.2. Destruction of neighbouring markets of Georgia could have adverse effects on its economy

Georgian economy depends on economies of countries in its region (Azerbaijan, Armenia, Russia, Turkey). Azerbaijan and Armenia have been two of the biggest export markets for Georgia historically. According to GeoStat their share in total Georgian exports amounted to 13.2% and 11.0% in 2019, respectively. In the first 5 months of 2020 the share of Azerbaijan increased slightly, while the share of Armenia decreased and amounted to 13.5% and 5.4% respectively. Russia is another primary market for Georgian exports. According to GeoStat its share in total exports amounted to 9.8% in 2016, 14.5% in 2017, 13.0% in 2018 and 13.2% in 2019. Russian share in total exports amounted to 12.7% in the first 5 months of 2020. The biggest source of Georgian imports is Turkey. According to GeoStat its share in total imports amounted to 16.1% in 2018 and 17.6% in 2019. Share of Turkey remained high in the first 5 months of 2020 as well and totalled 16.1%. According to Turkstat Turkish economy grew by 2.8% in 2018. However, it's worth noting that the economy shrunk by 2.8% in the fourth quarter of 2018. Shrinkage continued in 2019 as well (-2.3% Q1 2019, -1.6% Q2 2019) which was mainly caused by the political instability, unfavourable geopolitical events, sharp devaluation of Turkish Lira and high inflation (annual inflation amounted to 20.3% in December of 2018 and 15.7% in June of 2019). All these factors present potential roadblocks for further economic growth. For the past several years, Georgia's dependence on Russia in terms of exports, tourism and money transfers has increased significantly. For example, Georgian exports to Russia amounted to 2.8% of GDP in 2019, tourism revenues amounted to 3.9% of GDP, whereas money transfers received from Russia equalled to 2.4% of GDP. Such a high dependence on one country poses certain risks and the extent of its negative effects on Georgian economy shall depend on the severity of any political, economic or foreign crisis. This in its turn could have adverse effects on the company's business, financial position and operating results. Any economic decline or crisis in neighbouring countries could have severe effects on Georgian economy. Although the spread of the virus in Georgia remained at a minimum in the first half of the year, new cases of the virus have been increasing since the second half. As of November 3, 2020, there are 15,527 active cases in the country (44,522 cases in total, 28,633 people have recovered).According to the total number of cases per 1 million inhabitants, Georgia ranks 61st in the world. At the same time, we see an even worse picture in the region, which will affect the economies of neighbouring countries, and then it is expected to be transmitted to Georgia through indirect channels. However, in the conditions of growing uncertainty, it is difficult to say exactly what effect the developments in the region will have on the Georgian economy.

12. Risks related to competition and market demands:

12.1. The company operates in an ever-growing competitive market that grows more and more every year;

In 2014-19, the revenue of the alcoholic beverages sector doubled. The revenue of the wine and spirits sector increased by 29.6% annually and in 2019 will exceed 1.1 billion GEL. The profitability of the sector contributed to the entrance of the new players on the market, as a result the sector is very fragmented and is represented by up to 600 companies, of which about 93% are small in size[8]. The high profits made in recent years, as well as the availability of various grants and subsidized loans are the main reasons for the presence of a large number of winemakers in the sector. The number of companies operating in the sector was 591 in 2019 (compared to 2014, only 337 companies were active in the sector). Investments in vineyards and technologies have also increased in the sector. All this leads to a high degree of competition, with an increasing number of players each year and additional investments made in the sector, which may carry certain risks for existing players in the market.

More than 40% of the sector turnover is made up of the top 10 enterprises operating in the sector. The largest wine and spirits companies are: Bolero & Company, KTW, Badagoni, Sarajishvili, Tbilvino, Telavi Wine Cellar, Askaneli Brothers, etc. In addition to wine, these companies also produce cognac, cognac alcohol and chacha. KTW is the market leader in revenue since 2016, based on data from the Accounting, Reporting and Auditing Supervision Service (SARAS). Although KTW's main competitor Bolero & Company financial data is unavailable for 2018 and 2019, based on export statistics, KTW is the market leader, top exporter, for 2018, 2019 and 2020 as well. By 2020, KTW will be the market leader in wine exporters with 8.2% market share, followed by Badagoni with 6.3% market share.

KTW's share of the total market was 9.4% in 2018 and 9.2% in 2019 (for comparison, KTW's share in 2016 was 6.5%).

During 2019-2020, KTW has made a significant investment in the cultivation of vineyards and plans to develop in this direction in the future. (By 2020, the group has planted vineyards on 985 hectares of land and plans to plant additional varieties of vines on an additional 3,500 hectares of land). This field is quite capital intensive and starts generating relevant revenues later, in 3-4 years. As a result, these projects require new sources of funding. As a result, the company has relatively high leverage and low liquidity compared to other competing companies. At this point, the main source of funding for the company is a bank loan. There is a risk that the company will be less competitive in terms of financial leverage, solvency and liquidity due to existing and / or future borrowings.

12.2. New regulations and laws adopted in exporting countries may make the market unattractive for the company and lead to a significant decrease in revenue.

There is a risk that the countries to which the company exports or will export in the future will impose new regulations and introduce new laws. These regulations / laws may be aimed at promoting and encouraging local production and as a result create unfavourable conditions for importing companies, including the issuer. As a result of these laws / regulations, these exporting countries may no longer be economically viable / favourable for the company and if they do not find a viable market in a timely manner, it will have a negative impact on the company's financial condition.

12.3. There are different requirements for labels and packaging in different countries, which change periodically. There is a risk that the company will not be able to meet the required criteria and will have to return the drink and change the label / packaging, which will incur additional costs.

There is a risk that exporting countries will introduce / update label and packaging requirements. As a result, the company may have to incur additional costs, or refuse to import beverages into the country and find a replacement market in a timely manner. This may adversely affect the financial condition of the company.

13. Risks related to the legislative and judicial systems:

13.1. Political and governmental instability in Georgia will have a significant negative impact on the local economy and the company's business;

Since gaining independence from the former Soviet Union in 1991, Georgia has undergone a significant political transformation from a republic within a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is to pursue further economic and political reforms. However, favourable reforms for businesses and investors may no longer continue or be delayed; Also, such reforms and economic growth may be hampered by any changes that would affect the continuation or stability of the Georgian Dream government, and / or the refusal of the president, parliament, or other institutions to pursue reform policies.

In October 2010, the Parliament of Georgia approved amendments to the Constitution of Georgia, which provided for the expansion of the governing powers of the Parliament, the increase of the powers of the Prime Minister of Georgia

[8] *According to the Geostat classification, the annual income of small companies is less than 12 million GEL and hasless than 50 employees.*

and the reduction of the functions of the President. In March 2013, the parliament unanimously supported the constitutional amendments, which further reduced the functions of the President of Georgia. Any subsequent change in the powers of the Parliament, the President or the Prime Minister of Georgia may lead to a political crisis or political destabilization or otherwise adversely affect the political climate in Georgia.

Parliamentary elections of Georgia were held on October 31, 2020. As a result of the elections, the ruling party is able to form a majority in parliament. This fact caused dissatisfaction among the opposition party leaders and their supporters. Opposition parties have signed an agreement to boycott the new parliament. In the future, political tensions / unrest may have a negative impact on the local economy and therefore on the company's business.

13.2. There may be challenges related to the harmonization of Georgian legislation with EU legislation, which is requires by a deep and comprehensive free trade agreement;

On June 27, 2014, Georgia signed the Association Agreement with the European Union and established a Deep and Comprehensive Free Trade Area with the European Union, which provides for the liberalization of bilateral trade with the European Union. The implementation of the Association Agreement with the EU is expected to create new opportunities for business, although it may also create challenges for enterprises, households and the state. In order to implement the Deep Association Agreement with the EU and the Deep and Comprehensive Free Trade Agreement, Georgia needs to align its legislation with EU trade and sectorial legislation, which will address challenges, particularly in the areas of environmental and consumer safety, including product and information security.

Since Georgia became a member of the World Trade Organization in 2000, it has been gradually harmonizing its trade legislation with EU norms and practices. Recent changes in the regulation include amendments to the Labour Code in 2013 aimed at bringing Georgia's labour regulations closer to their commitments under the EU Association Agreement and the Deep and Comprehensive Free Trade Agreement. The changes required employers to pay overtime hours, increased compensation for dismissal (in the amount of one to two months' salary), enhanced workers' rights to appeal employers' decisions, expulsion from employment without a clear reason, and a working reason.

Other changes may occur in government policy, including changes in the implementation or approach to previously announced government initiatives. In addition, the implementation of the Association Agreement with the EU may place a significant burden on regulators, divert their resources from ongoing reforms and slow down their effectiveness.

Also, within the framework of the EU directives specified in the "Corporate Law" section of the Association Agreement between the EU and Georgia, the Parliament of Georgia is considering the draft Law of Georgia on Entrepreneurs, which was published on the website of the Legislative Herald on August 13, 2020. The proposed changes will have a significant impact on the legislative regulation of enterprise registration, founding documents, corporate governance and other issues. With regard to the management of the enterprise, the draft also incorporates the modern principles of corporate governance. The draft law separates the types of capital, introduces the concept of business letter, explains the legal nature of the relationship between the director and the enterprise, etc.

As a result of the expected changes in the field of regulation to achieve harmonization with the EU legislation, the Company may be required to change its policies and procedures to comply with any changes to the laws and regulations. For example, the company made changes to its labour contracts to reflect the aforementioned changes to the Labour Code. The Company expects further changes, although it cannot predict how much these changes will affect it or whether it will be able to comply with any such changes.

In addition, under the EU Association Agreement, securities legislation is approximated to European legislation. For example, a number of legislative changes came into force in 2020 to bring it closer to European legislation, including: The Law on Prohibition of Trade in the Use of Insider Information, Market Manipulation and Illegal Disclosure of Insider Information, as well as the relevant legislative change, will improve the transparency framework for issuers of public securities. Requirements for their periodic submission and disclosure of financial information are defined. In addition, amendments to the Law of Georgia on Entrepreneurs and the Law on Competition are planned, due to which the company, as an accountable enterprise, may be subject to additional regulations.

13.3. The ambiguity in the Georgian tax system may lead to adjustment of the company's tax liabilities or fines for the company in the future. It is also possible to change the tax legislation and policy in force in Georgia;

Compared to countries with more developed market economies, it's not a long time that tax legislation in Georgia exists. This creates problems in enforcing tax law because it is vague or misinterpreted, putting companies at risk that their efforts to comply with tax law may be called into question by tax authorities.

In addition, these tax laws are subject to changes and additions, which may create unusual difficulties for the company and its activities. The new tax code came into force on January 1, 2011. There are differing opinions regarding the interpretation of different provisions of the Tax Code between state ministries and organizations and within them, including the tax authorities, which creates uncertainty, inconsistency and conflicts. At the same time, the Tax Code envisages the adoption of a preliminary tax decision by the tax authorities of Georgia on tax issues raised by taxpayers. While the Company believes that the Company is currently complying with tax law, it is possible that the relevant authorities may take a different position on their interpretation, which may result in tax adjustments or penalties. There is also a risk that the company will incur fines and penalties as a result of regular tax audits.

In addition, tax legislation and government tax policies may change in the future, including as a result of a change of government (see "Political and government instability in Georgia can have a significant negative impact on the local economy and us"). Such changes may include the introduction of new taxes or an increase in the rate of taxes applied to the Company or its customers, which in turn will have a serious negative impact on the Company's business.

Amendments to corporate income tax rules came into force in May 2016. Only retained earnings, which are defined as cash or non-cash dividends, are taxed, distributed among owners - individuals or non-resident legal entities - reinvested earnings are no longer taxable. It should be noted that this change does not apply to companies in the financial sector and for them the old method of profit taxation (in the amount of 15% of taxable profit). All significant amendments to the Tax Code came into force on January 1, 2017.

It should be noted that the issuer may be particularly sensitive to potential changes to the tax code, as taxes are a significant part of the cost of manufactured goods and vary from year to year. (Including: excise, value added tax ("VAT")). Consequently, a change in tax may significantly change the cost of goods sold, which in turn will affect the selling price and demand for the product. It is noteworthy that in this regard the company depends not only on changes in the local tax code, but also on changes in the relevant tax rates in export countries.

14. Risks related to the regulatory framework:

14.1. If in the future the Company fails to comply with any applicable regulations relating to money laundering or terrorist financing, or if the Company associates with them, this may adversely affect the Company;

While the company adheres to all the requirements of the current legislation aimed at preventing the company from using money laundering as a means of facilitating it, there is no guarantee that these measures will be fully effective. If the Company fails to comply with timely reporting requirements or other anti-money laundering regulations in the future, or if it is associated with money laundering or terrorist financing, this may have a material adverse effect on the Company. In addition, participation in such activities may result in regulatory fines and sanctions.

Risks Relating to the Bonds

15. Risks associated with market price, liquidity and interest rate of bonds

15.1. 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, financial position of the company or other factors, some of which may be beyond the control of the company.

15.2. There may not be an active trading market for the Bonds

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

The total volume of exchange and non-exchange transactions of public corporate bonds issued in the market during 2019 has been US$29 million. During the same period, the average volume of bonds on the market reached about US$103 million. The volume of secondary transactions on GEL corporate bonds issued in Georgia for the same period is equal to 0.

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

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

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

16. Risks associated with rights attached to bonds

16.1. 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.

In the sequence of meeting the requirements of creditors defined by law, the bondholders will be satisfied in the 6th order. The other creditors of the company, to whom the company has secured liabilities, will be satisfied in the fourth order. (Law on Insolvency Proceedings, Article 40). It should be noted that this law expires on April 1, 2021 and is replaced by the Law on Rehabilitation and Collective Satisfaction of Lenders, according to which creditors will be satisfied in the following order: Reimbursement of monthly salary and vacation expenses (except for salary and vacation expenses of the debtor's directors and members of the supervisory board, as well as their family members), sums payable due to industrial injury (not more than GEL 1,000 for each creditor); Cb) Preferential tax claims - amounts of indirect taxes provided for by the Tax Code of Georgia for the last 3 years before the court declares an insolvency application admissible; Cc) Unsecured claims, including the amount of taxes incurred before the declaration of insolvency, which are not covered by other sub-paragraphs of this paragraph - this category includes the claims of bondholders. While the Company's existing loan obligations are a category of secured lenders.

A company’s ability to meet similar requirements will depend, among other factors, on its liquidity, overall financial strength, and ability to attract assets.

16.2. Alienation 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.

16.3. 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. (See Prospectus Chapter “Bond Issuance Conditions” Section 11. “Bondholders Meetings, Changes, and Waivers”)

17. Risks associated with the legislation regarding bonds and their holding

17.1. 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.

A change in the tax regime for bond income earned by bondholders in the future, may have a negative impact on the amount of net income earned by bondholders.

There may be changes in the securities legislation, including changes that may adversely affect the issuance of bonds, their registration, placement, trading on the stock exchange, as well as trading and settlement procedures on both the stock exchange and the non-exchange market.

17.2. 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. Additionally, the issuer has no responsibility in case of an error made by separate entities while making payments.

17.3. 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.

USE OF PROCEEDS

The net funds received as a result of the bond issue will be fully used to refinance the loan liabilities to JSC Bank of Georgia.

As a result, the cash flows exempt from the monthly principal repayments of the refinanced loans will be directed to finance Company's ongoing and future investment strategy. Detailed information about the Company's future goals are disclosed in subchapter *"Future Strategy and Goals".*

The funds received from the issuance will be used to refinance following loans:

	Loan balance (GEL)	Loan balance (CCY)	CCY	Loan balance (USD)	Maturity	Remaining Maturity (years)	Interest rate	Repayment type*
Loan #1	1,628,193	€429,453	EUR	$501,259	9-Nov-22	2.02	6MEURLibor +6%	Amortized
Loan #2	11,701,230	$3,618,415	USD	$3,618,415	28-Mar-22	1.41	6MUSDLibor +7.7%	Amortized
Loan #3	18,369,039	$5,680,326	USD	$5,680,326	27-Aug-21	0.82	6MUSDLibor +7.7%	Amortized
Total:	**31,369,039**			**9,800,000**				

Note: Amortized loans means the annuity repayment of monthly Principal and Interest.
Refinanced loans does not include loans which are subsidized by the Government.

The net funds raised as a result of the bond amounts to 9,800,000 which will be used to refinance first and second loans in full and the part of the third loan amounting 5,680,326 USD.

The actual interest accrued on these loans in the first half of 2020 and in 2019 was USD 8.05% and in the case of EUR 6.03%. Loans in dollars are short-term loans of up to three years, while loans in euros are long-term, 4 year loans, with the remaining maturity of 2 years as of 31 October 2020.

Loans will be refinanced as soon as the bonds are issued.

REGISTRATION DOCUMENT

People Responsible for the Preparation of the Document

Zurab Chkhaidze - General Director of "Kakhetian Traditional Winemaking" Ltd.
Koba Kharkheli - Financial Director of "Kakhetian Traditional Winemaking" Ltd.

Declaration from the People responsible for Preparation of the Document

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

Financial auditor of issuer

Issuer’s Independent Financial Auditor is "BDO" Ltd. Identification code: 205145403. Address: Georgia, City Tbilisi, Tarkhnishvili str. # 2. Email: bdo@bdo.ge

There has been no change in the Company’s financial auditor during the periods presented.

Third persons and experts

The real estate included in the company's capital in 2018 is valued by the Levan Samkharauli National Forensics Bureau. Legal address: Georgia, Tbilisi 0162, Chavchavadze Ave. # 84, Tel: (995 32) 2258484. The assessment is performed in accordance with the requirements of International Assessment Standards (IVS 2013).

Assessor, Levan Chutlashvili: Expert of the Commodity Expertise Division of the Commodity and Financial Expertise Department, specializes in 7 years of experience. Certificate of Conformity issued by the Center for Professional Development of Assessors and Experts according to ISO / IEC 17024 standard N-0153.

Detailed information on the results of the assessment is given in the section: *"Information about Capital and Loan Liabilities."*

Credit Rating

The company and the bond issued under this prospectus do not have a credit rating.

Information about Material Contracts

The issuer has no material contracts as of the date of this prospectus, which are not related to the normal business activities of the company.

Information about Patents and Licenses

Obtaining a license is not mandatory for the issuer's business activities. The company has registered various trademarks in Sakpatenti, both in the field of alcohol production and food production. Trademarks include and combine: logo, label, name, etc. The full list of trademarks registered in Sakpatenti is presented on the official website: http://www.sakpatenti.gov.ge/

Capitalization and Indebtedness

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

(GEL)	30-09-20* Non-Audited	30-09-20 Non-Audited	31-12-19 Audited	31-12-18 Audited
Liabilities:				
Borrowings	161,537	193,837	123,319	53,900
Debt Securities Issued	32,300	-	-	-
Total interest-bearing liabilities	**193,837**	**193,837**	**123,319**	**53,900**
Equity:[9]				
Charter Capital	408	408	408	408
Retained Earnings	118,537	118,537	118,634	99,642
Total Equity	**118,945**	**118,945**	**119,042**	**100,050**
Total Capitalization	**312,782**	**312,782**	**242,361**	**153,950**

Note:
** The data is corrected with the assumption that the company will issue USD 10,000 thousand bonds, which will refinance the existing loan obligations.*

The Company's loan liabilities as at 31 October 2020 are as follows:

Lender	Currency	Remaining Maturity (years)	Principal ('000 GEL)	Accrued Interest ('000 GEL)
JSC Bank of Georgia	GEL	0-1	-	10
JSC Bank of Georgia	GEL	1-3	25,324	287
JSC Bank of Georgia	GEL	3+	16,789	486
JSC Bank of Georgia	EUR	0-1	-	56
JSC Bank of Georgia	EUR	1-3	4,740	257
JSC Bank of Georgia	EUR	3+	-	39.1698
JSC Bank of Georgia	USD	0-1	31,820	1,933
JSC Bank of Georgia	USD	1-3	21,709	2,311
JSC Bank of Georgia	USD	3+	93,455	4,374
Total Interest-Bearing liabilities			**193,837**	**9,752**

*Note: * The loans in the table represent the nominal balances.*

After bond issuance, the following liabilities will be refinanced:

Lender	Currency	Remaining Maturity (years)	Principal ('000 GEL) *	Accrued Interest ('000 GEL)
JSC Bank of Georgia	EUR	1-3	1,628	87
JSC Bank of Georgia	USD	1-3	11,701	3
JSC Bank of Georgia	USD	0-1	18,722	4
Total:			**32,051**	**94**

During 2020, the company borrowed an additional $ 14.3 million, or GEL 26.5 million, from the bank.

In January 2020, the Company borrowed $ 340,000 from the local commercial bank to purchase fixed assets (land). This amount was used to finance the purchase of a separate local distribution office, and a warehouse and office space were purchased for a subsidiary, Old Kakheti Distribution Company, in Lilo, Tbilisi.

In February 2020, the company borrowed a total of $ 9,880,000 from the bank to plant vineyards in Gurjaani, Kakheti, Racha

[9] *Capital items as of October 31, 2020 represent balances as at the date of preparation of the financial statements i.e. Balances as of June 30, 2020, assuming that there are no material differences between these periods.*

and Gori. With the funds raised from this loan resource, the company tripled the number of existing vineyards by 2020 and planted 3 million vines on an additional 600 hectares of land. Detailed information about cultivated vineyards is presented in the section "Main Activities".

The company borrowed an additional $ 3,271,000 in February 2020 to purchase fixed assets (commercial space). Company bought the space to build a multifunctional residential complex on Mtatsminda.

In June 2020, the company borrowed $ 800,000 from the bank to refinance the loan. This amount was used to refinance the loan principal, and the remaining amount was distributed over one year.

Under the state grant, in August 2020, the company took an additional long-term loan of GEL 1,500,000 to plant a vineyard. The loan repayment period is 2026, detailed information on the loans taken by the company under the state grant is presented in this subsection.

In September 2020, the company undertook a total of GEL 23,500 thousand long-term loan obligations with a repayment period of 2021-2023, the purpose of the loans was to purchase grapes of the current harvest for making wine and spirits.

The Company Loans by Currency and Loan Payment as of October 31, 2020 are presented below:

Currency/Type of Repayment	**Bullet (‘000 GEL)**	**Partly Amortized (‘000 GEL)**	**Amortized (‘000 GEL)**	**Total (‘000 GEL)**
GEL	-	18,276	23,837	42,113
EURO	-	-	4,740	4,740
USD	3,949	82,753	60,282	146,984
Total	**3,949**	**101,028**	**88,859**	**193,837**

Note:
Bullet: means a condition under which payment of principal is made at the end of the period.
Partially amortized: means periodic payments of principal and interest expense, in which case the principal amount of the principal amount is repaid at maturity.
Amortized: means the payment of principal and interest on a monthly annuity basis.

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

Currency/Maturity (‘000)	**0-1**	**1-3**	**3+**	**Total:**
USD	9,840	6,713	28,899	45,452
GEL	-	25,324	16,789	42,113
EURO	-	1,250	-	1,250

The absolute majority (82%) of the loans taken by the company are subject to a floating interest rate, which is tied to the refinancing rate for loans taken in the national currency, and in the case of foreign currency to the LIBOR rate.

The interest rates of the loans according to the currencies and the contract maturity are presented below:

Currency	**weighted average interest rate under the contract**
Short and mid-term, GEL	Fixed. 12% / Refinancing rate +5.0%
Long-term, GEL	Refinancing rate + (4.5-5.5%)
Short and mid-term, EURO	6 month EUR LIBOR + 6.0%, min. 6%
Long-term, EURO	6 month EUR LIBOR + 6.0%, min. 6%
Short and mid-term, USD	6 month USD LIBOR + (6.05-7.7%), min. 8%
Long-term, USD	6 month USD LIBOR + (6.05-7.7%), min. 8%

Note: Short-term and medium-term loans include loans of up to 3 years, while long-term loans include loans with a period of 3+ years.

Loans taken by the company in GEL are subject to preferential terms, according to which part of the annual interest is covered by the state. Co-financed by the Agricultural Development Agency and run by Georgia. Co-financing is in the range of 10-11% of the annual interest rate. The purpose of these loans is to develop viticulture throughout Georgia. Co-financed activities include: purchasing seedlings, cultivating vineyards, laying irrigation systems, purchasing necessary inventory and fixed assets such as tractors, etc.

As of October 31, 2020, the company participates in the co-financing structure with a total loan of GEL 45,945 thousand, of which the remaining principal is GEL 42,113 thousand.

Detailed information on the loans taken under the co-financing is disclosed in the form of a table:

Date of acquisition	Amount of the loan (‘000 GEL)	Loan balance 31-oct-20 (‘000 GEL)	Remaining Maturity	Interest Rate	Co-financing Rate
18-Jan-19	1,280	1,280	3+	Ref. rate. +5%	11%
14-Mar-19	5,000	5,000	3+	Ref. rate. +5%	10%
8-Jul-19	565	359	1-3	Ref. rate. +5%	11%
1-Sep-20	10,000	9,450	1-3	12%	8%
1-Sep-20	15,000	14,028	1-3	12%	8%
18-Feb-19	1,500	1,500	3+	Ref. rate+5.25%	11%
14-Mar-19	5,000	5,000	3+	Ref. rate +5%	10%
18-Sep-19	1,500	1,500	3+	Ref. rate +5%	11%
21-Oct-19	1,100	943	3+	Ref. rate +5%	11%
28-Sep-18	2,000	1,487	1-3	Ref. rate +5.5%	10%
30-Dec-19	1,500	1,500	3+	Ref. rate +4.5%	11%
7-Aug-20	1,500	65	3+	Ref. rate + 5%	11%
Total:	**45,945**	**42,113**			

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

	31-09-20	**31-12-19**	**31-12-18**
GEL	3.64%	4.08%	3.38%
EURO	6.03%	6.00%	6.50%
USD	8.05%	8.05%	8.04%

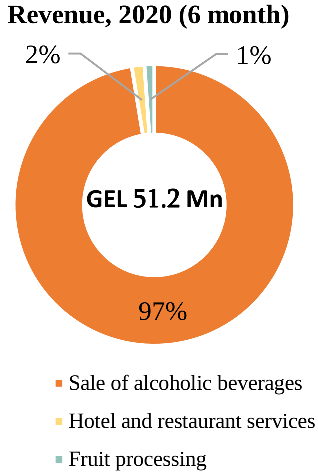
Note: The interest paid on loans taken in GEL is indicated with the exclusion of state grant share.

A significant portion of 76% of the Company's financial liabilities to reduce and manage foreign exchange risk is denominated in US dollars and is in line with revenue, the vast majority of which is 95% of export earnings, also denominated in US dollars.

Primary activity

Kakhetian Traditional Winemaking Ltd. was founded in August 2001. The Group's activities on Prospectus Date combine three different segments: wine and spirits production, hotel and restaurant services, and fruit processing.

As of the first two quarters of 2020, their share in total revenue is distributed as follows: 97.4%, 1.5%, 1.1%. (1H19: 95.2%, 3.6%, and 1.2%)



Each division is discussed in more detail below:

Wine and spirits production sector

The main field of activity of the group is the production and sale of alcoholic beverages in local and various export markets. According to the data of 6 months of 2020, the income from the sale of alcoholic beverages is 97% of the total income of the company, 49,869 thousand GEL. (1H19: 44,179 thousand GEL, 95.2%, FY19: 99,305 thousand GEL, 94.4%).

The company has been producing and selling premium and table wines under its own trademark since 2001, such as "Chkhaidze Chkhaveri", various wines of Guramishvili Cellar, both premium and ice wine, including Mukuzani, Saperavi, Tvishi, Tsinandali and others. The company also produces Brandy, chacha and sparkling wine.

The revenues of the alcohol sector of the company are significantly dependent on exports, according to the data of 6 months of 2020, exports amounted to 48,813 thousand GEL, which is 97.88% of total revenues from the sale of alcoholic beverages, and 95.37% of total revenues of the company. (2019 half / year: 44,179 thousand GEL, 91.74%, 87.36%). According to the data for 6 months of 2020, the share of alcoholic beverages in the company's revenues has increased by 8 percentage points compared to the same period of the previous year.

Exported wine and brand are presented mainly in three price and class categories: premium, medium and low segment. The company's exports by price segment are presented as follows:

	2020 (6M)			2019 (6M)		
Wine	Volume (L)	Revenue (USD '000)	Average price ($/L)	Volume (L)	Revenue (USD '000)	Average price ($/L)
Low class	1,817,827	3,959,895	$ 2.18	1,369,558	3,540,289	$ 2.58
Middle class	837,612	2,852,050	$ 3.40	521,117	2,015,487	$ 3.87
Premium	68,019	529,686	$ 7.79	52,625	463,683	$ 8.81
	2,723,458	**7,341,631**		**1,943,301**	**6,019,459**	

	2020 (6M)			2019 (6M)		
Brandy	Volume (L)	Revenue (USD '000)	Average price ($/L)	Volume (L)	Revenue (USD '000)	Average price ($/L)
Low class	1,322,133	5,257,128	$ 3.98	1,440,545	5,790,373	$ 4.02

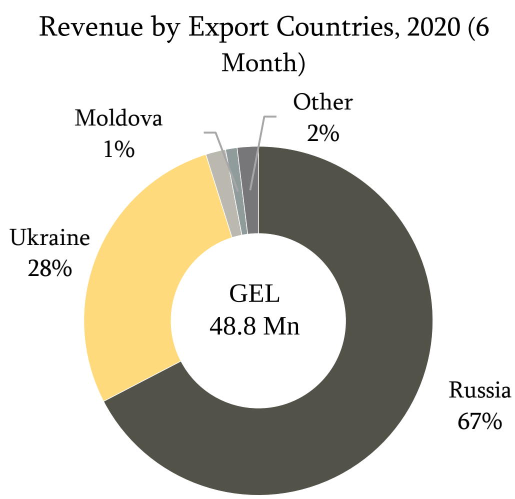
Middle class	740,608	3,389,154	$ 4.58	663,549	3,101,661	$ 4.67
Premium	7,644	66,178	$ 8.66	7,581	71,870	$ 9.48
	2,070,386	**8,712,461**		**2,111,674**	**8,963,903**	

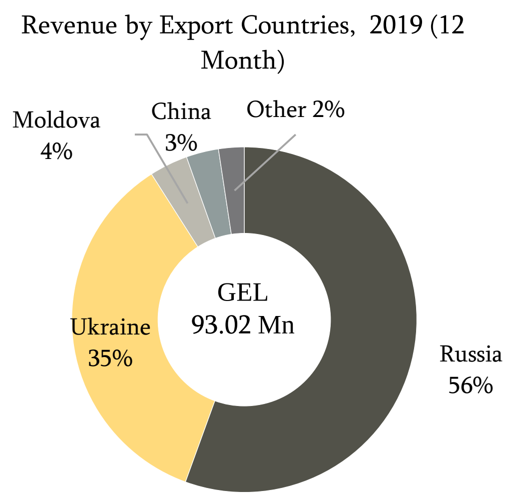
The company occupies mainly the low-income segment of the foreign markets, generating an average of $ 2.18 per liter sold in the first half of 2020 and $ 3.98 in the case of the brand.

During 2020, the average price of wine in the average price segment decreased by about 12% compared to the analytical period of the previous year, although the volume sold in the same segment increased by 60%. As for the low-priced wine segment, the average price here has decreased by 16% by 2020 and the volume has increased by 33%.

Even in the case of the brand, most of the revenue is generated from the low-income segment, where the selling price is $ 3.98 per liter. In all three categories of the brand - low, medium and premium classes, the selling price decreased by -1%, -2%, -9%, respectively, compared to the previous year. As for the sold volumes, the demand for the low-income segment decreased by 8% and the demand for the middle segment increased by 12%.

The chart and table presents the sales dynamics in the main export markets:





('000 ლარი)	**2020 (12 თვე)**	**2019 (6 თვე)**	**2019 (12 თვე)**
Russia	32,883	23,490	51,680
Ukraine	13,556	13,251	32,930
Belarus	900	319	1,036
Moldova*	524	1,156	3,352
China*	308	1,727	2,826
UK	221	120	120
Other	420	510	1,073
Total	**48,812**	**40,572**	**93,018**

Note: During the pandemic Borders were closed in Moldova and China, resulting in the suspension of trade relations for some time in the first half of 2020.

The company is heavily dependent on Russia for exports, which in the first six months of 2020 accounted for 67% of total export sales and 64% of the company's total revenue, totalling 32.9 million GEL. (2019 (12 months): 56%, 49%, 51.7 million GEL.)

The group exported a total of 4.8 thousand tons of alcoholic beverages for 6 months of 2020. The company supplies export markets with the following products:

Product Name	**2020 (6 Month)** (ton)	**2019 (6 Month)** (ton)	**2019 (Full Year)** (ton)
Wine	2,723	1,943	4,356
Brandy	2,045	2,112	4,794
Champagne	5	-	2

Chacha	2	1	10
Clay	4	13	13
Total	**4,780**	**4,069**	**9,175**

The group owns operating wineries with a total processing capacity of 1,730 tons of wine per day and bottling plants with a total capacity of up to 280,000 bottles per hour. The capacity and productivity of the existing factories by locations are given in the form of a table:

Location	Opening date	Purpose	Throughput
Velistsikhe, Gurjaani	2015	Primary production winery	1200 t./24h
		Cognac distillery	
		Wine storage	Alcohol – 8960t. Wine - 5680.
Manavi, Sagarejo district	2019	Primary production plant	300t./24H
		Bottle Winery	180,000 Bottle/H
		Wine storage	6500t.
Patardzeuli, Sagarejo district	2013	Bottling factory	95,900 Bottle/H
		Wine storage	Wine- 1190t. Brandy - 1045 t.
Small town Keda, Adjara	2014	Primary production plant	200t/24h
		Bottling Winery *	1200/24h
		Wine storage	Wine 360 t.
Saguramo, Mtskheta	2015	Primary production plant	30t/24h
		Tap winery	1,200 Bottle/h
		Wine storage	Wine 180 t.

Note: Bottling at the winery in the small town of Keda takes place only in 3-5 liter bottles.

In 2015, the company received a cultural heritage monument "Guramishvili Cellar" in the village of Saguramo, Mtskheta region, through an auction, on a 20-year lease. The mentioned cellar was rehabilitated and a modern small wine factory and a tasting hall were additionally built in the surrounding area.
Premium line wine production and tasting made from Kartli grapes is underway in the mentioned cellar. Detailed information on leased liabilities is provided in the same subsection, Information on State Grants.

Viticulture:

The group carries out part of the grapes purchased for the production of alcoholic beverages with the harvest from its own vineyards.
During 2019, the group purchased a total of 18 thousand tons of grapes, of which 4%; 765 tons was the harvest from their own vineyards. (2018: 19 thousand tons; 3%).

During 2019-2020, the company made a significant investment in the cultivation of vineyards. As of the date of issue of the prospectus, the group has cultivated vineyards on 985 hectares of land, with a total of 4.8 million root vines, which combines them as standard common varieties such as e.g. Saperavi, as well as premium vine roots such as Khikhvi, Kisi, Guruli Mtsvane, Danakhari, Buza, Shavkapito, Tavkveri, etc.

Detailed information about the vineyards cultivated for the period of this prospectus is given in the form of a table:

Location	Grapy variety	Age of the vineyard	Cultivated vineyard area (Ha)	Number of roots
Kvareli	Saperavi	11 Years	24.5	51,940
Kvareli	Saperavi	11 Years	9	19,800
Kvareli	Saperavi	11 Years	3	6,360
Telavi	Saperavi	12 Years	42	84,270
Gurjaani	Saperavi	11 Years	13	26,000
Gurjaani	Saperavi	11 Years	34.1	72,292
Manavi	Manavi Green	20 Years	10	21,200

Saguramo	Khikhvi, Kisi, Gurian Green, Danakhari, Buza, Shavkapito, Tavkveri	4 Years	5.6	25,200
Manavi	Saperavi	1 Year	60	300,000
Manavi	Manavi Green	1 Year	10	50,000
Manavi	Unibali	1 Year	90	450,000
Gori	Shavkapito, Gurian Green, Danakharuli	1 Year	32	375,000
Gori	Shavkapito, Gurian Green, Danakharuli	1 Year	43	215,000
Racha	Mujuretuli, Aleksandrouli	Up to 1 year	5.7	28,500
Manavi	Unibali	Up to 1 year	31	155,000
Manavi	Saperavi	Up to 1 year	69.8	349,000
Gurjaani Agro	Saperavi	Up to 1 year	450	2,250,000
Akhasheni	Saperavi	Up to 1 year	9	45,000
khoekhkhtsi (Akhmeta)	Kisi	Up to 1 year	22.3	111,500
khoekhkhtsi (Akhmeta)	Khikhvi	Up to 1 year	8.1	40,500
Ziari Village	Saperavi, Kisi	Up to 1 year	12.5	62,500
Total cultivated vineyard:			**985 Ha.**	**4,739,062 root**

The vineyards reach full yield 4 years after planting. Consequently, their effect on the company's profitability will be fully reflected in 2023-2024.

Distribution of alcoholic beverages

The company's distribution channels are divided into two main categories - local and export.

Export of alcoholic beverages

The company exports its products to export markets on the basis of long-term contracts with major local import-distribution companies, which in turn have contracts with various retail chains.

Based on the agreement signed with the company and local distributors, from the moment of delivery of the goods to the distributor until its sale, the responsibility lies entirely with the distributor himself.

The contracts do not specify the minimum volume of the product to be delivered. Importing distributors inform the company on a monthly basis about the volume to be purchased and the types of products on the basis of which the products produced under a special trademark are delivered. The contract specifies the conditions of transportation, as well as the transfer of risk from the seller to the buyer, the obligations of the seller and the buyer. (So-called Incoterms).

In 2020, 70% of export earnings were generated from contracts whose incoterms are FCA (warehouse of the seller). During FCA Incoterm, the company prepares the goods for export, goes through all the necessary customs procedures, fills in the declarations and delivers the product prepared for export to the transport company hired by the buyer in its own warehouse. With FCA Incoterms, the buyer assumes full responsibility for all shipping costs, including administrative and customs costs.

These incoterms mainly supply Russia, Moldova, Belarus, Britain, Israel, Estonia, Germany and other markets. Under this condition, the obligation of the company (seller) to deliver the goods to the buyer is considered fulfilled at the moment when the freight forwarder hired by the buyer orders the products from the seller's warehouse.

In 2020, 28% of export earnings were generated from contracts, under the CPT (Carriage Paid to) Incoterms, under which a company (seller) prepares goods for export and pays freight for transportation to a place named by the buyer. CPT Incoterms supplies only the Ukrainian market. In the case of CPT, shipping costs are fully covered by the seller.

Delivery costs in 2020 for the first half of the year amounted to 637 thousand GEL. (2019 n / y: 726 thousand GEL).

According to 2020 data, the company's export revenues mainly depend on five importing companies. The share of the top five importers in the total export sales of alcoholic beverages is 94%. Details are presented in the form of a table:

Distributor	% of export revenue of the company (1H20)
Top #1	41%
Top #2	69%
Top #3	80%
Top #4	89%
Top #5	94%

Note: These top importers do not represent related parties to the company and / or each other.

Local sales of alcoholic beverages

Local shops:

In the local market, the company cooperates with all major retail chains, retail stores, various hotels and restaurants. In addition, the company has its own branded stores, where its full range is presented.

The company owns nine spirits stores operating throughout Georgia at the following locations: Patardzeuli, Velistsikhe, Saguramo, Mtskheta, Akhasheni, Daba Keda, Poti and Batumi, and finally Orbeliani Square in Tbilisi. Beveragesv are tasted and sold at these locations.

The company has its own warehouses in Tbilisi, Kutaisi, Batumi and Khashuri. It is from these warehouses that various local buyers are supplied. The company receives an order that is reflected in its sales software. After receiving the order, the hired drivers of the company deliver the products through the transport vehicles owned by the company. After the delivery of the goods, the company's merchandisers visit the mentioned retail chains and stores. They are responsible for the company's "space". Merchandisers take care of the visual appearance of the products, their layout. They monitor product sales across different networks and, if necessary, arrange discounts and other types of promotions to encourage sales.

As of June 30, 2020, the company generated sales from wholesale sales in the local market amounting to 752 thousand GEL, revenue concentration in the top three sales network is 44%. (2019 n / a: 65%).

Hotel and restaurant services

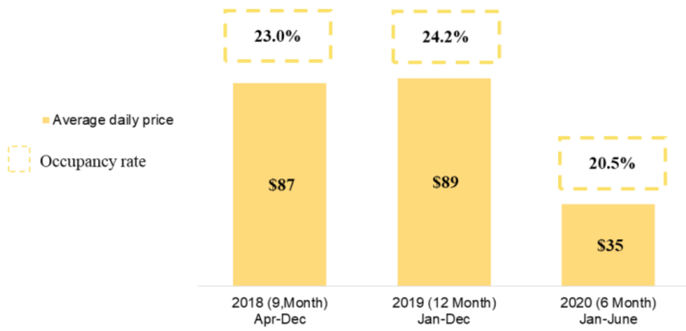
In addition to the main directions, the company is actively involved in the hospitality sector with its own restaurants and hotels. As of 6 months of 2020, hotel and restaurant services revenues amount to 742 thousand GEL, which is 1.45% of total revenue (2019 6 months: 1.7 million GEL, 3.57%).

Hotel Service:

In 2017, the foundation was laid for the construction of a 4-star, 41-room hotel "Akhasheni Wine Resort" in the village of Akhasheni, Gurjaani district. The hotel has been hosting guests since the end of March 2018.

Revenue from hotel services during 2019 amounted to 259 thousand GEL, which is 1% of total revenue (2019 (6 months): 332 thousand GEL).

By the date of preparation of the prospectus, it is the only operating hotel mentioned above, whose basic operating data, average daily price and occupancy rate from the date of opening are as follows:



Note: From April 2020 to mid-June, the hotel was handed over to the state as a quarantine zone. The average daily price and occupancy rate do not include the above mentioned 2-month period.

With the effect of the Covid-19 pandemic, the average daily price of a hotel is reduced by 60% and the occupancy rate by 4 percentage points compared to the previous year.

In the second quarter of 2020, the company opened a new hotel in Tbilisi, on Orbeliani Street, a four-star, 23-room hotel "ORBELIANI RESIDENCE". Since it is recently opened for the date of issue of the prospectus, which is also accompanied by pandemic restrictions, the hotel does not generate significant revenue.

As of October 31, 2020, the group portfolio of hotels is given in the following table:

Hotel	Hotel class	Location	Available Rooms (Existing / forecasting)	Status	Estimated completion	Total investment (GEL MN)**
Akhasheni Wine Resort	4 Star	Village Akhasheni, Gurjaani	41	Operable	Q2-2018	14.02
Orbeliani Residence	4 Star	Orbeliani str, Tbilisi	23	Operable	Q4-2020	8.77
Guria Palace	3 Star	Ozurgeti	53	Under construction	Q2-2021	2.97
Royal Askana	5 Star	Village Askana, Ozurgeti	11	Under construction	Q2-2021	8.11
Total:			**128**			**33.87**

Commercial spaces under construction

Name	Type	Location	The initial total construction area (Sq. M)	Status	Estimated completion	Total Investment (GEL MN)**
Pirosmani Str.	Multifunctional residential complex and commercial spaces	Pirosmani Str. Tbilisi	5,000	Under construction	Q3-2022	12.48
Kazbegi project	Tourist center (shop, Cafe, tasting hall, etc.)	Kazbegi	500	Under construction	Q3-2021	0.86
Tarieli Str.	Multifunctional residential complex and commercial spaces	Tarieli Str. Tbilisi	5,000	Under construction	Q3-2022	8.53
Total:			**10,500**			**21.87**

Note: Investment needed for construction projects is presented in the subsection "Future Strategy and Goals".

Restaurant service:

Revenue from restaurant services in the first 6 months of 2020 amounted to 483 thousand GEL, which is 1% of total revenue (as of 6 months of 2019: 1,324 thousand GEL; 2.9%).

The restaurant service sector, as well as the hotel business, has declined as a result of the Covid-19 pandemic, with restaurant service revenue falling by half in 2020 by 64% compared to the same period last year.

As of the date of preparation of the prospectus, the group owns several restaurants with a total of 820 seats.

In 2013, a tasting salon and restaurant "Georgian Wine Chamber" was opened in Mtskheta for 140 visitors. The group also owns a restaurant near the Guramishvili Cellar in Saguramo with a total of 340 seats.(260 in hall, 80 in yard). The group also owns restaurants in Velistsikhe and Hotel Akhasheni Wine Resort and ORBELIANI RESIDENCE with 60, 160 and 120 seats respectively.

Agro sector - fruit processing

Since 2015, the company has started to develop agro directions and "Nena" produces various compotes, jams, honey and tkemali under the brand.

In 2014, the company founded "Kakhetian Traditional Winemaking Agro Chokhatauri" and "Kakhetian Traditional Winemaking Agro Keda".The issuer has built a modern fruit processing plant in Chokhatauri and small town Keda in accordance with international standards, equipped with new machines, which are certified with ISO-22000 certification of international food safety standards. Fruits are purchased from locals, then processed and sold under the Nena brand, both locally and internationally. Sales in local and international markets as of 6 months of 2020 were in the following proportions: 91% and 9% (2019: 92%; 8%).

Revenue from this direction for the first 6 months of 2020 is 574 thousand GEL, which is 1.1% of the company's total revenue (2019 half / year: 557 thousand GEL, 1.2%, 2019 full year: 2,056 thousand GEL, 2.0%).

Sales in the first half of 2020 by volumes and products are presented below:

	2020 (6 Month)		2019 (6 Month)	
Product:	Volume (Liter)	Total Sales (GEL)	Volume (Liter)	Total Sales (GEL)
Compote	139,195	387,046	150,839	363,720
Murabba	9,594	68,099	9,298	70,952
Sauce	8,652	49,727	16,862	92,262
Jam	5,955	26,980	102	1,062
Honey	1,036	24,352	682	11,242
Juice	-	-	14,326	17,802
Other	-	17,839	-	-
Total	**164,432**	**574,043**	**192,108**	**557,039**

In 2019-2020, Nena products were launched in the markets of the United States, the United Arab Emirates, Canada and Latvia, and are currently exported to the following countries: Israel, USA, Canada, United Arab Emirates, Latvia.

Marketing strategy

Kakheti traditional winemaking marketing strategy is based on the company's mission, values and objectives. The main goal of marketing activities is to increase brand awareness and loyalty, identify the needs of existing and potential customers and stimulate sales of the company's products.

KTW is positioned on the market as a company that maintains and continues the Kakheti winemaking traditions. The history of the brand is based on the fact that the culture of Georgian winemaking dates back to 8000 years and that winemaking was introduced in Georgia. The company actively uses the method of making and storing Georgian wine in communication, which is based on the use of a pitcher. The company also has a special pitcher wine line. The company's products are presented in premium, as well as medium and low price categories.

The company uses various channels of marketing communications - television, internet, outdoor advertising, print media, social activities, sponsorship and more. The company also actively uses its hotels and restaurants to promote its products. These activities are the responsibility of the company's marketing department.

It should be noted that the company has been financing and promoting the art festival "Georgian Soul" since 2004. The festival brings together artists from different fields: visual arts, folklore, Georgian folk dance, song and literature.

The company has also restored several historic wineries - Tadeoz Guramishvili in Saguramo, Georgian Wine Chamber in Mtskheta, Velistsikhe Veranda in Kakheti. These wineries host many tourists and introduce them to the methods of Georgian folk winemaking. Here, tourists have the chance to buy the company's products in branded stores, taste Georgian cuisine in cellar restaurants, visit the cellar gallery, etc.

In order to stimulate export sales, the company often participates in various exhibitions and awards abroad. It is a frequent visitor to exhibitions in countries such as China, Germany, Russia and others. Company promotion and sales growth in the export markets is done through retail chains. These companies offer discounts and other promotions, while KTW offers these networks discounts according to the increase in the number of goods purchased.

The company's 2021 marketing plan is mainly based on TV, Internet, outdoor advertising and print media channels. These channels will be loaded more actively to raise brand awareness and boost sales. Due to the constraints caused by the COVID-19 pandemic, it is unclear whether the company will be able to attend various exhibitions abroad and organize various social activities locally.

The company does not write a preliminary budget and has not estimated how much will be spent on marketing activities. According to the data of 6 months of 2020, the marketing cost is 313 thousand GEL. (2019 half / year: 287 thousand GEL). Marketing expenses are presented in the sales and distribution expenses in the profit and loss statement.

Description of business process and quality control procedures

Kakhetian Traditional Winemaking Ltd owns wineries in Velistsikhe, Manavi, Saguramo and Keda, as well as a brandy factory in Patardzeuli, in Velistsikhe and fruit processing enterprises in Keda and Chokhatauri. These factories are in full compliance with ISO 22000 standards. According to an audit conducted in January 2019, the company is currently awarded ISO 22000: 2005 certification. The Food Safety Certificate is valid until June 18, 2021.

The company has also introduced Food Safety Management System (FSMS) and Hazard Analysis Critical Control Point (HACCP) systems for continuous quality control.
These systems aim to deliver the highest quality, completely safe products to the company's customers, in compliance with Georgian and international regulations.

The HACCP system includes: from crop harvesting to finished product production, gathering information about each stage and assessing potential risks. This identifies the significant risks to product safety that are incorporated into the HACCP system for further management. Risks in raw materials, materials and finished products are assessed, as well as hygienic risks in current production processes are developed to develop procedures for their reduction and elimination. Corrective measures are being developed and included in the system. Each risk control point is monitored. The HACCP system is regularly subject to internal audits to assess the effectiveness of risk identification and mitigation mechanisms.

The company's FSMS Group is responsible for conducting all potential hazard analysis, identifying critical control points, risk probability analysis, and establishing a record-keeping procedure for the critical control point monitoring system.
Many measures have been taken in the company to maintain hygiene and cleanliness. Internal requirements for workplace safety and order have been introduced. Storages are planned with a special layout to prevent cross-contamination. Appropriate conditions (temperature, humidity) created in the storerooms for storing ingredients. A rule of sorting stored products and isolating them from hazardous substances has been introduced. The walls and floor of the tap are regularly washed. Controlled storage procedures for waste and recycled products, insect and pest control procedures have been introduced. Company staff regularly undergoes training on food safety and hygiene.

The quality control of the products in the company starts from the reception of the grapes to its transformation into a finished product. The Velistsikhe grape processing plant produces grapes for the production of both wine and brandy alcohol. Then, the finished wine is supplied to the Manavi bottling plant, and the brandy alcohol is supplied to the Patardzeuli brandy bottling plant. Products are subject to packaging, intermediate analyzes in-house laboratory and tasting. After that, the bottling is done by means of modern machines and the final products are sent to an accredited laboratory for analysis. As a result of the analysis, a protocol will be issued in accordance with the relevant legislative and normative requirements of the export markets. Product tasting is also performed by the National Wine Agency and the relevant certificate is issued.

Information on state grants

Construction of a fruit processing plant

In the form of a state grant, in the 3rd quarter of 2014, at a lower price than the market value, the group was given ownership of non-agricultural land in the small town of Keda with an area of 4,055 sq.m. and buildings on it with a total area of 1,904 sq.m. (With cadastral codes N21.03.35.075 and N21.03.35.076). The total market value of the property was 169 thousand GEL. The Ministry of Finance and Economy of the Autonomous Republic of Adjara transferred the property to the group at a price lower than the market price, 30 thousand GEL. According to the agreement concluded between the parties, the obligation of the company includes:

Paragraph	Contractual obligation	Obligation fulfillment status (For the date of issue of the prospectus)
I.	Construction of a fruit processing plant on the transferred land with an investment of not less than 1.2 million GEL;	Done: The total investment is: 1,372 thousand GEL.
II.	Employment of 20 citizens from the launch of the fruit processing enterprise until March 26, 2021;	Done: The number of employees is 20 people.
III.	Fruit processing plant to be put into operation 220 tons of fruit annually by March 26, 2021	Not performed: (The reasons are discussed below).
IV.	Construction of a warehouse farm on the land transferred within 16 months after the signing of the contract, with a total minimum amount of 150,000 GEL. Employing an additional 5 citizens annually in the warehouse.	Not performed: (The reasons are discussed below).

The enterprise has been operating since 2016. The total number of processed products is presented in the form of a table:

Processed products:	**2018 (Kg)**	**2019 (Kg)**
Tkemali	210,330	27,486
Tomato	74,680	-
Pitch	25,776	-
Bullace	22,680	-
Honey	5,645	6,434
Cone	4,300	-
processing in total	**343,411**	**33,920**

From the launch of the factory until 2018, the enterprise was able to process the minimum number of products under the contract every year. In 2018, the company processed 343.4 tons of fruit, while in 2019 the company changed its profile and switched to tkemali and honey production. As a result, the total amount of processed product is 33.9 tons, which is more than the minimum requirement.

Reasons for non-fulfilment of obligations:

In December 2019, the company wrote a letter to the Ministry of Finance and Economy of the Autonomous Republic of Adjara, stating the following reasons for non-fulfilment of obligations:

- Due to the lack of gas supply in the region, the company is forced to use a coal boiler that discharges exhaust. Dissatisfaction and complaints of the population are often registered in this regard;

- It is not possible to physically obtain the minimum amount of fruit in the region, because there is no adequate supply from the population.

The company informed the Autonomous Republic of Adjara that the management had made a decision to change the profile of the factory. From 2019, the company produces only tkemali and five different varieties of honey. The company is writing to the state to change the terms of the 2014 purchase agreement, and to adjust the third clause of the obligations by producing a minimum of 20 tons of honey per year, and the fourth clause to be abolished because it is no longer advisable to set up a warehouse.

No final decision has been made by the state on the date of issue of the prospectus. The matter has been referred to the Government for consideration, although the exact date of the session is unknown.

In case of non-fulfilment of obligations, the conditions stipulated by the contract:

In case of non-fulfilment of the investment obligation, the company is obliged to pay 0.1% of the remaining investment on each overdue day from the date of breach;

In case of non-fulfilment or improper fulfilment of other obligations under the contract, to pay 0.05% of the value of the property (169 thousand GEL) for each violation on each overdue day from the date of violation.

In case of non-fulfilment of obligations, the seller has the right to unilaterally terminate the contract. In this case, the buyer will not be reimbursed for expenses incurred, property reimbursed and third-party mortgage rights are revoked.

As of the date of issue of the prospectus, the part of the investment in property, which is made on land and buildings, is 490 thousand GEL, of which the book value is 389 thousand GEL.

Transfer of land for cultivation of hazelnut plantations

In April 2015, a property privatization agreement was signed between the National Agency of State Property and KTW Khobi Ltd., a member of the group, on the basis of which the company transferred to the ownership of agricultural land plots of 1,142,024 sq.m. (Cadastral code: N45.07.24.007) and 936,275 sq.m. (Cadastral code: N45.07.24.006) located in the village of Nojikhevi, Khobi Municipality. The privatization amount is 200,000 thousand GEL. In this transaction, the Company has made the following obligations:

<table>
<tr><th>Paragraph</th><th>Contractual obligation</th><th>Obligation fulfillment status
(For the date of issue of the prospectus)</th></tr>
<tr><td>I.</td><td>Ensure the cultivation of hazelnut plantations on not less than 90% of the property for no more than three years from June 30, 2016 according to the following schedule:
<table><tr><td>Utilized share of the area</td><td>To be used</td></tr><tr><td>>30%</td><td>Until June 30, 2017</td></tr><tr><td>>60%</td><td>Until June 30, 2018</td></tr><tr><td>>90%</td><td>Until June 30, 2019</td></tr></table></td><td>Partially done
(See comment below)</td></tr>
<tr><td>II.</td><td>Improvement of the remaining 10% of the property (fencing, arrangement of windbreaks) by June 30, 2019;</td><td>Done</td></tr>
<tr><td>III.</td><td>Ensure an investment of at least GEL 1,100,000 by June 30, 2019;</td><td>Done
The total investment is 2,382 thousand GEL.</td></tr>
</table>

Reasons for non-fulfilment of obligations:

During the cultivation and planting of the land, it was revealed that the entire area for hazelnut planting could not be used due to the ravine, swamp and varied terrain. Accordingly, the company has occupied only 68.98% of the territory. In this regard, in April 2018, the company wrote to the LEPL "National Agency of State Property" and submitted a report to the LEPL Levan Samkharauli Forensics Bureau regarding the unsuitability of the rest of the land for nursery conditions.

No final decision has been made by the state on the date of issue of the prospectus. The matter has been referred to the Government for consideration, although the exact date of the session is unknown.

In case of non-fulfilment of obligations, the conditions stipulated by the contract:

In case of non-fulfilment or improper fulfilment of obligations, the company will be fined GEL 500 for each day of delay from the date of violation.

In case of non-fulfilment of obligations, the seller has the right to unilaterally terminate the contract. In this case, the buyer will not be reimbursed for expenses incurred, property reimbursed and third-party mortgage rights are revoked.

As of the date of issue of the prospectus, the part of the investment in property, which is made on land, construction and plantations is 1,962 thousand GEL.

Transfer of land and buildings for the construction of a hazelnut processing plant

In June 2015, within the framework of the state program "Enterprise Georgia", an agreement was signed between the National Agency of State Property and the company "KTW Khobi", which is part of the group, on the basis of which the company was transferred to the ownership of St. 12,416 sq.m. Non-agricultural land located in Aieti settlement in Khobi and the building located on it with buildings with a total area of 3,783 sq.m. (Cadastral code: N45.21.22.056). The property was transferred to the company at a symbolic price of 1 GEL. As a result, the following obligations were imposed on KTW Khobi Ltd:

#	Contractual obligation	Obligation fulfillment status (For the date of issue of the prospectus)
I.	Ensure the establishment and start of production of a hazelnut processing plant on the property, by May 26, 2017;	Not performed (See comment below)
II.	Ensure an investment of at least GEL 1,453,600.	Not performed (See comment below)
III.	Maintain a production profile for at least 2 years from the start of production and process at least 1,250 tonnes of hazelnuts in the first year and at least 2,500 tonnes of hazelnuts in the second year;	Not performed (See comment below)

In case of non-fulfilment of obligations, the conditions stipulated by the contract

In case of non-fulfilment or improper fulfilment of obligations, the company will be fined GEL 500 for each day overdue from the date of violation.

In case of non-fulfilment of obligations, the seller has the right to unilaterally terminate the contract. In this case, the buyer will not be reimbursed for the expenses incurred, the property will be reimbursed and the mortgage rights of third parties will be revoked.

Reasons for default

The construction of the hazelnut processing plant was planned in the wake of the cultivation of hazelnut plantations, as there were some obstacles in the given area, a certain part of the area turned out to be unsuitable for the plantation, uneven and swampy. It became necessary to install a wind protection system, which was compounded by the shortage of nuts on the market in 2016-2017, these circumstances made the construction of the enterprise unprofitable, therefore the company delayed the construction of the plant and failed to meet deadlines. The company has repeatedly appealed to the Property Management Agency to extend the implementation period of the project.

There is a dispute between the State Property Management Agency (plaintiff) and the company regarding the unfulfilled obligation with 1.85 million GEL in the disputed amount. Detailed information on litigation is provided in the "Litigation" section.

Transfer of a cultural monument - Guramishvili Cellar for temporary use

In November 2013, state issued a 20-year lease to the company in the city of Mtskheta, on the territory of Saguramo, to the cultural heritage monument "Tadeoz Guramishvili Family Cellar" with non-agricultural land and buildings. The monthly rent paid by the lessee for the use of the property is set at GEL 1,800.

Under this agreement, the lessee has the following obligations:
- Protection from damage and destruction of the monument and its territory, as well as preservation of the historical-cultural value of the monument.

- Not to allow any kind of arbitrary impact on the monument, including alteration, division, dismantling, addition of parts or fragments of the monument;

- Invest at least 500 thousand GEL within 1 year after signing the contract;

-To compensate the lessee for damage caused by damage to property and / or deterioration.

In case of non-fulfillment or improper fulfillment of the obligations under the contract, the company will be fined 500 GEL for each day of violation, and in case of damage to a cultural monument, the lessee is obliged to fully compensate the loss.

As of the date of preparation of this prospectus, the Company is in full compliance with the requirements set out in the contract.

Transfer of land plots near Ilia House-Museum for temporary use

In July 2014, state issued a 49-year lease to the company and temporarily transferred the agricultural land adjacent to the Ilia Chavchavadze State Museum with a total area of 18,275 sq.m. The annual cost of the lease is set at GEL 3,000.

Since February 2015, State issued to the company a 49-year lease and temporarily transferred additional land plots in the same area with a total area of 37,200 sq.m. The annual rent tax was set at GEL 9,000.

By transferring the ownership of the said land plots, the lessee is obliged not to lease the property to a third party, to pay the annual rent and the amount of utility bills spent by company.

As of the date of preparation of this prospectus, the Company is in full compliance with the requirements set out in the contract.

Primary markets

Information used:

For use in this prospectus, the company obtained market data from unofficial internal surveys, industry sources, and public information available at the time the prospectus was prepared. The National Bank of Georgia is the main source of data on market and exchange rates used in the Prospectus. The company obtained data on the macroeconomic situation of Georgia mainly from the Georgian National Statistics Office (hereinafter referred to as Geostat) and the Government of Georgia. In case of using different sources, the relevant instructions are made in the text. The Company assumes responsibility for the correct disclosure of information obtained from third parties, and as far as the Company is aware and is able to substantiate the information disclosed by such third parties, no facts have been omitted which could have rendered such information incorrect or inaccurate.

Wine & spirits business sector performance

The wine and spirits business is one of the most profitable sectors in Georgia. According to the Georgian National Statistics, the sector's revenue doubled during 2014-19. Revenues in the wine and spirits sector grew by 29.6% year-on-year (in GEL Terms) and reached GEL 1.1 billion in 2019. Such an increase in 2019 is explained by the unprecedented grape harvest of the previous year and the increase in export earnings (exports in USD in 2019 increased by 8.6% year-on-year, while in GEL - by 20.7%). The example of 2019 also shows the effect of exchange rate fluctuations on the sector's turnover in GEL, as a large part of the sector's income (80-85%) comes from exports and is nominated in foreign currency.

Despite the increase in the turnover of the sector, operating profit in 2019 remained almost unchanged annually and amounted to 239.2 million GEL (-0.7% y / y), which is explained by the increased prices for grapes. Accordingly, the operating profit margin was also reduced, if in 2018 the operating profit margin of the sector was 27.2%, in 2019 this figure was reduced to 20.8%. Despite the decline, the sector margin is still well above the business sector average of 12.1%.

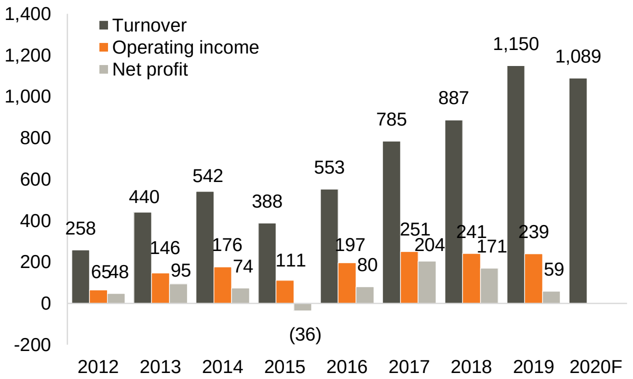
The high profitability of the sector and the growth rate have increased the interest of companies in it. The number of investments in 2019 amounted to GEL 146.2 million 3.1 times more than the investments made in 2017, at the same time the number of companies operating in the sector also increased from 441 to 591 in 2017-19. The increase in investments also increased the debt ratio of the sector, which was reflected in the net profit margin of the sector. In 2019, the net profit margin of the sector was 5.1%, which is significantly lower than the 19.3% in 2018. Accordingly, if in 2018 the net profit margin of the sector significantly exceeded the average net profit margin of the total business sector by 6.8%, in 2019 the net profit margin of the sector fell by -10.5%, although it exceeded the average net profit margin of companies operating in agriculture, entertainment, IT and telecommunications industries.

The sector is operated by about 600 companies and employs 8,600 people. About 93% of these companies are small in size. The high profits made in recent years, as well as the availability of various grants and subsidized loans are the main reasons for the presence of a large number of winemakers in the sector.

Some 85% of the wine & spirits sector's revenue stream comes from export markets. Meanwhile, large portion of local demand is still met by Georgian households' own production - Georgians take pride in giving their guests their own wine. This tradition is here to stay but growing urbanization and tourism inflows are raising demand for bottled wine locally.

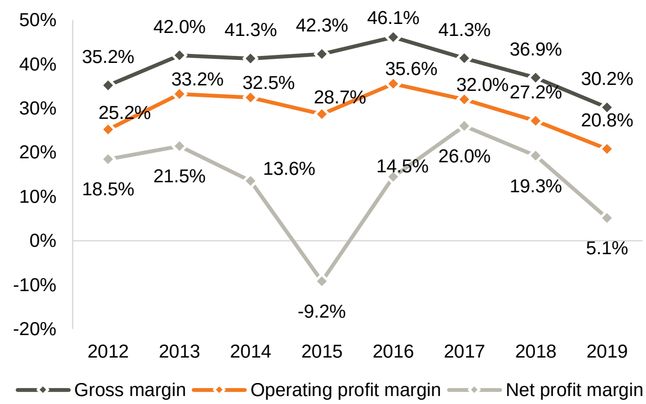
Export dependence makes the sector very sensitive to the conditions in export markets. As such, currency weakness and poor economic performance in Georgia's major export partners in 2015 saw turnover (in GEL terms) in the Georgian alcohol sector to fall 28.5% y/y, before rebounding in 2017 once the markets stabilized. The effect of the exchange rate on revenue growth is also quite large, although the sector income is growing both denominated in GEL and denominated in dollars. During 2014-19, the total turnover of the sector increased by an average of 16.2% in GEL (CAGR 2014-19) and by 5.8% in USD.

Figure 2: Wine and spirits sector turnover, GEL mn



Source: Galt & Taggart Research, Geostat

Figure 3: Wine and spirits sector profitability



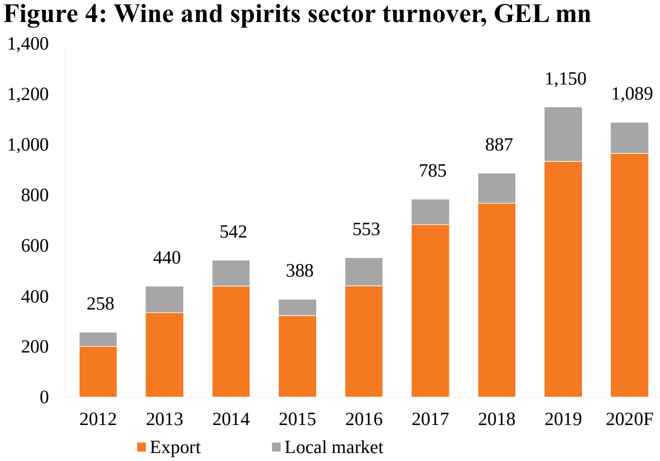
Source: Galt & Taggart Research, Geostat

Demand on Wine and Brandy

Exports are the main driver of sector revenue growth. Wine and spirits sector in Georgia is export-oriented, generating 80.6% of the total turnover from export in 2019. Revenue from wine and spirits exports grew rapidly at 18.5% CAGR, in GEL, over 2013-19, reaching GEL 927.3mn (US$ 328.9mn) in 2019. Therefore, the doubled revenue of the sector is fully attributable to exports. Part of the increase in export earnings can also be explained by changes in the exchange rate, although the increase is also significant in USD terms (8.6% CAGR in 2013-19).

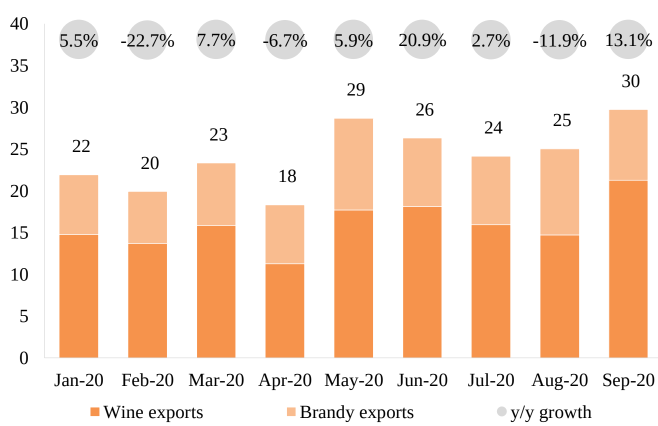
Wine and spirits exports remained stable in 2020 despite the overall decline in prices and demand globally due to Covid-19 pandemic. Wine and spirits exports increased in USD terms, by mere 1.2% to $ 217.4 million USD in 9M20, 65.9% of this exports was wine exports (down by 5.8% to US$ 143.3 mn in 9M20). It should be noted that despite the pandemic, the export of the brand increased significantly both in monetary terms (in dollars, + 18.0% y / y) and liters (+ 23.4% y / y), wine exports remained unchanged in quantity, and in total (in dollars) decreased by only 5.8% per year.

Figure 4: Wine and spirits sector turnover, GEL mn



Source: Geostat, G&T Research

Figure 5: Export of wine and spirits in 2020, US$ mn



Source: Geostat

Local sales reflect consumer behaviour and economic conditions. The annual per capita consumption of wine has decreased from 28 liters in 2013 to 19 liters in 2019. There was temporary pick-up in local sales in 2016, before dropping again in 2017-18. One reason behind this drop was likely related to growth in wine prices. In 2017, brandy prices increased due to higher excises on spirits (from GEL 9.2 per liter up to GEL 15 per liter of pure alcohol), while wine prices rose due to increased production costs. Another explanation may be local consumers shifting towards more expensive bottled wines and brandies instead of drinking large volumes of cheap un-bottled wines. The appearance of different youth-oriented brands and upper-end wine restaurants have also affected consumer behaviour, increasing interest in premium wines. Official statistics not available for home-made wine production, but our calculations from various sources indicate a decrease in this category due to the affordability of wine in retail chains. Importantly, growing number of tourists and related increase in expenditures on food and beverages were not sufficient to compensate reduced consumption by locals.

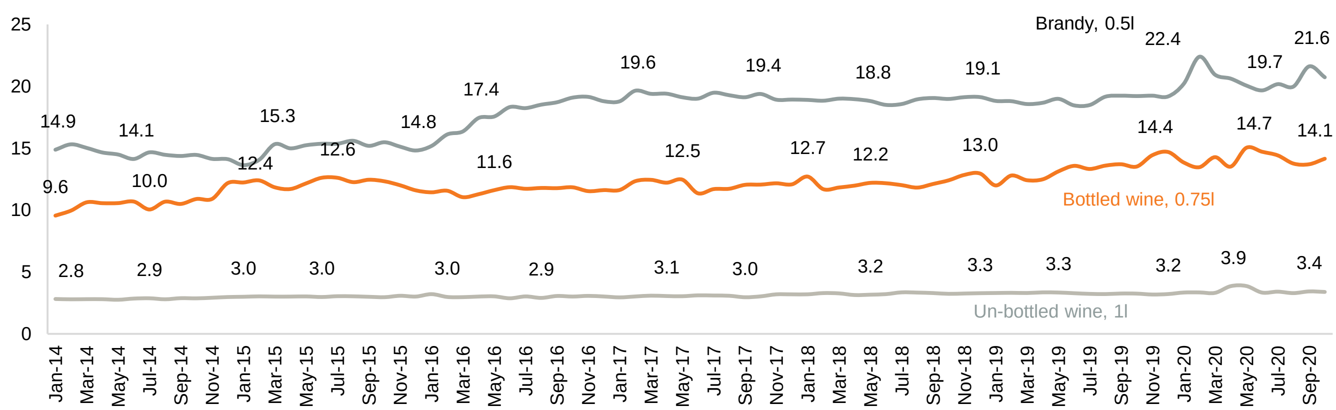
Local market has room for growth. Although Georgia has a history of wine-making and wine-drinking, per capita (15+ years) wine consumption at 19 liters/year is significantly lower than the main wine-making countries such as Portugal (58.8 liters/year), France (50.7 liters/year), Italy (44 liters/year) and Spain (26.4 liters/year). This, together with the prospect of strong growth in wine tourism, create room for healthy growth in demand for Georgian wine.

Demand on the local market halved during the pandemic, explained largely by the limited work of restaurants and cafes. Store sales slightly increased at the beginning of the pandemic, although this was not enough to compensate the decline of sales in HoReCa sector. The restrictions caused by the pandemic on HoReCa sector, as well as tourism sector trends will continue to affect the sale of wine and spirits on the local market.

On the local market, average retail prices for wine and spirits increase on average by 8-9% over 2020, partly explained by the change in sales channels. Another reason for the price increase is the increased cost, both the price of grapes has increased and the cost of bottles expressed in GEL has also increased, as the sector mainly uses imported bottles.

The price of 0.5l brandy increased on average by 9.5% and reached GEL 21.6 in Sep -20. The price of 0.75l bottle wine increased on average by 8.1% to 13.7 GEL in Sep-20. The price of un-bottled wine showed slight fluctuation during 2020, but at the end increased only by 3.5 y/y.

Figure 6: Average retail prices, GEL per bottle



Source: Geostat

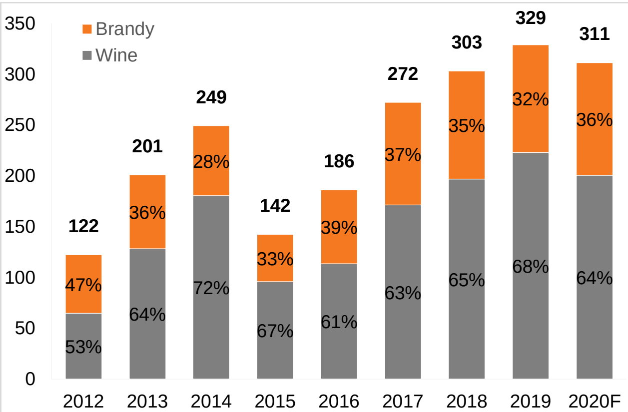
Wine and brandy exports

Wine is Georgia's 4th-largest export product and brandy is the 8th-largest. Wine and brandy exports stood at c100mn liters or US$ 328.9mn in 2019, of which 51.0% was directed to Russia, 16.4% to Ukraine and the rest went to other non-traditional markets. The dependence on Russian market and other post-soviet countries is quite significant (78.5% in 2019), but demand from non-traditional markets (the EU, China and other countries) has increased significantly over 2013-19.

Wine exports (in USD terms) increased at CAGR 9.5% over 2013-19, compared to 6.5% CAGR for brandy exports over the same period. Notably, in 2015-16 wine exports fell sharply due to economic problems in major export markets (mostly Russia and Ukraine), while brandy exports dropped only in 2015 and surpassed pre-crisis level in 2016 already.

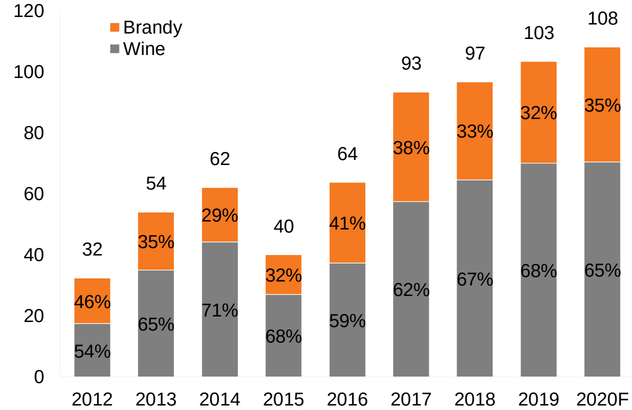
Re-opening of Russian market in 2013 mostly boosted sales of wine, doubling the exports of wine both in terms of value and volume. Wine exports rose from 35mn liters to 70mn liters over 2013-19, while brandy exports expanded from 19mn liters to 33mn liters over the same period.

Figure 7: Wine and brandy exports from Georgia, US$ mn



Source: National Wine Agency

Figure 8: Wine and brandy exports from Georgia, Liters



Source: National Wine Agency

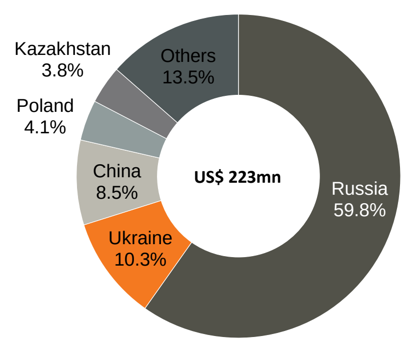
Wine is Georgia's 4th-largest export product after copper, cars and ferro-alloys. According to the Georgian Statistic Agency, wine exports totalled US$ 222.9mn (+13.2% y/y) in 2019. Georgia is exporting wine to 58 different countries. The free trade agreements with EU and China (major wine consuming countries) give opportunity for market diversification and the further export growth. Russia remains largest consumer of Georgian wine despite the significant decrease in its share in overall wine exports from 91.2% in 2005 to 59.8% in 2019.

Georgian wine is mainly positioned as midscale wine on major export markets. Georgian wine export price is 13% lower in CIS countries than in EU or China. In general, average price of Georgian wine exports follows the global wine price trends. Red semi-sweet and red dry wines were the most popular export categories, driven by customer preferences in the CIS markets. Saperavi, Kindzmarauli and Mukuzani are the most popular and the most expensive wines for export in this category.

Figure 9: Georgian wine exports, mn bottles

Source: National Wine Agency

Figure 10: Wine exports, 2019

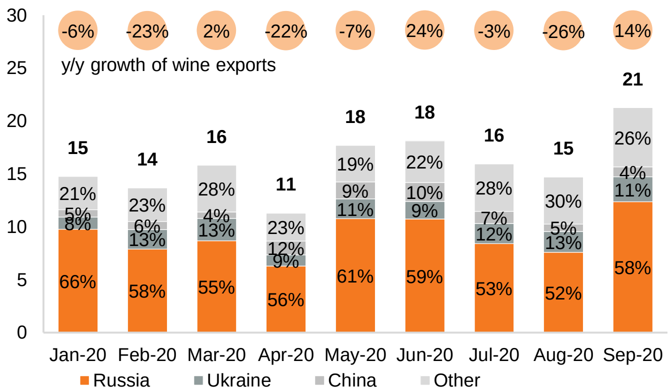


Source: National Wine Agency

Wine exports decreased by 5.8% y/y to US$ 143.3mn in value terms and by 0.3% to 65mn bottles in volume terms in 9M20. Export of wine to CIS countries was down by 7.5% y/y but still accounted to over three-quarter (76.8%) of total exports. Russia, the largest exporter of Georgian wines, exported US$ 82.5 mn (- 10.5% y/y) and accounted to 57.6% of total exports in 9M20. Second largest exporter of Georgian wine was Ukraine, with 11.1% share in overall wine exports. Export to Ukraine increased by 5.4% to US$ 15.9mn in 9M20. Export to China, third largest exporter of Georgian wines reached US$ 9.6mn (-29.7% y/y). The decreased demand on China's market is due to the pandemic induced and imposed restrictions on the market (lockdown). Wine exports in European countries increased by 9.8% y/y to US$ 15.8mn, an 11.1% of total wine exports.

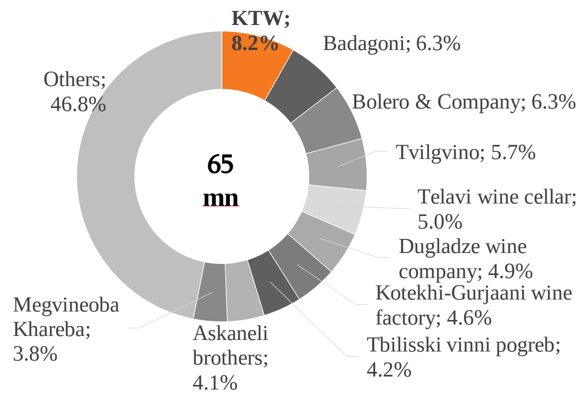
The number of bottles exported reached 65 million in the first 9 months of 2020, which is only 0.3% less than the same period last year. The market leader in the number of exported bottles is Kakhetian Traditional Winemaking (KTW) Ltd with 8.2% share, of which 87.5% was exported to Russia. It is followed by Badagoni and Bolero & Company, with 6.3% market share, of which Bolero & Company concentrates almost entirely on the Russian market (98.4% of the company's exports come from Russia), while only 73.3% of Badagoni's exports come from the Russian market. Top exporters in China are Telavi Wine Cellar, Duglladze Wine Company and Khareba Winery, with a total share of 39.1% of exports to China.

Figure 11: Georgian wine exports in 2020, US$ mn



Source: Geostat
Note: Total export reached US$ 143.3 in 9M20

Figure 11: Top exporters of wine in 2020, bottles



Source: National Wine Agency
Note: Data is collected for 9 months of 2020

Georgia is 10th-largest exporter of brandy globally, being top brandy source market for Ukraine, Armenia, France and Spain. Georgian brandy is exported to 40 countries. 32.5% of Georgian brandy was exported to Russia, 29.2% to Ukraine, 13.7% to EU countries, including France and the rest 24.6% was exported to other CIS countries or non-traditional markets. According to official statistics, the largest exporting companies of the Georgian brand are Bolero & Company, Kakhetian traditional winemaking, Askaneli brothers, Sarajishvili and Georgian winemakers also produce other types of spirits (chacha, etc.), but their share in the total production of spirits is small.

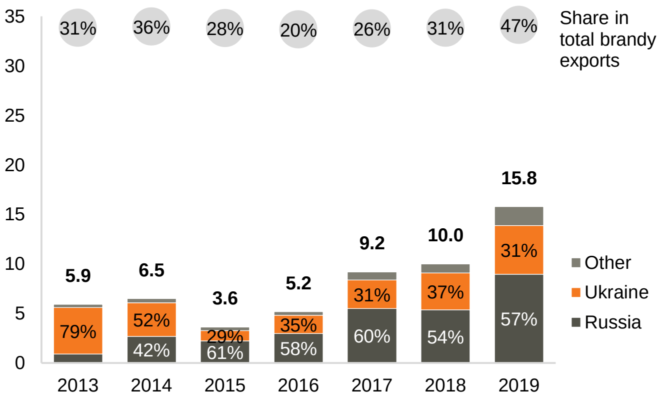
Brandy exports increased at a 9.0% CAGR over 2014-19 to c.US$ 106mn in 2019. Alongside bottled brandy, the brandy spirits (intermediate product in brandy production) are another highly popular exports. In fact, 50.2% of exported brandy in 2019 was in the form of brandy spirits. This was mainly exported to Ukraine, France, Spain and other top brandy producers, making Georgia one of the top source markets for these countries. In line with increased popularity of Georgian brandy on export markets, the exports of bottled brandy also increases, increasing the share of bottled brandy in overall exports from 31.3% in 2013 to 46.2% in 2019. The number of bottled brandy exports increased 2.9x times, while brandy spirits increased 1.5x times over 2013-19.

On average, bottled brandy is 1.5x more expensive than brandy spirits. The average export price for Georgian brandy has been falling over 2013-18, both for bottled brandy and brandy spirits, due to the decrease in ethyl alcohol prices globally. In 2019, the trend tailed slightly for bottled brandy. The average price of bottled brandy was US$ 4.3 per liter (down from US$ 6.0 in 2013 and up from US$ 4.1 in 2018), while the average price of brandy spirits was US$ 2.7 per liter (down from US$ 3.9 in 2013 and US$ 2.8 in 2018).

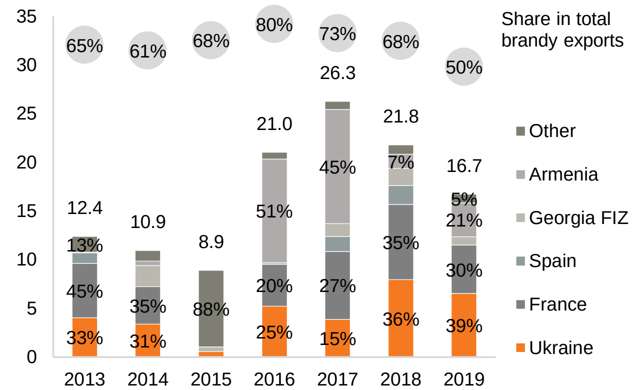
Russia and Ukraine are main export markets for bottled brandy, while France and Spain have the highest demand for brandy spirits. In 2019, 31mn bottles of brandy were exported, of which 57% went to Russia and 31% to Ukraine. Ukraine was also the top export market for brandy spirits in 2019. France, Spain and Armenia are the other top markets for Georgian brandy spirits, with their shares varying annually in total exports in line with local production dynamics.

Figure 12: Bottled brandy exports, mn liters

Figure 13: Brandy spirits exports, mn liters



Source: National Wine Agency



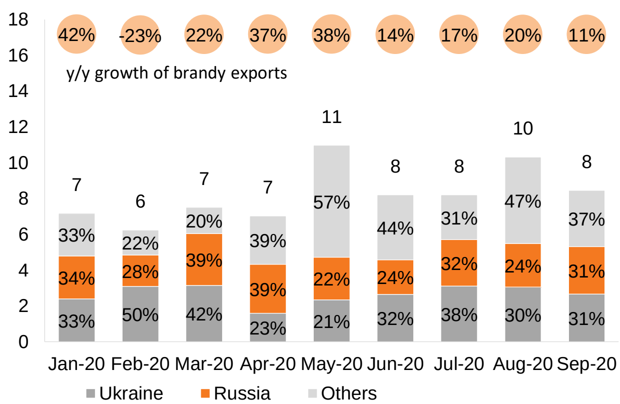
Source: National Wine Agency

Brandy exports increased by 18.0% and reached US$ 74.1mn in 9M20, despite the global decrease in demand and prices caused by Covid-19 pandemic. Top brandy exporters were Ukraine (32.4% of total brandy exports), Russia (29.4% of total) and France (14.5% of total). The growth in overall exports is mainly attributable to 25.2% y/y growth of exports in Ukraine and 90.4% y/y growth of exports in France (mainly brandy spirits).

Brandy exports reached 24.9mn liters in 9M20. Brandy spirits (intermediate product of brandy) is most popular brandy category exported from Georgia. In 9M20, export of brandy spirits was up by 32.0% y/y to 13.3mn liters, mainly exported to Ukraine and France. As for the bottled brandy, the demand mainly comes from Russia (55.7% of bottled brandy exports). The smallest category of brandy is un-bottled brandy with mere 3% share in total exports and exported to Belarus and Ukraine.

Average export price of brandy decreased in line with the global trends in 9M20. Average export price of bottled brandy was down by 7.0% y/y yo US$ 8.2 per 0.5l bottle, while average price of brandy spirits decreased by mere 0.9% y/y and reached US$ 2.6 /liter.

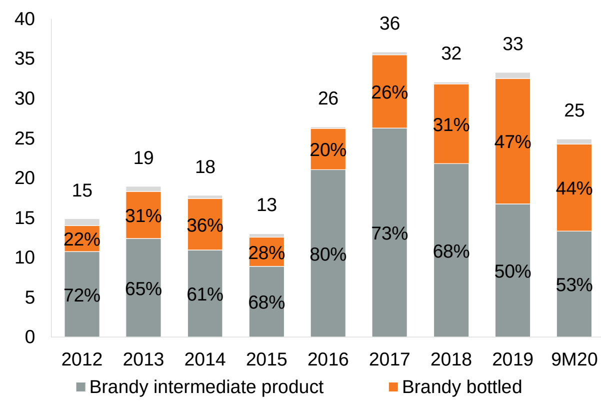
Figure 14: Georgian brandy exports, US$ mn



Source: Geostat

Note: Export of Georgian brandy reached US$ 74.1mn in 9M20

Figure 15: Georgian brandy exports, mn liters



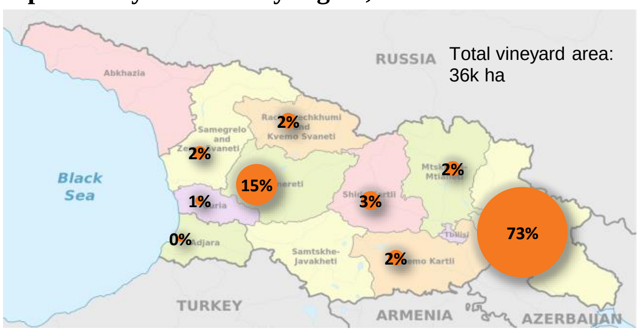
Source: Geostat

Production of grapes and wine

Georgia has a rich, 8,000-year history of wine-making and is home to over 500 unique varieties of grape. Georgia's method of making wine in large clay vessels called "Kvevri" is unique and part of the national identity, and therefore attracts wine tourists. Kvevri wine-making method is recognized by UNESCO as a significant intangible cultural heritage. Having interrelated production processes, several large wine-making companies also produce brandy. While the history of Georgian brandy only begins in the 19th century, it has become one of the country's top exports.

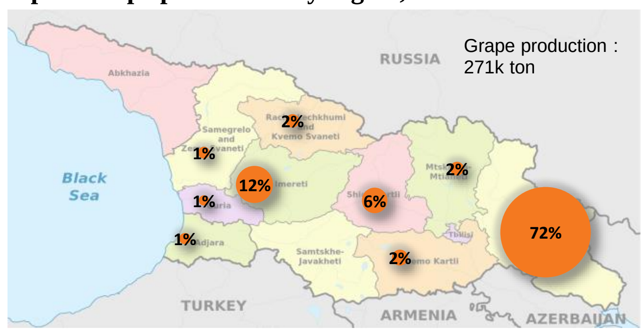
The main wine-making region in Georgia is Kakheti, which contains 73% of the country's vineyards and grape production. Georgia has 18 wines with a protected designation of origin, of which 14 are located in Kakheti. The most common grape varieties in Georgia are Rkatsiteli and Saperavi, converted into white and red wines, respectively.

Map 1: Vineyard areas by region, 2018



Source: Geostat

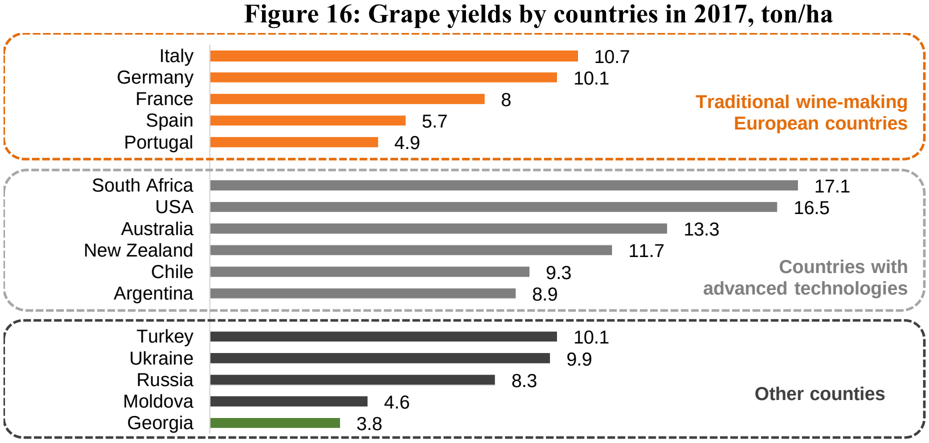
Map 2: Grape production by region, 2018



Source: Geostat, National Wine Agency

Viticulture is very fragmented in Georgia as the vast majority of vineyards are owned by households using technologically unsophisticated production methods. This is the main reason why yield in Georgia at 3.8 ton/ha is 2.1x lower compared to productivity in European countries and 2.6x lower than the world average, showing the considerable room for improvement in the sector.

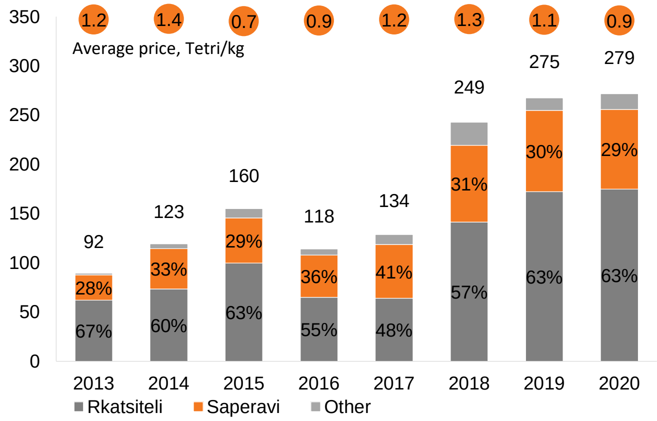
Figure 16: Grape yields by countries in 2017, ton/ha



Source: FaoStat
Note: According to Geostat data, average yield in Georgia was 5.5 ton/ha in 2018

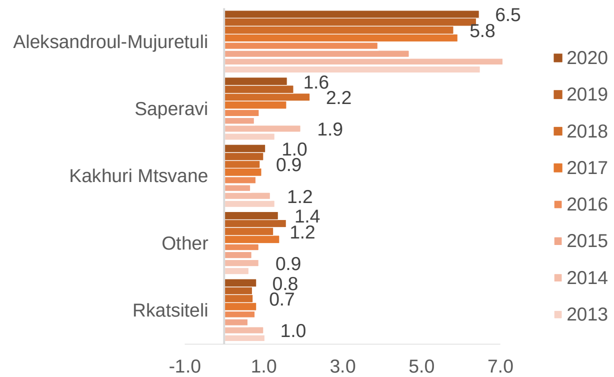
Grape harvest skyrocketed to 280mn tons in 2020, while grape producers received c. GEL 370mn in revenue. The grape harvest increases on the back of increased vineries and favorable climate conditions. The average price of grapes during the harvest period depends on the price of separate varieties, especially the price of Saperavi. The price of Saperavi more than doubled over 2016-18 increasing from GEL 0.9/kg in 2016 to GEL 2.2/kg in 2018. The increase price trend attracted investors, increasing the number of vineyards with SAperavi, eventually increasing the supply curve and decreasing the selling price to GEL 1.8/kg in 2019 and to GEL 1.6/kg in 2020. The price drop of 2020 is partially associated to the decreased expectations on export markets.

Figure 17: Grape harvest by variety, mn tons



Source: National Wine Agency

Figure 16: Average purchase price during harvest by grape variety, GEL/kg

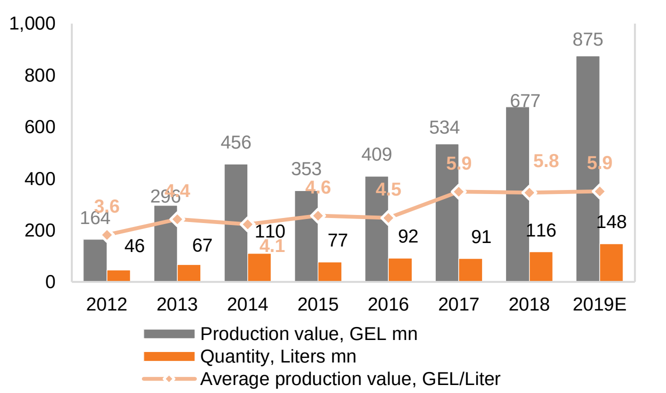


Source: National Wine Agency

Most of the grapes produced in Georgia are used for wine production. About 15-20% of the grapes that are harvested are consumed by individuals for winemaking, while the rest is sold to wine-producing companies. The consumption of table grapes on average only totals 11mn kg/year – a mere 6% of total grape production. The industry is characterized by having quite a high amount of work-in-process inventory at year-end as the grapes used for wine and brandy production only become their intended end-products after several months or years of aging.

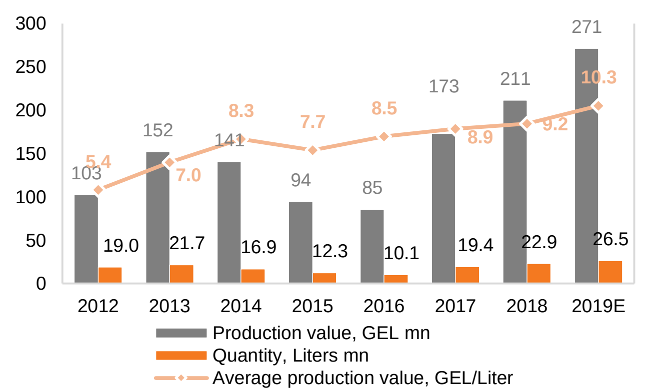
Industrial production of wine and spirits almost doubled over 2014-19 and reached GEL 1.1bn in 2019, supporting the sector revenue growth. Some 148mn liters of wine and 26mn liters of brandy were produced in 2019, with total production values of GEL 874.8mn and GEL 271.3mn, respectively. The main driver for the increased production has been anticipated higher demand in export markets. The availability of grapes also impacts overall production trends.

Figure 18: Production of wine in Georgia by business sector



Source: Geostat

Figure 19: Production of spirits in Georgia by business sector



Source: Geostat

Hospitality industry

Georgia's tourism sector is growing rapidly due to visa-free travel to more than 100 countries, rich culture, improved services and government support (tourism is one of the key components of the four-point reform plan since 2016). Georgian seaside resorts, medical and health resorts, winter ski resorts, four-season resorts, wine tourism, cultural attractions and gambling business make tourism a key service sector.

The world has already discovered Georgia as a popular tourist destination, because the number of tourists already significantly exceeds the domestic population of the country, which is equal to 3.7 million. The number of international visitors (tourists and overnight visitors) increased by an average of 14.0% during 2011-19 and reached 7.7 million in 2019. As a result, revenues from tourism also increased by an average of 16.6% in 2011-2019, and in 2019, Georgia received $ 3.3 billion (+ 1.4% y / y) from tourism.

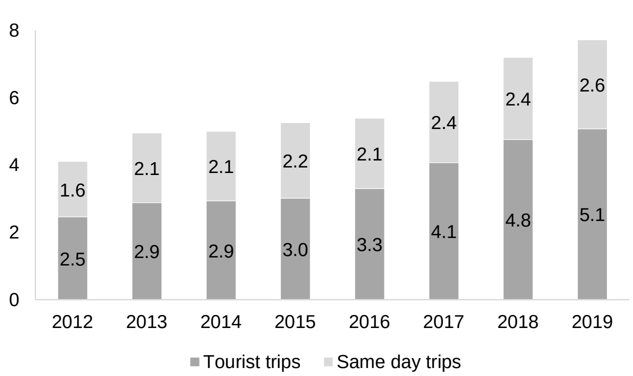
In Georgia, tourism revenues have never decreased (even in 2009 and 2015) unlike comparable countries. The global financial crisis of 2009 and the fall in commodity prices in 2015 significantly reduced tourism revenues in Georgia's comparable countries, while tourism revenues in Georgia have been growing steadily for the past 15 years. The tourism sector faced the biggest challenges in 2020, when the number of tourists and tourism revenues dropped sharply due to the pandemic.

Since the outbreak of the pandemic, the tourism sector has faced unprecedented challenges due to the closure of borders and the almost complete cessation of international traffic. As a result, the Georgian tourism industry suffered significant losses: in 9 months of 2020, the number of international visitors decreased by 77% (source: National Tourism Agency), and revenues from tourism in the first half of 2020 by 69%). As a result, tens of thousands of jobs and thousands of companies in the tourism sector were at risk, despite the aid package offered to them by the state.

The tourism sector will also face challenges in the post-pandemic period, because recovery and return to 2019 figures will not happen overnight and it will take several years for the industry to fully recover. As a result, the tourism industry will have to distribute fewer tourists, which means relatively less congestion of hotels, lower prices, and so on.

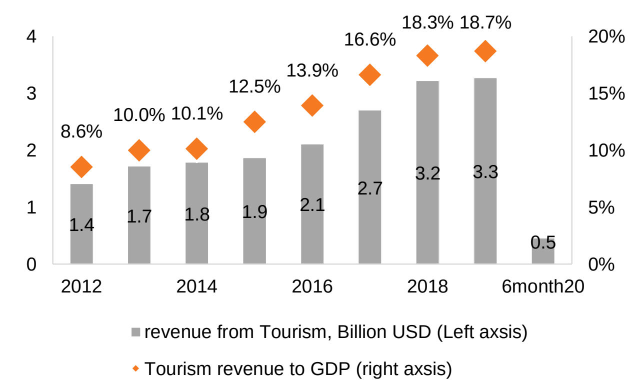
2019 was a difficult year for the Georgian tourism industry - the year started with the fear of seasonal flu, which led to a modest, 1.1% increase in visitors in the first quarter of 2019. However, visitor growth accelerated in the second quarter of 2019 (+ 13.0% y / y), when visitors from Russia grew very rapidly (+ 37.5% y / y). However, the ban on direct flights by Russia from July 2019 again slowed the overall growth of visitors (+ 3.9% y / y) in the third quarter of 2019, until the growth of visitors again strengthened in the fourth quarter of 2019 (+ 12.0% y / y). In total, the total number of international visitors (tourists and overnight visitors) in 2019 was 7.7 million (+ 7.3% y / y). Among them, the number of tourists reached 5.1 million, an increase of 6.8% - more than expected after the flight ban.

Exhibit 1: International visitors in 2011-2019, millions of people



Source: National Tourism Administration

Exhibit 2: Contribution of tourism to GDP in 2011-2019



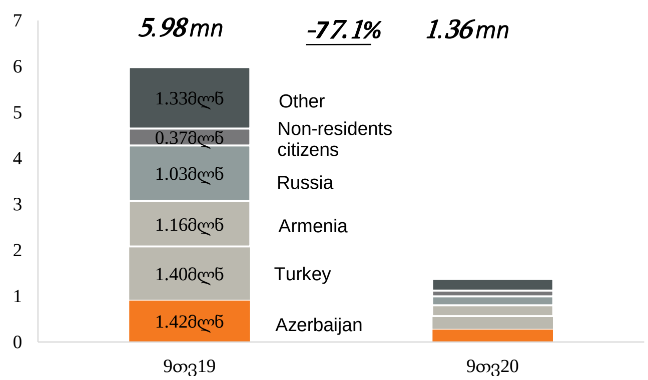
Source :NBG, Geostat, Galt&taggart

Significantly, the rapid increase in visitors from Kazakhstan, Israel, Ukraine, the European Union and neighbouring countries (Armenia, Azerbaijan, Turkey) fully offset the decline in Russian visitors in the second half of 2019 (the number of Russian visitors fell by 11.1% in the second half of the year). The number increased by 11.7% y / y and as a result the total increase in visitors was 6.9% y / y in the second half of 2019). The share of visitors from EU countries in total arrivals in 2019 increased to 6.3% (+ 1.0 pp / y).

In 2020, the number of visitors from all countries decreased dramatically. The number of international visits in the first 9 months of 2020 decreased by 77% y / y and their number decreased from all major countries: the decrease in visitors from Azerbaijan was 75.8% y / y, from Turkey 69.2%, from Armenia 76.5%, from Russia 83.7%, non-resident of Georgia 66% from citizens and 81.2% from other countries.

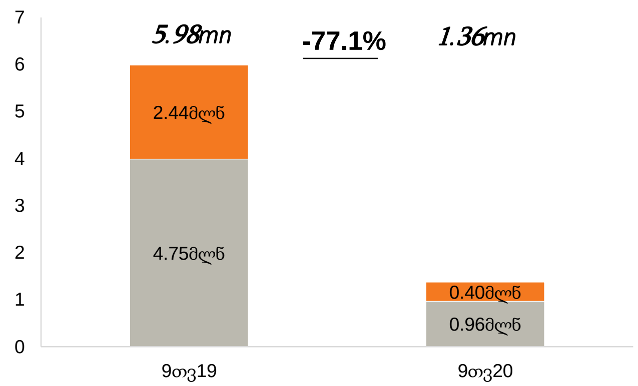
In 2020, the number of both tourists and overnight visitors decreased. The number of tourists in the first 9 months of 2020 decreased by 75.9% y / y, and the number of one-day visitors by 79.5% y / y.

Exhibit 3: International Visitors (tourist and one-day) by Countries



Source: National Tourism Administration

Exhibit 4: International Visitors (tourist and one-day) by types



Source: National Tourism Administration

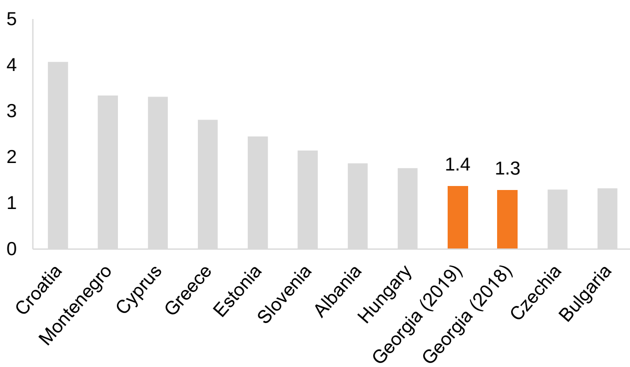
Georgia is a popular choice for neighbouring countries. Geographical proximity, visa-free travel and gambling are the main reasons why Russian, Armenian, Azerbaijani and Turkish visitors come to Georgia. Economic obstacles and currency depreciation in neighbouring countries in 2015-17 proved to accelerate the emergence of Georgia's tourism sector as a cheaper destination. The contribution of Russian visitors was the largest in the growth of 2017-2018, however, the ban on flights from July 2019, led to a noticeable drop in Russian visitors (-11.1% y / y) in the second half of 2019. However, the number of visitors from other neighbouring countries increased rapidly - Azerbaijan made the largest contribution (+1.4 pp) to a total growth of 7.3%.

Traditionally, most of the visitors to Georgia come from the CIS countries and Turkey, although last year saw the growth of other markets. The results of the diversification drive are obvious - the share of the top four countries (Azerbaijan, Armenia, Russia and Turkey) was 79.6% of total visitors in 2015, and decreased to 71.4% in 2019, as the number of visitors from the EU and the Middle East increased significantly.

Visitors from the new counties increased significantly in 2019. The increase in visitors was noticeable from Ukraine (+ 17.3% y / y), Israel (+ 30.7% y / y) and Kazakhstan (+ 75.7% y / y). Since the restoration of the visa-free regime in February 2016, the number of Iranian visitors to Georgia has increased significantly - if in 2015 only 25,000 visitors visited Georgia, in 2017 this number increased to almost 323,000. However, the number of Iranian visitors is declining sharply from the second half of 2018. It should be noted that the number of Iranian visitors halved in 2019 due to security issues.

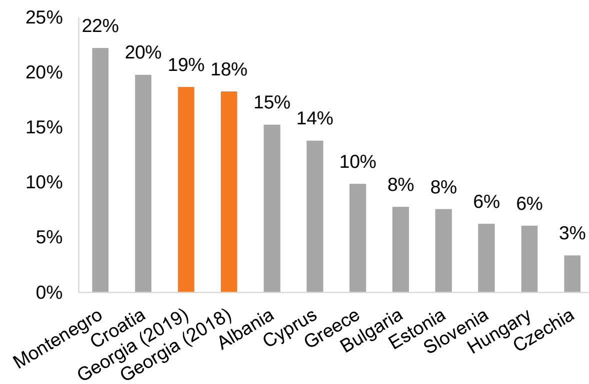
The number of visitors from EU countries increased by 25.9% in 2019 and amounted to almost 0.5 million visitors - the influx of visitors from Germany (+ 38.1%) and Poland (+ 32.0%) was the main driver of this growth. Presumably, this is due to the improvement of air communication from Tbilisi and Kutaisi international airports.
Average visitor costs in Georgia are much lower than in other comparable countries. This is explained by 1) the large share of visitors from neighboring countries (Armenia, Azerbaijan and Turkey); and 2) the low share of "real tourists" and the large number of overnight visitors compared to comparable countries. Although the number of tourists in Georgia almost tripled in 2011-19, the average visitor spending was only $ 423 in 2019, up from $ 352 in 2011. Behind this growth, it is likely that the mix of visitors to Georgia since 2011 has diversified and at the same time the average length of stay has increased. Thus, compared to comparable countries, where visitors spend an average of $ 500-800, visitors to Georgia spend less.
The ratio of tourism revenues to GDP in 2018 was 18% compared to 2018. In this respect, Georgia lags behind only Montenegro

Exhibit 5: Tourists to population, 2018



Source:: World Tourism Organization, World Bank, Galt & Taggart Research

Exhibit 6: Revenue from tourism to GDP, 2018



Source:: World Tourism Organization, World Bank, Galt & Taggart Research

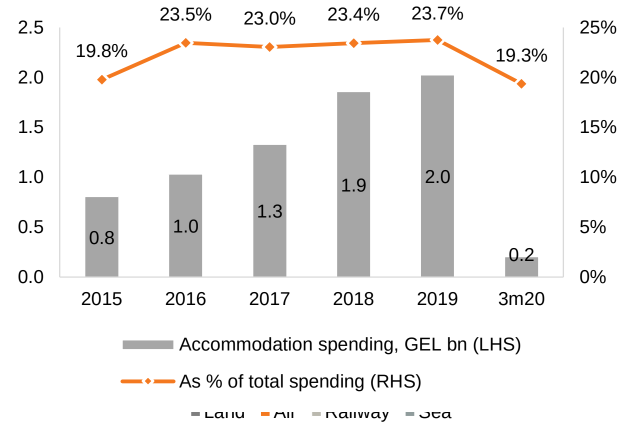
(22%) and Croatia (20%).

The share of car arrivals in Georgia is still the highest (74.8% of visitors), but the share of air traffic arrivals increased the most in 2011-19. The share of sea (0.5% of visitors) and rail (1.0% of visitors) transport was very small in 2019. The influx of visitors by road is largely due to the fact that most of the visitors are from Georgia's neighboring countries (Azerbaijan, Armenia, Turkey and Russia). However, the diversification of markets has led to an increased influx of tourists by air. For example, in 2019, 1.8 million visitors (23.7% of visitors) arrived by air, while in 2011 only 0.3 million visitors (12.6% of visitors).
Tbilisi International Airport received the most visitors in 2019 (1.4 million visitors, a decrease of 3.3%), followed by Batumi International Airport (0.3 million visitors, + 7.9% y / y) and Kutaisi International Airport, which received 0.2 million visitors. (+ 46.6% y / y).

Costs for accommodation are increasing. Visitor costs for accommodation reached 2.0 billion in 2019, accounting for 23.7% of total costs. Accommodation costs increased 2.5-fold in 2015-2019 and are the second largest category of visitor costs after food & drink.
In 2019, the total expenditure of visitors amounted to 8.5 billion GEL, which is 7.5% more than the previous year. Guests spend the most on food and drink (27.5% of total expenses). Consumption of food and beverages in 2019 increased by 3.4% y / y and amounted to 2.3 billion GEL. In addition, in 2019, visitor spending on shopping increased by 11.7% y / y and amounted to 1.8 billion GEL, which is due to the multiplication of modern shopping spaces in recent years.

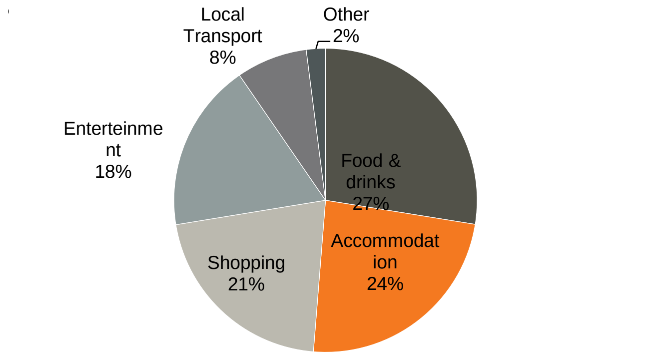
With the increase in visitors, relevant investments are made in accommodation facilities. Foreign direct investment in hotels and restaurants totaled $ 1.1 billion in 2008-9M19, accounting for 6.2% of total foreign direct investment. After the slowdown in 2009-2013, foreign direct investment has been growing again since 2014, as the growth of tourists and positive expectations provide an incentive to invest in the development of the hotel.

Exhibit 9: Visitor costs for accommodation



Source: Civil Aviation Agency

Exhibit 10: Distribution of visitor expenses by categories

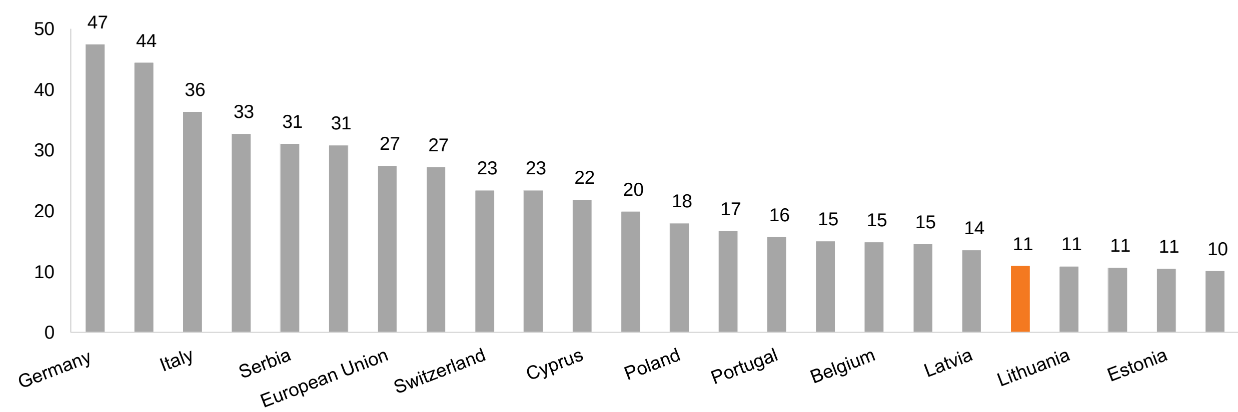


Source: Civil Aviation Agency

Consistent investments have led to an increase in the supply of accommodation facilities. As of 2019, there were 2,575 registered accommodation facilities in Georgia (1,004 in 2014), 38,915 rooms (16,547 in 2014) and 94,638 beds (39,055 in 2014). The number of rooms in accommodation facilities increased by 12.4% in 2019.

The shortage of accommodation facilities is obvious despite the constant growth. Comparing the number of beds per 1,000 tourists in Georgia and comparable countries, this figure is 2.0 times lower in Georgia than the average in its comparable countries, according to 2018 data. This provides an important opportunity for further investment in accommodation facilities.

Exhibit 13: Beds for every 1,000 tourists, 2018

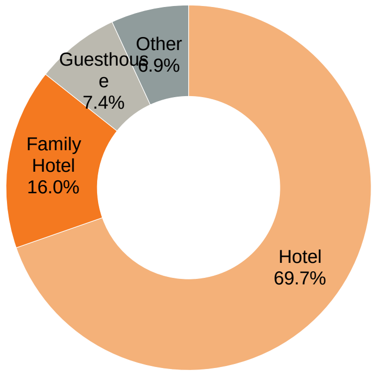


Source: Eurostat, Galt & Taggart Research
Note: 2017 data used in the case of the EU

Most of the accommodation facilities are located in hotels (27,617 rooms or 71.0% of the total rooms). Other forms of accommodation include: family hotels (6,740 rooms or 17.9% of total rooms), guesthouses (2,926 rooms or 8.4% of total rooms) and other forms (1,632 rooms or 4.7% of total rooms).

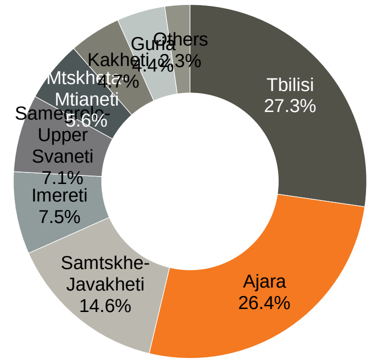
Tbilisi and Adjara are the most active places in recent years for investments in accommodation facilities. Adjara region has the largest share of rooms in accommodation facilities (28.0% of total rooms), while Tbilisi (total rooms 27.1%) and Samtskhe-Javakheti (11.2% of total rooms) also have a large number of accommodation facilities.

Exhibit 14: Accommodation facilities by type, 2019



Source: National Tourism administration

Exhibit 15: Accommodation facilities by regions,2019



Source: National Tourism administration

Description of the Issuer's Competitive Environment and its Position in the Market

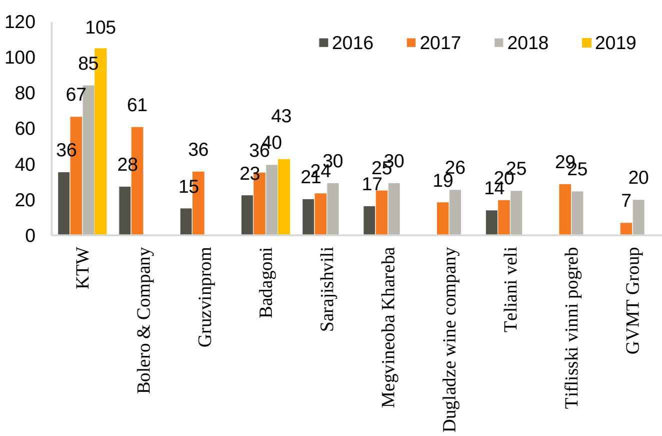
Production of wine and alcohol beverages

The sector is very fragmented with 600 companies operating in the market. About 93% of these companies are small[10]. High profitability of the sector and the availability of various grants and subsidized loans from government in recent years attracted new companies on the market and became the main reasons for large number of small-scale wineries in the sector. The number of companies operating in the sector increased from 441 in 2017 to 591 in 2019, as did the investments in vineyards and winemaking equipment.

Top-10 companies operating on the market generate over 40% of sector's turnover. Top wine and spirits producing companies are Bolero & Company, KTW, Badagoni, Sarajishvili, Tbilgvino, Telavi wine cellar, Askaneli brothers, etc. Their revenue and ranking on the market changes over years, showing the high level of competition. Georgian winemaking companies, besides wine also produce brandy, brandy spirits and chacha.

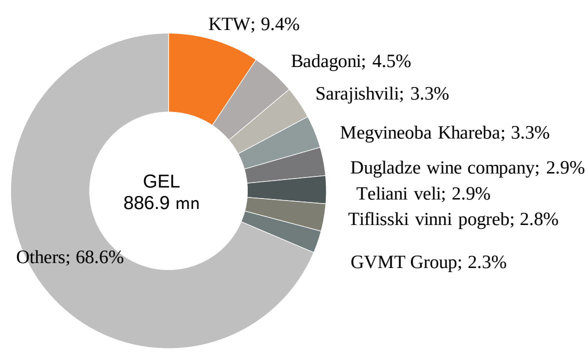
KTW is the market leader since 2016, with highest revenue on the market, based on available data on reporting portal of SARAS (Service for Accounting, Reporting and Auditing Supervision). Although financials of KTW's main competitor Bolero & Company is unavailable for 2018 and 2019, we assume KTW to remain as market leader, especially having in mind the export statistics. KTW's share on the market in terms of revenue increased from 6.2% in 2016 to 9.4 in 2018 and accounted to 9.4% in 2019.

Figure 20: Turnover of selected companies, GEL mn



Source: SARAS, Galt & Taggart
Note: Data of 2018 and 2019 not available on all companies

Figure 2221: Sector turnover by companies in 2018, GEL mn



Source: Geostat, SARAS, Galt & Taggart
Note: Data of 2018 and 2019 not available on all companies, 2018 is the latest available data for most of the market players.

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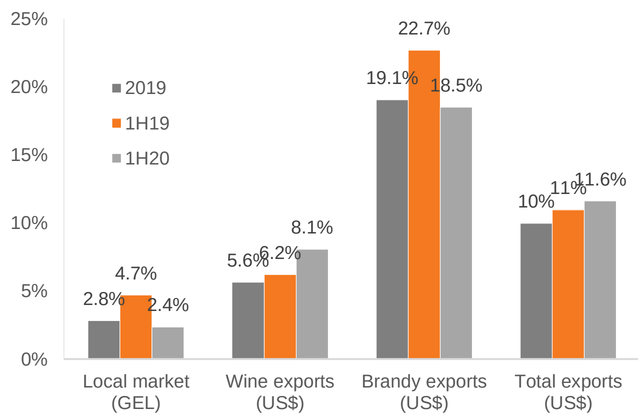
[10] *According to Geostat classification, small companies have annual revenue below GEL 12mn and up to 50 employees.*

In 2020, KTW's share of exports increased while the local market decreased. For the first six months of 2020, KTW's return from wine export in USD terms increased by 22%, leading to an improvement in KTW's market share. Revenues from KTW wine exports in the first 6 months of 2020 accounted for 8.1% of total wine exports (calculated in dollars), an improvement over both the same period last year (6.2%) and the 2019 total (5.6%). KTW's brand sales revenue fell 2.8% year-on-year in the first six months of 2020. This small change should not have had a big impact on KTW's share, although due to the increase in brand exports itself, KTW's share in brand exports decreased (from 22.7% to 18.5%). Importantly positioned in exports by each brand type, KTW is the leader in bottle brand exports with 18% market share (see Chart 26)

Figure 223: Share of KTW on the market by different revenue streams

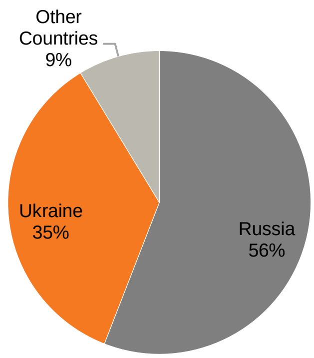


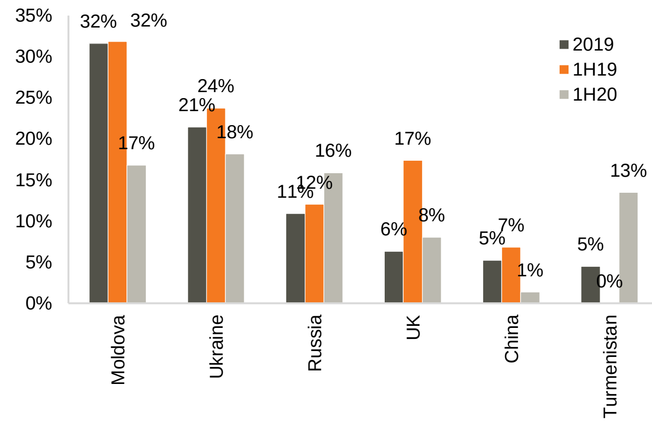
Source: Geostat, Company info, Galt & Taggart
Note: The currency of calculations is given for each revenue stream.

KTW exports wine and brandy mainly to Russia and Ukraine. The share of these two countries in the total exports of KTW in 2019 was 91.3%, and in the first half of 2020 it was 95.3% (calculated in dollars). The main destinations for wine exports are Russia (80%), and for the brand Russia (50%) and Ukraine (40-45%). Russia and Ukraine are the main export markets not only for KTW, but also for many wine companies, which is why KTW's share of Georgian wine and brand exports to Russia was 10.9%, while in Ukraine it was 21.4% in 2019. In the first half of 2020, KTW's share of the Russian market (among Georgian wine exporters) increased to 15.9%, while in Ukraine it decreased to 18.1%.

Figure 23: KTW Wine and Brandy Export by Countries, 2019 წ.

Figure 24: KTW's share in Georgian Wine and Brandy Export by Markets



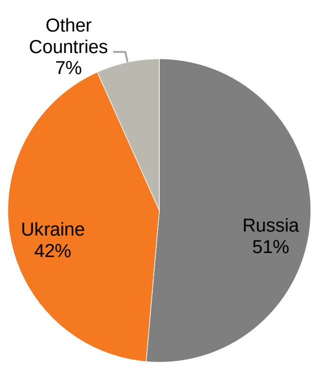


Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

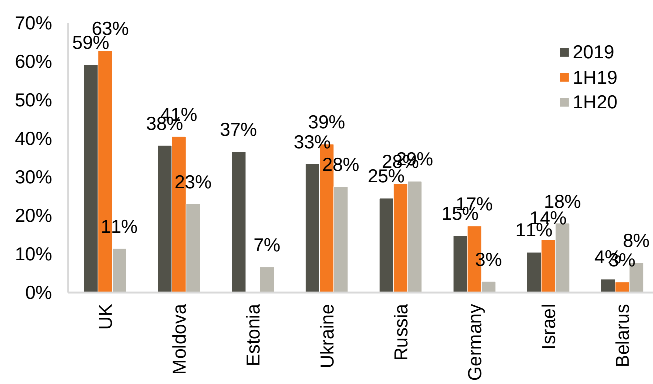
61.5% of KTW export revenue comes from the brand. The largest share of the value of the exported brand goes to Russia (51% in 2019 and 50% in the first half of 2020). KTW's share of Georgian brand exports in Russia was 24.5% in 2019, and in 6 months of 2020 this share increased to 28.9%. Ukraine is the second top market for KTW, but the first for Georgia. Ukraine accounted for 42% of KTW brand exports in 2019 and 44% in the first 6 months of 2020. And in the total volume of the brand exported to Ukraine (in USD), the share of KTW was 33.5% in 2019 and 27.5% in the 6 months of 2020. In the first six months of 2020, KTW's exports to Ukraine increased by 31.5% year-on-year, although the growth of competitors was higher, which led to a decrease in KTW's share. In terms of brand exports, KTW is the main Georgian importer in the UK and Moldova, although their share in KTW's total brand exports is 0.2% and 4.5%, respectively.

გრაფიკი 256: KTW Brandy Export by Countries, 2019 წ.



Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

Figure 267: KTW's share in Georgian Brandy Export by Markets

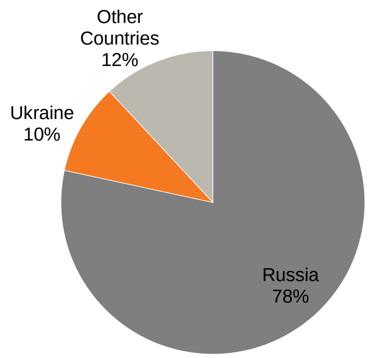


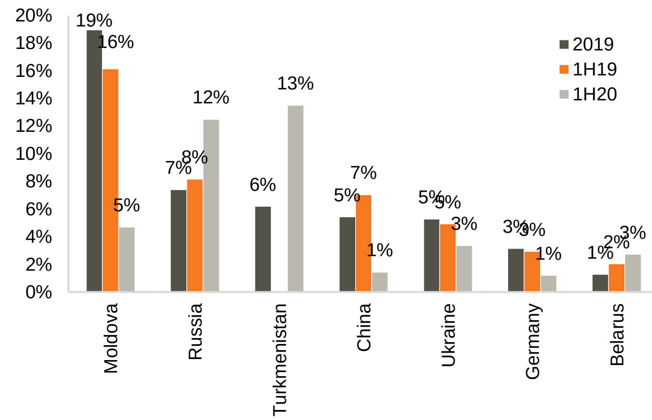
Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

Wine exports account for 38% of KTW's export earnings. The main export market for wine, both for KTW and for wines exported from Georgia in general, is Russia. KTW had a 7.4% share in Georgian wines exported to Russia in 2019. Despite a 7.8% year-on-year decline in KTW wine exports to Russia, its share of the Russian market in the first six months of 2020 increased from 8.2% (first half of 2019) to 12.5% (first half of 2020).

Figure 28: KTW Wine Export by Countries, 2019 წ.

Figure 279: KTW's share in Georgian Wine Export by Markets





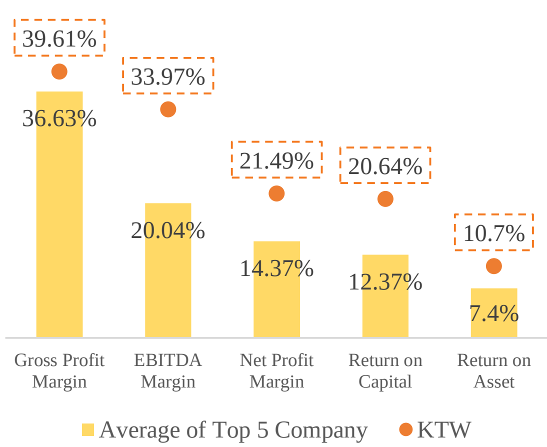
Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

Source Geostat, Company data, Galt&Taggart
Note: The shares are calculated according to the value of export in USD

Kakhetian Traditional Winemaking (KTW) is the market leader in the number of exported wine bottles. According to data from the National Wine Agency for the first 9 months of 2020, 8.2% of exported bottles belonged to KTW. Russia was the recipient of 87.5% of the bottles exported by KTW. KTW is followed by Badagoni and Bolero & Company with 6.3% market share, of which Bolero & Company is almost entirely concentrated in Russia (98.4% of the company's exports come from Russia) and only 73.3% of Badagoni's exports come from Russia. The top exporters in China in terms of the number of bottles exported are Telavi Wine Cellar, Duglladze Wine Company and Khareba Winery, these three companies account for a total of 39.1% of exports to China.
According to the data of 9 months of 2020, the largest exporter of the bottle brand was KTW Group (with 32.2% share), and the largest exporter of brandy alcohol became the company "K and Georgian Alcohol" (with 44.8% share).

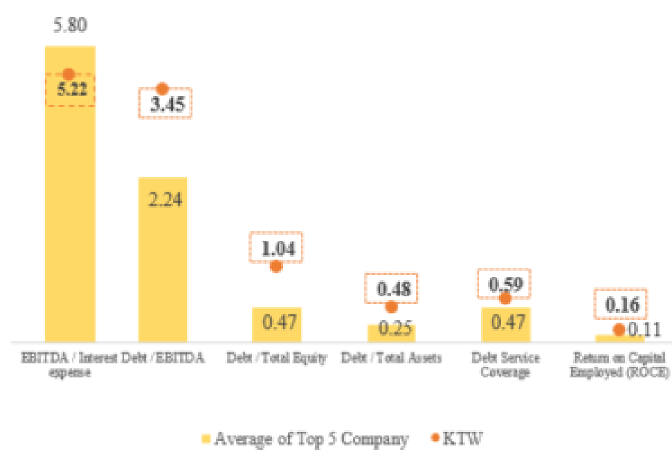
Overview of key financial ratios of companies operating in the sector:

Profitability Ratios, 2019 წ.



Source: Service of Accounting, Reportin, Audit and Supervision

Leverage Ratios, 2019 წ.



Source: Service of Accounting, Reportin, Audit and Supervision

Note: The financial data of the top 5 companies were individual and not consolidated data, consolidated information is used in the case of the issuer, assuming that the consolidated data used to calculate profitability and leverage ratios do not differ materially from individual data. The consolidated and individual data of the issuer are presented in Appendix # 1 to this prospectus.

According to 2019 data, the issuer is the market leader in terms of revenue.
For comparison the top 5 companies were chosen subsequent to the Issuer in terms of revenues. (Sarajishvili, Badagoni, Khareba Winery, Teliani Valley and Dugladze), the abovementioned list excludes one of the key competitor Bolero, as the financial information of the latter in not publicly available.

The issuer profitability ratios are quite positive in relation to the top companies operating in the market, as for the leverage rates, due to its capital intensive investment strategy, issuer's leverage is above market average.

Important Milestones of the Company

2001

- Establishment of the Company;

2013

- Company built and opened a wine tasting salon and restaurant in Mtskheta called "Georgian Wine Chamber";
- Company has built and opened a modern winery equipped with international standards and Italian technology in the village of Patardzeuli, Sagarejo region. The plant includes a 2,000 tonne volume wine cellar and a bottling plant that includes two Italian bottling lines of different capacities;

2014

- Company acquired Keda Wine Factory from Daba Keda Municipality.
- Company built a modern fruit processing plant in Chokhatauri and Keda, equipped with ISO-22000 certified modern fruit processing facilities, and modern technologies.

2015

- Company built and opened a primary wine factory with 5,300 tons of volume capacity, equipped with modern technologies, in accordance with international standards, in the village of Velistsikhe, Gurjaani region.
- The company established KTW Khobi Ltd and purchased a 200 hectare plot of land in the village of Nojikhevi, Khobi region and planted a hazelnut plantation.
- With a 20-year lease, the company received a cultural heritage monument "Guramishvili Cellar" in the village of Saguramo, Mtskheta region, and an 8-hectare plot of land near the Ilia Chavchavadze House Museum. After the rehabilitation of the area, a tasting hall was set up on the spot, a small factory and a wine cellar were built. A rare variety of vine was grown in the area.

2016

- Company built a cognac distillery in the village of Velistsikhe, Gurjaani region, which is designed to process 9,200 tons of wine, while the production of alcohol - 120 tons per day.

2018

- Company built and opened the first 41-room, four-star hotel "AKHASHENI WINE RESORT" in the village of Akhasheni, Gurjaani district.
- The company acquired a 5,000-ton Manavi wine processing factory in the village of Manavi, Sagarejo district, with a 450-hectare plot of land on which various varieties of vines were planted.
- Company acquired a 100% stake in Gurjaani Agro Ltd, which owns 630 hectares of land. It is planned to cultivate Saperavi vines on the mentioned plot.

2019

- In the second quarter of 2019, Manavi primary production and bottling winery was opened and started operating with a total installed capacity of 300 t / 24 hours. And 180,000 bottles / hr.

2020

- Company built and opened a 23-room, four-star hotel "ORBELIANI RESIDENCE" on Orbeliani Street in Tbilisi.

Future Strategy and Goals

The company's latest two-year future strategy and goals combine to build additional hotels, as well as company's strategy is also focused on the real estate market, the company for the first time in history plans to build multifunctional residential real estate, which will combine residential, commercial and tourist complexes, shops, cafes, tasting halls, etc.

The company also intends to continue the existing strategy of cultivating vineyards in different parts of Georgia, which in the future will reduce the risk of dependence on local crops and suppliers, and most importantly grapes obtained from their own vineyards will significantly reduce the cost of produce and improve operating margins.

In addition to cultivating vineyards, the company also aims to cultivate almond and hazelnut plantations.
According to the management, the future investment of the company by each directions separately is disclosed below:

Main Direction	Short description	Future Investment (mn GEL)	Expected source of financing
Hotel development	An additional 64 rooms Location: Guria	5.1	Internal resource of the company
Construction of multifunctional real estate	Total construction area 11,500 sq.m. Location: Tbilisi, Kazbegi	13.65	Bank Loan (Negotiations are underway with the bank on allocating a source of funding)
Cultivation of vineyards	Cultivation of vineyards on 3,500 ha of land Location: Kakheti, Kartli, regions of western Georgia	-	Loans taken under the state grant
Hazelnut plantation and processing plant	Nut planting on 200 ha of land and 300 t. Capacity plant construction	7.2	Internal resource of the company
Almond plants	116 thousands seedlings	5.4	Internal resource of the company
Investment in total:		**31.35**	

Note: The listed projects do not include Villa Kindzmarauli Chateau Complex, as the estimated amount of investment has not been estimated at the date of issue of the prospectus, and its implementation depends on obtaining appropriate funding from the bank in the desired conditions.

Detailed information about each investment project is presented below:

Expansion of vineyard network and reduction in cost of sales:

Since 2019, the group has been actively implementing and planning to develop the viticulture sector in the field of agriculture in Kakheti, Kartli and Western Georgia regions, the company plans to acquire and plant vineyards on several thousand hectares of land. In 2020-2024, it is planned to cultivate additional varieties of vines on up to 3,500 hectares of free agricultural land owned by the company. Harvesting in your own vineyards will enable the company to reduce demand and dependence on the annual harvest. This will increase the profitability of the group, which will increase competitiveness. The company plans to cultivate the following main varieties of vines in Kakheti region: Uniblan, Saperavi and Kakhetian Mtsvani, in Shida Kartli: Goruli Mtsvani, Chninuri and Shavkapito vines, and in Racha: Alexandrul-Mujuretuli vines.

The vineyards reach full yield 4 years after planting. Consequently, their financial impact on the company is fully reflected only four years after the cultivation.

Additional investments in the construction of hotel rooms:

In order to develop the wine road and tourism, the company is laying the groundwork for hotels and plans to make additional investments in the construction of hotel rooms throughout Georgia.

Detailed information about the hotels under construction is presented in the form of a table:

Hotel under construction	Hotel Class	Location	Available rooms (Existing/Forecasting)	Status	Estimated completion	Total Investment (GEL, mn)	Remaining investment (GEL, mn)
Guria Palace	3 star	Ozurgeti	53	Under construction	Q2-2021	2.97	5
Royal Askana	5 star	Village Askana, Chokhatauri	11	Under construction	Q2-2021	8.11	0.1

Total:	**64**	**11.08**	**5.1**

The group plans to build an additional 64 hotel rooms. Detailed information about company's existing and upcoming hotel chain in disclosed in the section *"Primary Activities"*.

Construction of commercial real estate:

The future strategy of the company includes the construction of multifunctional residential and tourist complexes in Tbilisi and Kazbegi, the total construction area is 11,500 sq.m. The construction is planned to be completed in Tbilisi in the third quarter of 2022, and the opening of Kazbegi is planned in the third quarter of 2021.

Detailed information about commercial real estate under construction is presented in the form of a table:

Name	**Type**	**Location**	**Initial total construction area (sq. M)**	**Status**	**Estimated completion**	**Total investment (GEL,mn)**	**Remaining investment (GEL,mn)**
Pirosmani Str.	Multifunctional residential complex and commercial spaces	Pirosmani Str. Tbilisi	5,000	Under construction	Q3-2022	12.48	4.62
Kazbegi project	Tourist center (shop, Cafe, tasting hall, etc.)	Kazbegi	500	Under construction	Q3-2021	0.86	1.52
Tarieli Str.	Multifunctional residential complex and commercial spaces	Tarieli Str. Tbilisi	5,000	Under construction	Q3-2022	8.53	7.51
Total:			**10,500**			**21.87**	**13.65**

Construction of Villa Kindzmarauli chateau type residential complex:

The company has allocated 35.5 hectares of land in ownership, located near Kvareli, between the Caucasus Mountains and the Alazani Valley. The project includes 75 types of 6 villas with a maximum of 2 floors, each with a yard area of 1000-1500 sq.m., designed by the French architectural company "BPM Architechts". At this stage, it is planned to build residential complexes with the prospect of future sales.

The project allocates 8 hectares of land for vineyards, where vine varieties of Eastern Georgia will be planted: Kisi, Saperavi, Kakhetian Mtsvane. The complex will be served by a chateau, which will be divided into two parts. The first part will be a local crop processor, while the second will combine the function of a repository as well. A tasting hall will also be located in the building.

The location of the project is especially charming. The location is surrounded by a forest park, hiking trail construction is planned. The complex includes: sports field, children's space, amphitheatre, skate park, cafe, gastronomic facility and pharmacy. A tourist information centre will be located on the territory of the complex, together with a wine shop / salon, where visitors and residents will have the opportunity to receive information about all services in the area. There will also be an isolated, cosy business lounge equipped with all the necessary equipment. A detailed project estimate is planned to be conducted in the fourth quarter of 2020. Loan negotiations are underway with the bank. Designing is scheduled to begin in the first half of 2021.

Construction of hazelnut plantations and processing plant:

The company plans to invest $ 2.4 million in a hazelnut plantation and processing plant. It is planned to cultivate hazelnuts on 200 hectares and build a processing plant with a processing capacity of 300 tons. According to the plan, the plant will be fully operational in 2024. The construction of this plant depends on the ongoing dispute within the framework of the state grant. Detailed information is disclosed in the section "*Important Litigation Cases*".

Cultivation of almond orchards:

Company plans to plant 116,000 almond orchards on 50 hectares of land in the village of Bodbe, Sighnaghi district, in 2021-2025. The estimated investment of the project is estimated at 5,435,000 GEL, which includes the purchase and cultivation of seedlings, arrangement of a drip system, construction of auxiliary facilities and purchase of all types of agricultural machinery.

Investments

The company is in a phase of active growth, therefore a significant part of the cash flow attracted by it and / or generated from operating activities is used to finance existing or new projects.

The investments made by the company are directed to three main business activities: agriculture-agro direction, production, hotel and restaurant services.

The total significant investments made from 2019 to the date of preparation of this prospectus amount to 134 million GEL.

Investments in agriculture:

More than half of the total investments are directed to agricultural investments, amounting to GEL 72.7 million.

Agricultural investments made during 2019 and 2020 are divided into the following main subcategories:

Detailed categories:	**Investment (GEL,'000)**
Vineyard accessories and agricultural machinery	32,920
Agricultural land	26,348
Costs of cultivating a hazelnut plantation	4,743
Vineyard accessories and plants	6,873
Non-agricultural land	1,797
Total investment in agriculture:	**72,682**

Since 2019, the group has been actively developing the viticulture sector in the field of agriculture in the regions of Kakheti, Kartli and Western Georgia, has acquired and planted large-scale vineyards. The harvest from their own vineyards will allow the company to reduce the cost of production, as well as reduce the working capital deficit in the third quarter of the year - the vintage period, which is filled by short-term bank loans.

45% of the investments in agriculture, 32.9 million GEL were spent on the purchase of vineyard accessories and agricultural equipment. In 2019-2020, the company owns a total of 5 million vines planted on a total of 1,000 hectares of land. Vineyard accessories incorporate vineyard care products, including automatic irrigation systems.

36% of investments in agriculture, 26.3 million GEL were spent on land acquisition. During the last two years (2019, 2020) the company has purchased a total of 6,531 hectares of agricultural land for planting vineyards in different regions throughout Georgia.

Detailed information on the locations and areas of agricultural land acquired by years is presented in the form of a table:

Location	2019 (Full year)		2020 (QIII)	
	Area	Total amount of Investment	Area	Total amount of Investment
	(sq.m)	(GEL, ‘000)	(sq.m)	(GEL, ‘000)
Signagi	31,778,992	9,296	-	-
Dedoplistskaro	30,504,502	6,773	-	-
Kvareli	537,153	1,513	844,472	3,087
Akhasheni	119,815	409	109,884	918
Gori	71,000	97	375,480	554
Gurjaani	516,894	1,549	252,514	326
Ambrolauri	191,039	1,300	-	-
Dusheti	-	-	903	145
Racha	-	-	1,400	49
Kazbegi	-	-	1,562	49
Total:	**63,719,395**	**20,937**	**1,586,215**	**5,128**

About 15% of the acquired plots (850 ha) of land were planted with a total of 4.4 million vines in 2019-2020, the company plans to use the remaining lands in 2021-2025. Detailed information about the company's future investments is presented in the subsection "*Future Strategy and Goals*".

A total of GEL 12 million was spent on agriculture, 16% of which was spent on vine seedlings and hazelnut plantations. Information on hazelnut plantations owned by the company as of the date of the prospectus is presented in the *"Primary Activities"* section.

The vineyards reach full yield 4 years after planting, and the hazelnut plantations reach 7-8 years. Accordingly, their effect on the company's income will be reflected in the case of full-fledged vineyards from 2023-2024 and in the case of hazelnut plantations from 2027-2028.

Investments in hotel, restaurant and commercial space destinations:

In 2019 and 2020, 25% of total investments were spent on the hotel and restaurant construction, 33.3 million GEL, which was divided into the following subcategories:

Detailed categories:	**Total Investment (GEL,'000)**
Purchase of commercial space for construction of multifunctional residential complex and commercial spaces	26,626
Hotel construction - Tbilisi, Orbeliani str.	2,649
Hotel construction – Guria Palace	2,007
Hotel construction - Akhasheni[11]	2,016
Total investment in hotel and restaurant:	**33,297**

The main part of the investments made in the hotel and restaurant direction (80%) amounted to 26.6 million GEL for the purchase of commercial land plots and commercial real estate at three different locations in Tbilisi.

Acquired Asset	Location	2019 (Full year)		2020 (Q III)	
		Area	Total amount of Investment	Area	Total amount of Investment

[11] *Akhasheni Hotel "AKHASHENI WINE RESORT" was opened in March 2018, during 2019-2020, one of the highest class spas in the region is being built on the territory of the hotel.*

		(Sq.m)	(GEL,‘000)	(Sq.m)	(GEL,‘000)
Commercial real estate	Pirosmani str, Tbilisi	5,086	12,295	-	-
Commercial land	Tarieli str, Tbilisi	2,268	8,252	140	281
Commercial land	Pirosmani str, Tbilisi	168	182	-	-
Commercial land	Kakabadze str, Tbilisi	-	-	869	5,614
Total:		**7,522**	**20,729**	**1,009**	**5,895**

For the construction of the hotel in 2019, the company purchased a total of 2,436 sq.m of commercial land on Tariel and Pirosmani streets in Tbilisi and 5,086 sq.m. of residential space on the Pirosmani str. The company plans to build a multifunctional residential complex on Pirosmani Str.
According to the data of three quarters of 2020, the company additionally purchased 870 sq.m. Commercial land located on Kakabadze Street in Mtatsminda district of Tbilisi for 5,614 thousand GEL. It is planned to build a multifunctional residential complex on the mentioned land plot. Detailed information on the company's future projects is presented in the subsection "Future Strategy and Goals".

Investments in production:

Investments in production in 2019 and 2020 account for 19% of total investments, which amounts to GEL 25 million, they are divided into the following main subcategories:

Detailed categories:	**Investment (GEL,'000)**
Purchase of industrial machinery and cisterns	16,394
Construction of Manavi factory	3,598
Construction of ancillary facilities in the existing factories	5,020
Total investment in production:	**25,012**

Construction of the Manavi primary production and bottling winery was completed in the second quarter of 2019. The total installed capacity of the factory is 300 t / 24 hours. And 180,000 bottles / hr.

Issuer Group Structure

Zurab Chkhaidze is the owner of 100% of the issuer's share (ID: 01017000455)

The issuer is: "Kakhetian Traditional Winemaking" Ltd

As of the date of Prospect, Kakhetian Traditional Winemaking Ltd unites the following subsidiaries established and operating in Georgia:

Subsidiary	ID	Share in company as at 31.10.2020	Share in company as at 31.12.2019	Date of Establishment	Date of Acquisition	Field
Keda Wine factory LLC	246755890	100%	100%	n/a	10/2/2014	Production of wine and spirits
Gurjaani Agro LLc	406031360	100%	100%	n/a	27/07/2018	Viticulture
Royal Askana LLc	437062134	100%	100%	18/02/2014	n/a	Hotel and wine production
KTW Terasa LLC	405044170	100%	100%	20/05/2014	n/a	Tourism
Khatetian Traditional Winemaking-Agro-Chokhatauri	405048407	100%	100%	19/06/2014	n/a	Production of canned and juices
Kakhetian Traditional Winemaking-Agro-Keda Ltd.	405048513	100%	100%	19/06/2014	n/a	Production of canned and juices
KTW Khobi LLC	405062612	100%	100%	16/09/2014	n/a	Cultivation and processing of hazelnut plantations
Guria Palace LLC	437065364	100%	100%	21/09/2015	n/a	hotel
KTW Development LLC	405172977	100%	100%	27/10/2016	n/a	Development activities, hotel
Chateau Manavi LLC	438114960	100%	100%	13/02/2018	n/a	Viticulture, wine production
KTW Capital LLC	405345103	100%	100%	18/07/2019	n/a	Cultivation and processing of olive groves.
Georgian Wine Bank Ltd	405352988	100%	100%	12/9/2019	n/a	Viticulture, agriculture
SS Villa Akhashen LLC [1]	427740082	100%	-	27/01/2020	n/a	Viticulture, agriculture
Georgian Olive and KTW.co Ltd[1]	404581252	100%	100%	12/7/2019	n/a	Cultivation of oil fruit or almond plantation. Agriculture
Agricultural Co-Investment Fund Ltd.	405152846	100%	100%	6/6/2016	n/a	Viticulture, agriculture
Kakheti Development Co-Investment Fund Ltd.[1]	405152766	100%	100%	6/6/2016	n/a	Viticulture, agriculture
KTW Oil LLC [1]	405400980	100%	-	7/1/2020	n/a	Almond cultivation, agriculture
Villa Kindzmarauli LLc	405401122	100%	-	7/2/2020	n/a	Development, construction
Distribution Company Old Kakheti Ltd	405367749	100%	100%	4/12/2019	n/a	Distribution

[1]*Note: The listed companies are so-called dormant companies as of the date of this prospectus, no financial transactions are carried out, although they are planned to be launched in the future.*

The Issuer's Individual and Consolidated Balance Sheet and Income Statement are disclosed in the Appendix 1 of the Prospectus.

Overview of Financial position

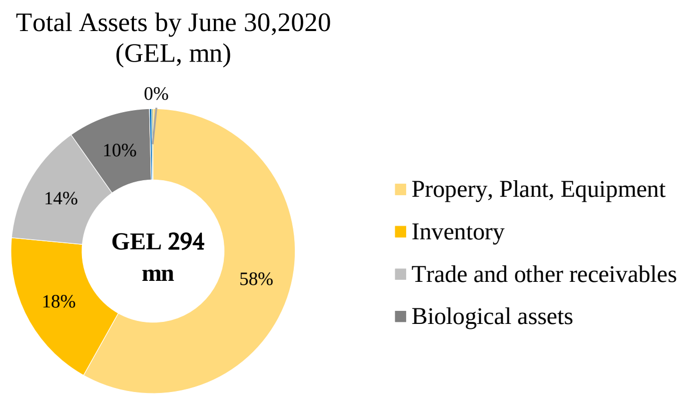
The Company's financial statements are disclosed in the relevant chapters (Balance Sheet, p. 124; Profit and Loss Statement, p.125; Cash Flow Statement, p.126)

The working capital of the company (short-term assets minus short-term liabilities) as of June 30, 2020 is 20,270 thousand GEL, the current and quick ratios of the company are 1.27 and 0.55, respectively. As of December 31, 2019, due to the reclassification of the Company's existing total liabilities to current liabilities, the working capital of the company was negative and amounted to -38.624 thousand GEL, while the current and quick ratios were 0.72 and 0.28, respectively. Excluding the reclassification effect mentioned above, working capital would amount to 43,617, current and quick ratios would be 1.76 and 0.67, respectively. Detailed information on the classification of long-term loans into short-term loans in 2019 is presented in the section "Information on equity and loan liabilities".

Consolidated balance sheet	**Unaudited**	**Audited**	**Audited**
(GEL)	**2020 30 June**	**2019 31 December**	**2018 31 December**
Non-current assets			
Property, Plant and equipment	171,040,734	144,698,612	78,160,320
Biological assets	27,611,821	12,725,094	3,962,587
Intangible assets	415,252	323,597	256,284
Total non-current assets	**199,067,807**	**157,747,303**	**82,379,191**
Current Assets			
Cash and cash equivalents	767,732	2,221,139	4,038,890
Financial assets at fair value through profit or loss	1,050	208,881	234,780
Trade and other receivables	40,344,112	35,915,467	22,026,128
Inventory	54,029,667	62,435,687	55,895,919
Total Current Assets	**95,142,561**	**100,781,174**	**82,195,717**
Total Assets	**294,210,368**	**258,528,477**	**164,574,908**

Non-Current Liabilities			
Borrowings	100,332,800	-	30,737,246
Deferred revenue	60,180	80,240	1,254,786
Total Non-current liabilities	**100,392,980**	**80,240**	**31,992,032**
Current liabilities			
Trade and other payables	21,687,109	14,571,834	8,256,540
Financial Liabilities at fair value	2,850,953	1,514,927	1,113,824
Short-term borrowings	50,334,154	123,319,013	23,162,449
Total current liabilities	**74,872,216**	**139,405,774**	**32,532,813**
Total Liabilities	**175,265,196**	**139,486,014**	**64,524,845**

The total assets of the company as of June 30, 2020 amounted to 294 million GEL, which is an increase of 13.8% compared to the previous period. (31/12/2019: 259 million GEL). Current and long-term portions are 32% and 68% of total assets, respectively. (31/12/2019: 39%, 61%)



Property, Plant, Equipment

All property, plant and equipment is carried at its historical cost less any accumulated depreciation and accumulated impairment losses.

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Over 2018-2020 years there have been no indications of possible impairment of tangible assets, as assessed by the management.

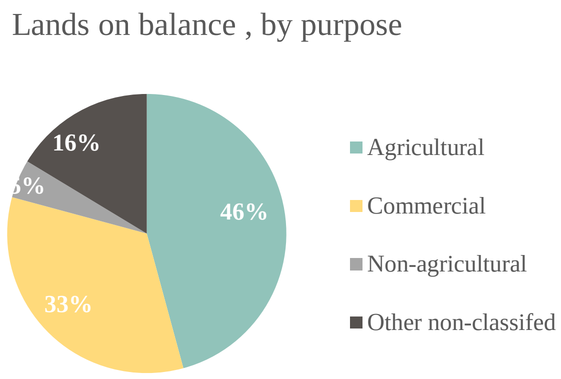
A significant portion of the company assets (58%) is PPE. As of June 30, 2020, PPE amounted to 171 million GEL, which is an increase of 18% compared to the previous period. (31/12/2019: 145 million GEL).

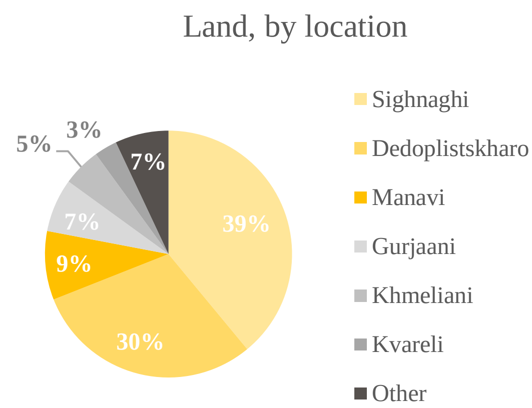
The PPE of the company is divided into the following categories:

PPE categories (GEL)	31 December 2019	30 June 2020
Land	50,165,312	61,012,639
Assets under construction	26,647,208	35,770,032
Buildings and structures	28,677,425	31,914,025
Plant and Equipment	29,129,826	31,416,224
Vehicles	6,119,402	6,769,902
Equipment and Furniture	2,047,159	2,292,331
Lease hold improvements	1,611,136	1,547,954
Other	301,144	317,627
Total PPE:	**144,698,612**	**171,040,734**

Lands:
As of June 30, 2020, 36% of fixed assets consist of land, amounting to GEL 61 million. The book value of the land has increased by 22% compared to the previous period, which is due to the active investment policy of the company in the direction of cultivating vineyards and purchasing commercial space. Detailed information is presented in the section "Investments".

As of June 30, 2020, the lands on the Company's balance sheet are divided according to the purpose as follows:





The company owns up to 8 thousand hectares of agricultural land throughout Georgia with a book value of 27.9 million GEL (46% of the land), the main locations are Signagi, Dedoplistskaro, Manavi, Gurjaani, etc. During 2020, the company purchased an additional 158 hectares of agricultural land at the following locations: Kvareli, Akhasheni, Gori and Gurjaani. The acquired land plots are planned to be planted with different varieties of vines.

33% of the land, 20.4 million GEL, are land for commercial purposes. In May and June 2020, the company purchased commercial land on Kakabadze and Tarieli streets in Tbilisi for 5.9 million GEL, with a total area of 1,009 sq.m. Detailed information on the investments made by the company is presented in the subsection "Investments".

Assets under construction:

The second largest group of fixed assets of the company is fixed assets under construction, which accounts for 21% of total fixed assets and amounts to 36 million GEL (31/12/2019: 27 million GEL). The carrying amount of assets under construction increased by 34% compared to the previous period.

As of June 30, 2020, the assets under construction of the company are divided into the following categories according to current projects:

breakdown of assets under construction by projects (GEL,'000)	**30 June 2020**	**31 December 2020**
Commercial space on Pirosmani str.*	8,596	4,572
Royal Askana (Chateau-type hotel)	5,755	8,596
Hotel "Orbeliani Residence"	4,842	4,005
Construction of Akhasheni Wine Resort Spa Center	2,611	2,016
Auxiliary facilities for the Patardzeuli bottling factory	2,108	-
Hotel "Guria Palace"	1,787	1,593
Auxiliary facilities of Manavi processing plant	1,197	1,197
Auxiliary buildings of Velistsikhe factory	424	377
Other non-classified**	8,451	4,290
Total assets under construction	**35,770**	**26,647**

Note: * Construction on Pirosmani and Tariel streets has not started yet as of the date of the prospectus, however, the commercial space purchased on Pirosmani is classified as an asset under construction, while the land purchased on Tariel Street is classified as fixed assets - land.

** Due to the size of the company's assets, it is not possible to break down other non-classified assets in more detail.

The construction of the following assets under construction: Hotel Guria Palace, Royal Askana and Orbeliani Residence, is financed entirely by the bank liabilities, therefore the loan interest is capitalized during the construction process. During the first 6 months of 2020, the company capitalized total of GEL 1,940 thousand interest expenses. (12 months of 2019: 4,559 thousand GEL).

In the first half of 2020 the issuer started construction of an auxiliary building for Patardzeuli factory, which is planned to be finished by the end of 2020. Other non-classified expenses have increased over the same period, most of which are costs borne for building auxiliary buildings and irrigation systems in vineyards.

According to the information disclosed in subchapter “Future strategy and goals” over the next 2 years the issuer’s remaining total investment in Hotels amounts to GEL 5 million, whereas investments in commercial assets, which include construction of 11,500 sq.m. multifunctional apartmental complexes, is planned to amount to GEL 14 million.

Buildings:

The third largest group of fixed assets of the company is buildings, which as of June 30, 2020 amounted to 32 million GEL (31/12/2019: 29 million GEL). The balance of buildings has increased by 11% compared to the previous year. In the first half of 2020, the company built the system reservoirs and ancillary buildings needed to irrigate the vineyard.

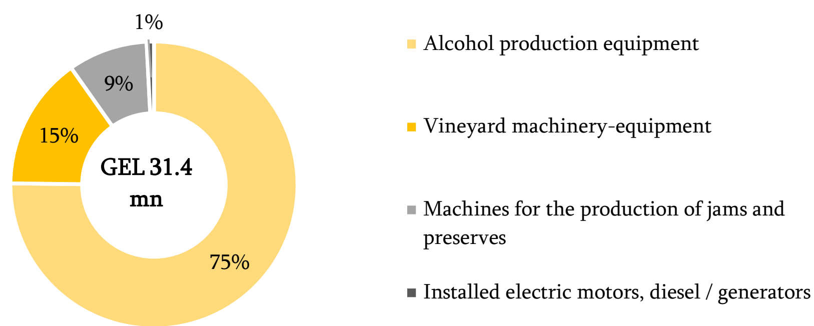
Buildings (GEL,‘000)	**30 June 2020**
Manavi factory	6,732
Hotel Akhasheni	5,196
Velistsikhe factory	4,304
Building an irrigation system required for vineyards	3,497
Patardzeuli factory	2,485
Chokhatauri fruit processing plant	1,799
Keda fruit processing plant	1,410
Keda winery	1,322
Shops	1,285
Offices	639
Restaurant “Georgian Wine Chamber”	571
Office	448
Orbeliani Hotel	357
Vineyard buildings	268
Irrigation system	205
Other non-classified	1,398
Total buildings:	**31,914**

50% of the group buildings belong to the factories in Manavi and Velistsikhe, as well as the existing hotel building in Akhasheni. The Manavi plant combines primary production and bottling lines. The plant was built and started operating in 2019 and covers 6,500 tons of wine storage. The factory in Velistsikhe was put into operation in 2015 and includes both a primary production factory and a cognac distillery and warehouse with up to 5,700 tons of wine and 8,900 tons of alcohol volume. Detailed information on the performance of the factories owned by the company is presented in the subsection "Primary activities".

Plant and Equipment:

The book value of the equipment owned by the group as of June 30, 2020 is 31.4 million GEL, which is an increase of 7.8% compared to the previous year. (31/12/2019: 29.1 million GEL). The breakdown of group-owned equipment by major groups is presented as follows:

Equipment by 30 june, 2020
(GEL, mn)



As of June 30, 2020, the major share of the company-owned equipment, 23.6 million GEL (75%), is the production equipment located in the alcohol factories. Among them are significant assets: tanks, wine bottling equipment, grape press, chisel and etiquette machines, refrigeration machines, oak barrels, etc.

Vineyard machinery is GEL 4.7 million, the main part of which includes tractors, cultivators and plows, etc.

Useful lives of property, plant and equipment:

The group utilises straight line depreciation method for every group of property, plant and equipment. Assets under construction and land owned by the group is not depreciated. Useful lives of different groups of PP&E is given below:

	Useful life (years)
Buildings and structures	15-25
Office machinery, equipment and furniture	5
Plant and equipment	5-25
Vehicles	7-10
Other	7-10

When determining useful life of an asset the management considers expected usage, estimated technical aging, physical depreciation and the environment in which the asset is utilized. Changes in the abovementioned circumstances or the evaluation system could result in correction of useful lives.

Useful lives are revised at the end of each reporting annual period. As a result of revision performed on 31st of December 2019, there have been no changes in useful lives.

Biological Assets

Biological assets consist of perennials owned by the group, for which the group uses a cost model. The cost component includes the purchase price and the directly related costs incurred to bring the perennials to the location and condition necessary to be capable of operating in the manner intended by management.

Perennials are recorded at historical value, minus accumulated depreciation and impairment losses. The useful life of perennials is estimated at 15-20 years.

Biological assets as of June 30, 2020 amounted to GEL 27.6 million, which is 9.4% of the total assets of the Group (31/12/2019: 4.9%, GEL 12.7 million). The balance of biological assets increased by 117% compared to the previous year.

Biological Assets: (GEL)	**31 December 2019**	**30 June 2020**
Vineyards	10,412,991	24,904,774
Other growing plants (almonds)	2,312,103	2,707,047
Total biological assets	**12,725,094**	**27,611,821**

During 2020, the company planted an additional 3,042 thousand vines on 600 hectares of land. The investment was made through a bank loan taken during the year, therefore, in accordance with international financial accounting standards, 1,546 thousand GEL interest expense was capitalized in biological assets. (12 months of 2019: 1,050 thousand GEL).

Information about the vineyards cultivated by the company according to the periods is presented as follows:

Cultivated vineyards:	**31 December 2019**	**30 June 2020**	**Total**
Area (Hectares)	376.2 Ha.	608.4 Ha	984.6 Ha.
Vine root	1,697,062	3,042,000	4,739,062

Detailed information on cultivated vine species and locations is presented in the section "Primary Activities"

When facts and circumstances indicate a possible impairment of the carrying amount of biological assets, similar to property, plant and equipment, the Group estimates the recoverable amount of such assets. Recoverable amount is estimated by discounting future cash flows generated from the asset.

According to management estimates for 2019 and 2020, there have been no circumstances that might indicate a possible impairment of assets on the Group's balance sheet.

Inventories

As of June 30, 2020, the Company's inventories accounted for a significant portion of short-term assets at 57%, or GEL 54 million, down 13% from the previous year. (31/12/2019: 62%, 62.4 million GEL).

(GEL)	**31 December 2019**	**30 June 2020**
Work in process	55,521,064	46,811,432
Finished good	4,959,000	4,568,841
Other Inventory	1,076,729	1,743,697
Raw materials	878,894	905,697
Total inventory	**62,435,687**	**54,029,667**

The company's inventories are seasonal, raw materials and grapes are delivered from the third quarter of the year, during this period the company makes a significant investment, inventories are replenished mainly through short-term bank loans, which are refinanced by processing and selling the purchased raw materials. Accordingly, as of June 30, 2020, inventories have decreased compared to December 2019.

For this reason, days inventory outstanding as of June 30, 2020 (as of the last twelve months) amount to 319 days, which is reduced compared to the full year 2019 (2019 full year: 340 days).

The company does not have an inventory write-off policy, inventories are written off in case the product or raw material is damaged. At the beginning of each year, the company conducts an inventory count, during which the identified inventory is written off in case of impairment. Inventory written-off is recognized in general and administrative expenses. The cost of inventory written-off in the first half of 2020 was 255 thousand GEL (2019 6m: 258 thousand GEL).

Trade and other receivables

Trade and other receivables account for 14% of the Company’s total assets. As of June 30, 2020, trade and other claims increased by 12% compared to the previous year and amounted to GEL 40.3 million (31/12/2019: GEL 35.9 million).

Trade and other receivables by periods are presented in the form of a table:

Trade and other receivables (GEL)	**31 December 2019**	**30 June 2020**
Trade accounts receivable	21,661,128	24,245,097

Allowance for doubtful debt	(3,325,796)	(3,502,950)
Net financial receivables	**18,335,332**	**20,742,147**
Advances for property, plant and equipment	8,767,523	7,403,717
Advances for biological assets	5,461,382	8,164,717
Prepaid tax	1,958,489	2,363,229
Other prepayments	1,347,100	1,665,639
Advances to employees	45,641	4,663
Total trade and other receivables	**35,915,467**	**40,344,112**

A significant share of receivables, 51%, belongs to trade receivables from sales, which increased by 12% as of June 30, 2020 and amounted to GEL 24.2 million, which is due to revenue growth. Revenues for the 6 months of 2020 increased by 10.3% compared to the same period last year.

The payment period according to the main export contracts of the company varies from 15-60 days after sending the invoice.

Days accounts receivable outstanding as of June 30, 2020 (for the last 12 months) amounted to 126 days, 2019 full year 101 days.

74% of receivables are concentrated on four distributors of the company within the export markets of alcoholic beverages. During the year, the company's management determines the expected impairment loss (allowance of doubtful debt). Expected credit loss rates are based on the Group's last three years of credit impairment experience. The allowance also takes into account Georgia's macroeconomic factors such as GDP, unemployment and inflation. The doubtful debt reserve as of June 30, 2020 amounts to GEL 3.5 million, which is 14% of the total receivables (31/12/2019: GEL 3.3 million, 15%).

Doubtful debt reserve:

Impairment provision for trade receivables is recognized on the basis of the simplified approach of IFRS 9, which calculates the expected credit loss for trade receivables over its useful life using the reserve matrix.

Trade receivables are carried at net value, the impairment reserve of which is recorded in a separate account on a cost correspondence basis, the latter being recognized as an expense in profit or loss. The Group writes down the full value of trade receivables in the amount of the provision when it determines that trade receivable is no longer expected to be repayed.

To determine the impairment provision, the Group groups trade and other receivables according to similar credit risk and maturity.

Expected credit loss rates are based on the Group's last three years of credit impairment experience. The historical expected credit loss rate has been adjusted to take into account current and future macroeconomic factors affecting group consumers. The Group considers GDP, unemployment and inflation levels as key macroeconomic factors for the country in which the Group operates.

As of June 30, 2020 and December 31, 2019, overdue trade receivables and the expected credit loss are presented as follows:

	2020			2019		
(GEL)	**Receivable**	**Impairment rate**	**Doubtful reserve**	**Receivable**	**Impairment rate**	**Doubtful reserve**
Current	18,039,597	1%	(180,396)	15,783,005	1%	(157,830)
Less than 30 days overdue	1,564,952	10%	(156,495)	1,471,310	10%	(147,131)
31-90 days overdue	1,251,136	20%	(250,227)	1,166,292	20%	(233,258)
91-180 days overdue	486,588	40%	(194,635)	454,555	40%	(181,822)
181-365 days overdue	605,421	70%	(423,794)	600,702	70%	(420,491)
More than 365 days overdue	2,297,403	100%	(2,297,403)	2,185,264	100%	(2,185,264)
Total	**24,245,097**		**(3,502,950)**	**21,661,128**		**(3,325,796)**
Doubtful debt reserve	(3,502,950)			(3,325,796)		
Net receivables	**20,742,147**		**(3,502,950)**	**18,335,332**		**(3,325,796)**

Cash balance in bank

Cash and cash equivalents as of June 30, 2020 accounted for 0.8% of total short-term assets, GEL 768 thousand, which is a decrease of 65% compared to the previous year (31/12/2019: 2.2%, GEL 2.2 million). The change is mainly due to the fact that by 2020 the company's free cash flows are actively used for the construction of vineyards and hotels, hence the cash balance at the end of the period is reduced compared to the previous period.

Trade and other payables

Trade and other payables as of June 30, 2020 amounted to GEL 21.7 million, which is 29% of total short-term liabilities. The balance of trade and other payables increased by 49% compared to the previous year. (31/12/2019: 14.6 million GEL, 10.5%) Days trade and other payables outstanding as of June 30, 2020 (for the last 12 months) are 99 days, for full 2019 it amounted to 66 days.

The breakdown of trade and other payables is presented in categories as a table:

Trade and other payables (GEL)	**31 December 2019**	**30 June 2020**
Trade payables	12,702,609	13,794,925
Salaries payables	91,645	764,794
Other payables	1,615,000	1,925,055
Total financial liabilities within trade and other payables	**14,409,254**	**16,484,774**
Tax payables	95,235	98,050
Contract liabilities	67,345	5,104,285
Total trade and other payables	**14,571,834**	**21,687,109**

Significant increase in the balance of trade and other liabilities was due to advances received. In the first half of 2020, one of the top 5 distributor companies, Synergy Import, made an overpayment to the company, the advance received amounted to 4.5 million GEL ($ 1,470). The advance was deducted as of September 2020.

Information on Capital and Loan Liabilities

As of June 30, 2020, total liabilities amounted to GEL 150,667 thousand and accounted for 51% of total assets (31/12/2019: GEL 123,319 thousand, 48%).

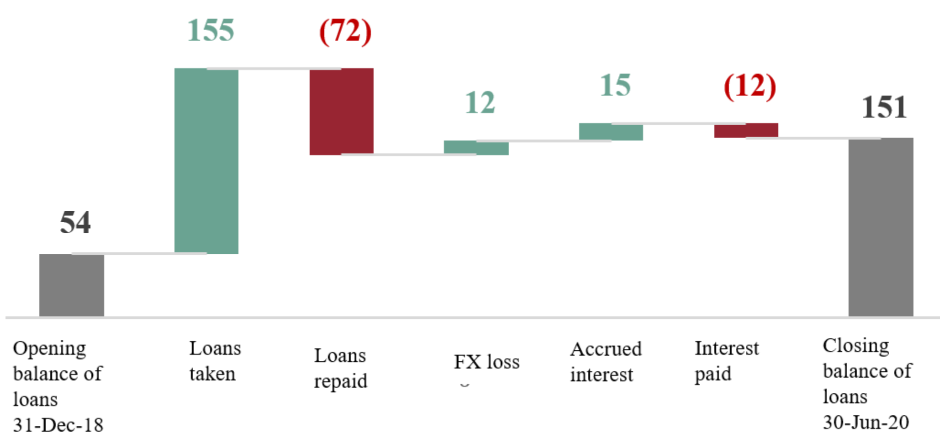
Information on company capital and Debt liabilities by periods is as follows:

(GEL '000)	**30-06-20 Un-audited**	**31-12-19 Audited**	**31-12-18 Audited**
Debt:			
Short-term interest-bearing liabilities	50,334	123,319	53,900
Long-term interest-bearing liabilities	100,333	-	53900
Total interest-bearing liabilities	**150,667**	**123,319**	**53,900**
Equity:			
Charter Capital	408	408	408
Retained Earnings	118,537	118,634	99,642
Total Equity	**118,945**	**119,042**	**100,050**
Total Capitalization	**269,612**	**242,361**	**153,950**

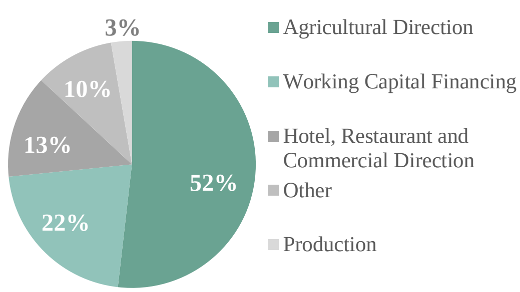
In September 2020, the company obtained additional long-term interest-bearing liabilities to purchase grape for wine and spirits as part of its current harvest. As a result, as of October 31, 2021, total interest liabilities amounted to 193,837 thousand GEL.

Over the last two years, 2019 and 6 months of 2020, the company's loan liabilities have increased significantly - by 180% (31/12/2018: GEL 53.9 million). Which is due to the aggressive investment policy of the company.

Company Loan profile development (2019-2020 years, GEL million)



As can be seen from the chart in 2019, in 2020 the company took on additional interest-bearing liabilities worth GEL 155 million. The loans taken were spent in the following main investment directions:



More than half of the loans taken were used for agricultural development, which includes the purchase of agricultural land, the cultivation of vineyards, the purchase of appropriate machinery and equipment, and so on.

From 2019, the company is not able to meet the minimum ratio set in loan agreements (DSCR> 1.3). Since in case of violation of the ratio, the lender will have the right and not the obligation to request full or partial repayment of the loan ahead of schedule, as of December 31, 2019, full loans are classified as short-term liabilities.

After the reporting period, during 2020, the Group reached an agreement with the Borrower and received a letter of discharge from the Lender stating that due to financial constraints, the Borrower would not be required to repay the Loan in full or in full by the end of 2021.

If such agreement was reached in 2019 the allocation of loans to short and long term would be the following:

(000 GEL)	**30-Jun-2020**	**31-Dec-2019**
Short-term loans	50,334	41,078
Long-term loans	100,333	82,241
Total interest-bearing liabilities:	**150,667**	**123,319**

As of June 30, 2020, 83% of the company's loan liabilities - 124,818 thousand GEL are denominated in US dollars, 13% - 20,068 thousand GEL in national currency, and the remaining 4% - in euros.

Lender	**Currency**	**Remaining Maturity (Years)**	**Principal (GEL'000) ***	**Interest accrued during the year (GEL, '000) ****
JSC Bank of Georgia	GEL	0-1	287	11
JSC Bank of Georgia	GEL	1-3	1,573	96
JSC Bank of Georgia	GEL	3+	18,208	364
JSC Bank of Georgia	EUR	0-1	1,487	69
JSC Bank of Georgia	EUR	1-3	4,894	161
JSC Bank of Georgia	EUR	3+	-	7
JSC Bank of Georgia	USD	0-1	5,274	295
JSC Bank of Georgia	USD	1-3	51,354	2,386
JSC Bank of Georgia	USD	3+	68,191	2,286
Total interest-bearing liabilities:			**151,268**	**5,674**

*Note: * The loan balances in the table are nominal balances that are slightly different from the amortized balances.*
*** Part of the interest accrued during the year is GEL 2,187 thousand not recognized in the income statement in financial expenses, while the remaining part of the total of GEL 3,487 thousand is capitalized in construction and biological assets.*

By 2020, the company had borrowed an additional $ 14.3 million, GEL 25 million interest bearing liabilities.

In January 2020, the Company borrowed $ 340,000 from a local commercial bank to purchase fixed assets (land). This amount was used to purchase a separate local distribution office, and a warehouse and office space. Transfer of subsidiary, Old Kakheti Distribution Company is planned to this space.

In February 2020, the company borrowed a total of $ 9,880,000 from a local commercial bank to plant vineyards in Gurjaani, Kakheti, Racha, and Gori. With the funds attracted, the company has tripled the number of existing vineyards by 2020 and an additional 600 hectares. 3 million vines were planted on the plots. Detailed information about cultivated vineyards is presented in the section "Primary activities".

The company borrowed an additional $ 3,300,000 in February 2020 to purchase fixed assets (commercial space). The company purchased the premises to build a multifunctional residential complex on Mtatsminda. Detailed information about the purchased property is presented in the subsection "Investments".

In June 2020, the company borrowed $ 800,000 from a bank to refinance the loan. This amount was used to refinance the loan base, and the remaining amount was distributed over one year (until May 2021).

Under the state grant, in August 2020, the company took an additional long-term loan of GEL 1.5 million to plant a vineyard. The loan repayment period is 2026, detailed information on the loans taken by the company under the state grant is presented in the same subsection.

In September 2020, the company obtained a total of GEL 23.5 million in long-term loan liabilities with a maturity of 2021-2023, the purpose of the loans was to purchase grapes for wine and spirits as part of the current harvest.

Equity

The total consolidated charter capital of the Group has not changed during the last three years and as of June 30, 2020 amounts to 408,374 thousand GEL (31/12/2019: 408 thousand GEL; 31/12/2018: 408 thousand GEL).

The Charter capital consists of the contributions of 100% of the group owner Zurab Chkhaidze.

Real estate invested in securing a loan:

As of the date of this prospectus, the loans taken from JSC Bank of Georgia are secured by the Group's existing and future acquired movable and immovable property, including fixed assets, biological assets and supplies. The Group may not sell or use the said land and buildings as a subject of the Mortgage without the consent of the Borrower.

Refinancing loans with issued bonds will not result in the release of the property pledged in the loan.

Overview of financial reservations

As of June 30, 2020, the Group has only one lender, JSC Bank of Georgia. All loans taken by the Group are subject to the General Credit Line Agreement, which lists the current Covenant.

The relevant covenant as of June 30, 2020 is presented below:

Type of Covenant	Actual	Limit	Satisfies Yes/No
Debt Service Coverage Ratio	**0.85***	**> 1.3**[12]	**No**

Note: The DSCR calculated for the Bank covenant does not match the ratio disclosed in the "Main Financial Ratios" subsection, as the capital expenditure calculation methodology does not take into account the capital borrowings made for the purposes of calculating the financial reservations set by the Bank.*

After the reporting period, during 2020, the Group reached an agreement with the Borrower and received a letter of exemption from the Lender stating that due to financial constraints, the lender would not require partial or full repayment of the Loan by the end of 2021.

The reason for the breached minimum ratio is the active growth of the company's investment portfolio in recent years in the field of agricultural land, vineyards and the purchase of commercial property, for the financing of which it actively used long-term loans.

As of June 30, 2020, the repayment period of certain loans is approaching, due to which short-term liabilities have increased.

Overview of non-financial covenants:

In addition to financial covenants, the General Loan Agreement with the Bank provides for a number of non-financial reservations, including:

- In relation to insurance - the company is obliged, at the request of the bank, to insure the cases specified in the same request at a highly reputable insurance company acceptable to the bank.
- Regarding the submission of information - the company is obliged to provide the requested information reflecting the financial condition of the company, total assets, business operations, etc. in a form acceptable to the bank within a pre-established time and / or within a reasonable time specified by the written or oral request of the bank.
- Environment, health and labour and social protection issues.
- Other liabilities where the Company is liable without the prior written consent of the Bank:
    - Not to allow the change of the main activities, reorganization or liquidation and / or any similar restructuring, transaction, or other action;
    - Not to dispose of its own assets / property (or part of it) in any form during any 12-month period and / or Not to acquire the assets / property of any third party
    - Not to make investments, incur any liabilities and / or incur expenses during any 12-month period, unless such investments are related to the fulfilment of the purpose of the loan issued by the Bank
    - Not to issue dividends during any calendar year

[12] *The coefficient is calculated quarterly by the ratio of the following two indicators*

Nominator: Operating profit minus capital expenditures minus profit tax minus dividends minus net working capital increase.
Denominator: Current interest payable on credit plus current principal payable on credit;

Capital

The total capital of the company as of June 30, 2020 is 408,374 GEL which is unchanged compared to the previous period (31/12/2019 and 31/12/2018: 408,374 GEL).

Charter capital is fully comprised of injections made by the 100% shareholder Zurab Chkhaidze.

According to the company's charter, the capital is set at 2,000 GEL and is filled with a non-cash deposit. In 2017, the founder invested 406,374 GEL in land in the charter capital. These facilities were agricultural plots located in the city of Kvareli, with a total area of 177,558 sq.m.

The mentioned property was assessed by LEPL Levan Samkharauli National Forensics Bureau. As of March 6, 2018, the total market value of the land plots owned by Zurab Chkhaidze as determined by the conclusion of the commodity expertise was set at GEL 406,375. The market value of the object to be assessed in accordance with international standards, the expert used the method of comparison of the assessment, i.e. the cost was determined based on a price analysis of similar objects.

Overview of Operational Results

The company has three main sources of revenue: revenues from the sale of alcoholic beverages, revenues from hotel and restaurant services, and revenues from the sale of canned food and jams.

Consolidated Statement of Profit or Loss	***Unaudited***	***Unaudited***	***Audited***	***Audited***
(GEL)	**2020** *6 Month*	**2019** *6 Month*	**2019** *12 Month*	**2018** *12 Month*
Revenue	51,185,113	46,391,666	105,239,812	84,523,905
Cost of goods sold	(31,014,920)	(27,983,130)	(63,552,888)	(46,307,617)
Gross profit	**20,170,193**	**18,408,536**	**41,686,924**	**38,216,288**
Gross profit margin	*39%*	*40%*	*40%*	*45%*
Selling and distribution expenses	(2,411,450)	(2,047,934)	(4,659,471)	(4,722,116)
General and administration expenses	(4,689,094)	(4,397,982)	(8,380,671)	(6,499,082)
Other income	233,985	1,120,486	2,452,456	2,301,244
Operating profit	**13,303,634**	**13,083,106**	**31,099,238**	**29,296,334**
Operating profit margin	*26%*	*28%*	*30%*	*35%*
Net loss from fair value accounted financial instruments	(2,769,352)	(1,368,536)	(964,630)	(969,684)
Financial expenses	(3,630,340)	(1,668,320)	(4,401,120)	(3,198,348)
Foreign exchange loss, net	(6,350,393)	(2,592,049)	(2,662,682)	(881,422)
Profit before income tax	**553,549**	**7,454,201**	**23,070,806**	**24,246,880**
Income tax expenses	**(60,746)**	**(96,367)**	(459,017)	(350,332)
Net profit	**492,803**	**7,357,834**	**22,611,789**	**23,896,548**
Net profit margin	*1%*	*16%*	*21%*	*28%*

As of the first half of 2020, the company had a healthy operating profit which amounted to 13.3 million GEL, which is a slight increase of 2% compared to the previous period. Operating profit margin is 26% which is slightly lower than the previous period, which is mainly explained by a small change in sales and general and administrative expenses.

As of June 30, 2020, a significant portion of the Company's liabilities is denominated in USD. The Company's net foreign exchange position for this period is $ 38.8 million. As a result of 6.5% depreciation of GEL to USD from 31 December 2019 till the reporting period, the company suffered GEL 6.4 million foreign exchange loss, which has doubled compared to the same figure last year. Due to significant increase of foreign exchange loss, in the half of 2020 the company's net profit amounted to GEL 493 thousand, which is significantly lower than the previous period. (2019 6m: 7,357 thousand GEL).

Detailed analysis of each of the P&L line items is given below:

Revenue

The largest share of revenues, 97.4% for the first half of 2020, is related to revenues from the sale of alcoholic beverages, followed by revenues from hotel and restaurant services by 1.5% and revenues from the sale of canned food by 1.1%.

The total revenue of the group for 6 months of 2020 is 51.2 million GEL, which is an increase of 10.3% compared to the analogous period of 2019. (2019 6 months: 46.4 million GEL, 2019 12 months: 105.2 million GEL).

The group revenue is divided into categories as follows:

(GEL)	**2020** Half year	**2019** Half year	**2019** Half year
Revenue from sale of wine and spirts:	49,868,729	44,178,518	99,304,881
Foreign market	48,812,719	40,530,028	93,017,826
Domestic market- wholesale	751,951	2,024,616	3,130,885
Domestic market- retail	304,059	1,623,874	3,156,170
Revenue from hospitality	742,341	1,656,109	3,879,244
Revenue from canned fruit	574,043	557,039	2,055,687
Total Revenue:	**51,185,113**	**46,391,666**	**105,239,812**

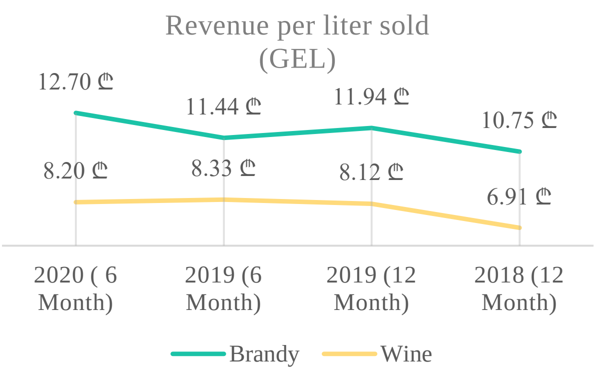
Total revenue growth is entirely related to its main source, alcoholic beverages export sales, which showed a 20% increase over the previous period and amounted to GEL 49.9 million (2019 6 months: GEL 44.2 million).

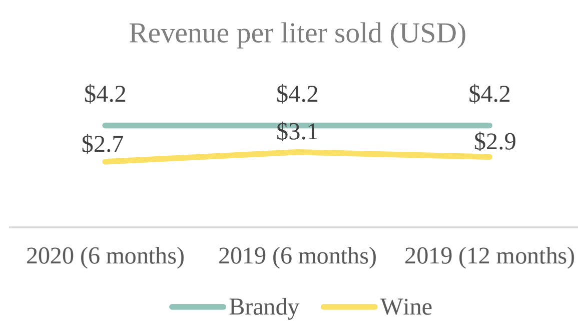
Revenue from the export of alcohol beverages:

Export sales of alcoholic beverages in the first half of 2020 accounted for more than 97% of the company's total revenue.

Exported spirits by products and volumes are presented below:

Product	2020 (6 months)			2019 (6 months)			2019 (12 months)		
	Amount	Revenues		Amount	Revenues		Amount	Revenues	
	(tons)	('000 GEL)	('000 USD)	(tons)	('000 GEL)	('000 USD)	(tons)	('000 GEL)	('000 USD)
Brandy	2,070	26,296	8,712	2,112	24,152	8,964	4,794	57,261	20,213
Wine	2,723	22,320	7,342	1,943	16,182	6,019	4,356	35,362	12,525
Clay	4	97	15	13	178	9	13	209	47
Sparkling wine	5	52	17	-	-	2	2	46	16
Chacha	2	48	30	1	18	75	10	139	78
Total:	**4,806**	**48,813**	**16,116**	**4,069**	**40,530**	**15,070**	**9,175**	**93,018**	**32,878**





Despite the current tense economic situation in the world due to the pandemic, in the first half of 2020, the volume of exported alcoholic beverages increased by 18% and amounted to 4,806 tons (2019 6 months: 4,069 tons). On the one hand, the volume of the sold brandy is slightly reduced by 2% compared to the previous year, and on the other hand, there is a 40% increase in wine sales, which has a positive effect on total exports. The volume of wine sold during the 6 months of 2020 is 2,723 tons (2019 6 months: 1,943 tons).

As for sales prices, in the case of the brandy, revenue per liter sold in the first six months of 2020 is GEL 12.7, which is an 11% increase over the previous year (2019 (6 months): 11.44 GEL). This can be explained by depreciation of GEL to USD, since USD prices are unchanged at $4.2. Based on this data, despite the decrease in the volume of the exported brandy, the increase in sales price led to a 9% increase in total sales revenue of the brandy, which amounted to 26.3 million GEL in the first 6 months of 2020 (2019 6 months: 24.2 million GEL).

In case of wine, according to the data of 6 months of 2020, the average selling price has decreased by 1.6% compared to the previous year and amounted to 8.2 GEL per liter sold (2019 6 months: 8.33 GEL). However, despite this decrease, the sharp increase in the volume of exported wine, as well as GEL to USD depreciation, had a positive impact on the income from wine sales and as of the first half of 2020 amounted to 22.3 million GEL, which is an increase of 39% over the previous year. (2019 6 months: 16.2 million GEL).

The price of the sold product largely depends on factors such as the age of the product sold (aging), the class of the drink, as well as the number of volumes delivered at one time, etc. It should be noted that the prices of export sales are fully denominated in US dollars, therefore the increase in revenue from products sold is largely due to the variability of the local currency exchange rate of the importing country.

Revenue from the sale of alcoholic beverages in the local market:

The company's products are presented in the local market in more than 700 trade networks throughout Georgia. The company also carries out retail sales in the local market from its own stores. Detailed information about the stores is presented in the section: “Primary Activities".

According to the data of the first half of 2020, the sale of alcoholic beverages in the local market is only 2.1% of the company's total revenue (2019 6 months: 7.9%)

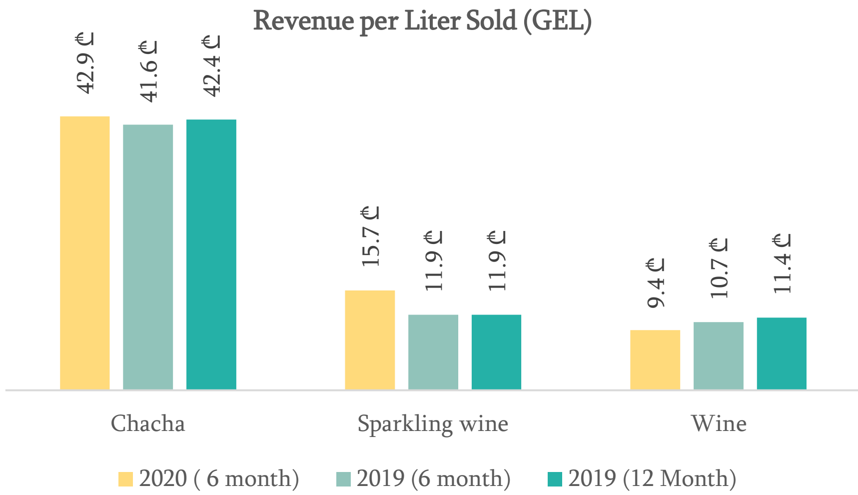
Revenue from sales in the local market in the first six months of 2020 amounted to 1,056 thousand GEL, which is a decrease of 71% compared to the previous period. (2019 6 months: 3,648 thousand GEL).

Revenue in the local market is mainly generated from wholesale sales (71%). In the first half of 2020, revenue from local wholesale sales amounted to 752 thousand GEL, which is a decrease of 63% compared to the previous period (2019 6 months: 2,024 thousand GEL). As for retail sales, retail sales accounted for 29% of total local sales, 304 thousand GEL, which also decreased by 83% compared to the same period last year.

Retail and wholesale sales in the local market by products and volumes are presented below:

Product	2020 (6 Month) Volume (Liter)	2020 (6 Month) Revenue (GEL,'000)	2019 (6 Month) Volume (Liter)	2019 (6 Month) Revenue (GEL,'000)	2019 (12 Month) Volume (Liter)	2019 (12 Month) Revenue (GEL,'000)
Wine	66,913	631	202,720	2,168	330,486	3,775
Chacha	8,048	345	31,611	1,316	52,521	2,229
Champagne	2,412	38	8,012	95	12,662	150
Other*	-	42	-	70	-	133
Total:	**77,373**	**1,056**	**242,343**	**3,648**	**395,668**	**6,287**

In the conditions of the pandemic, the demand in the local market has significantly decreased, which is largely explained by the limited work of cafes and bars. The process was also facilitated by the reduction of tourist flows in the country, as a result of which 77 thousand liters of alcoholic beverages were sold in the local market in 2020, which is a decrease of 68% compared to the same period last year (2019 6 months: 242 thousand liters). The decrease is more or less equal in the three major alcoholic beverage classes and ranges from 67-75% on average.



As for sales prices, in the case of Chacha, the price increased by 3% in the first half of 2020. The price of sparkling wine has also increased by 32%, while as for wine, its price has been reduced by 12% and amounts to GEL 9.4 per liter sold (2019 6 months: 10.7). Due to the fact that sparkling wine and chacha have a smaller share of local sales than wine, the relative increase in prices did not have a significant impact on the company's revenue from sales in the local market.

Revenue from hotel and restaurant services:

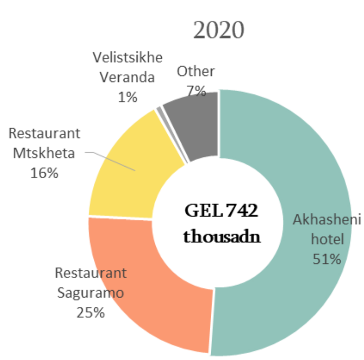
Revenues from hotel and restaurant services, as of the first half of 2020, a negligible share of the company's total revenue, about 1.5%, amounting to 742 thousand GEL (2019 6 months: 1.656 thousand GEL).

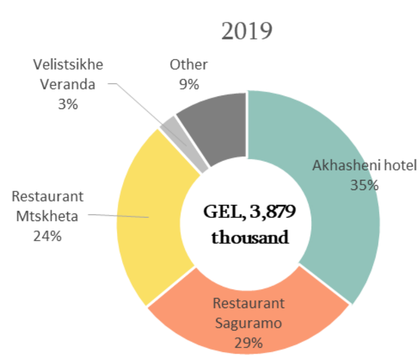
Revenues of hotel and restaurant services decreased by 55% compared to the previous period.

(GEL)	**2020** Half year	**2019** Half year	**2019** Half year
From restaurant	324,880	1,324,142	2,502,304
From Hotel	259,773	331,967	1,376,940
Total Revenue from Hotel and Restaurant Services:	**584,653**	**1,656,109**	**3,879,244**

Under the influence of the pandemic, due to the reduction of tourist flows in the country, according to the data of the first half of 2020, restaurant revenues decreased by 29% and hotel revenues decreased by 109%.

The distribution of income by objects is presented below:





Revenue from hotel and restaurant services is mainly generated from the company's 41-room Akhasheni Wine Resort. In April-May 2020, the hotel was handed over to the government as a quarantine zone. Average daily hotel prices and occupancy rates by periods are presented in the "Primary Activities" section.

Revenue from the sale of canned food

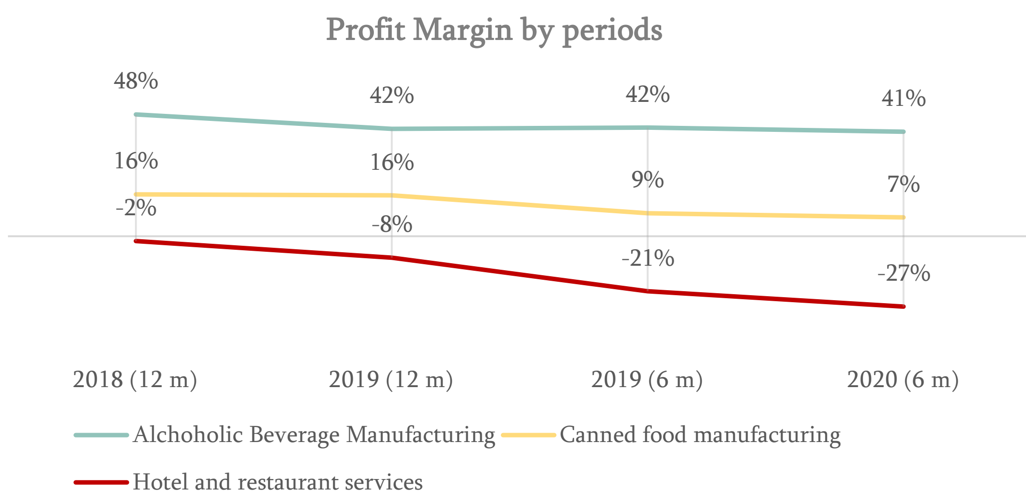
Revenue from this direction for the first 6 months of 2020 is 574 thousand GEL, which is 1.1% of the total revenue of the company (2019 6m: 557 thousand GEL, 1.2%, 2019 full year: 2,056 thousand GEL, 2.0%). Revenues from the sale of canned food by products, volumes and periods are presented in the subsection "Primary activity".

Cost of goods sold
The cost of the goods sold during the first half of 2020 is 30,014 thousand GEL (2019 6 months: 27,983 thousand GEL).

The cost of the group's goods according to the main directions is presented as follows:

(GEL)	2020 Half year	2019 Half year	2019 Full year
Cost of sale of wine and spirits:	(29,537,046)	(25,463,932)	(57,619,574)
Foreign market	(28,984,025)	(23,583,691)	(54,336,507)
Domestic market- wholesale	(391,870)	(1,120,870)	(1,749,705)
Domestic market- retail	(161,151)	(759,371)	(1,533,362)
Hospitality and related services cost	(946,043)	(2,011,995)	(4,205,057)
Canned Fruit	(531,831)	(507,203)	(1,728,257)
Total Cost of goods sold	**(31,014,920)**	**(27,983,130)**	**(63,552,888)**

The largest part of the total cost of goods sold is 95% of the cost of production of alcoholic beverages.



According to the data of 6 months of 2020, the Gross profit margins in the production of alcoholic beverages and canned food are more or less unchanged. The Gross profit margin for alcoholic beverages is 41% and for canned food is 7%.

A certain part of cost of goods sold, namely the production materials, such as bottles, stoppers, caps, labels, countertops are imported. Imports are made in USD from the following countries: Portugal, Moldova and Ukraine. As of June 30, 2020, the total imported production materials amount to GEL 9,012 thousand (2019 6 months: GEL 5,629 thousand), which is 29% of the total cost (2019 6 months: 20%). The cost of imported products increased by 9% compared to the previous period due to the depreciation of the GEL against the US dollar between periods.

The restaurant and hotel service sector of the company is historically unprofitable, the total profit for the 6 months of 2020 is a loss of 204 thousand GEL (2019 6 months: loss of 356 thousand GEL).

Selling and Distribution expenses

The company's selling and distribution costs by periods and key categories are presented below:

(GEL)	2020 Half year	2019 Half year	2019 Full year
Salary expenses	(1,095,265)	(803,989)	(1,707,535)
Distribution expenses	(654,193)	(726,637)	(1,704,279)
Advertising expenses	(312,585)	(287,046)	(706,307)
Other	(349,407)	(230,262)	(541,350)
Total	**(2,411,450)**	**(2,047,934)**	**(4,659,471)**

During the first half of 2020, selling and distribution expenses increased by 18% compared to the same period of the previous year and amounted to 2,411 thousand GEL (2019 6 months: 2,048 thousand GEL).

Selling and distribution expenses combine costs that are directly related to product sales. The most important part of selling and distribution expenses - 45% were salary expenses, amounting to 1,095 thousand GEL, these expenses increased by 36% compared to the same period last year (2019 6 months: 804 thousand GEL). Salaries include the salaries of distributors, shipping workers, sales staff. Most of the wages combined in this category are variable, their large share comes from exports and depends on the number of sales.

General and administrative expenses

As of the first half of 2020, General and administrative expenses of the company increased by 7% compared to the same period of the previous year and amounted to 4,689 thousand GEL (2019 6 months: 4,398 thousand GEL).

Breakdown of administrative expenses by periods are given below:

(GEL)	2020 Half year	2019 Half year	2019 Full year
Staff costs	945,986	717,208	1,604,728
Vineyards maintenance expenses	667,132	723,378	1,218,651
Depreciation and amortization*	516,583	218,579	633,016
Taxes other than income tax	625,335	551,357	1,092,025
Impairment losses of trade and other receivables	178,896	638,778	686,730
Bank charges	-	-	187,041
Transportation	125,555	175,305	419,087
Business trip expenses	-	-	367,991
Professional services	113,887	110,057	346,848
Repair and maintenance	111,149	76,523	228,017
Charity	104,392	47,776	84,519
Impairment losses of inventory	255,974	258,534	366,510
Other	1,044,205	880,487	1,145,508
Total General and administrative expenses	**4,689,094**	**4,397,982**	**8,380,671**

*Note: * General and administrative expenses include only the part of total accrued depreciation that is accrued on general use assets such as office building, furniture, etc. Total depreciation on the company's assets during 2020 is 2,551 thousand GEL (2019 6 months: 2,209 thousand GEL), the main part of depreciation is recorded in the cost of goods sold.*

According to the data of 6 months of 2020, the salary expenditures amounted to GEL 946 thousand, which was 20% of the total general and administrative expenses. The salary expenditures have increased by 32% compared to the same period of the previous year. During 2020, the company has grown from 830 employees to 850 as a result of the company’s active investment policy. Amount of qualified employees such as project managers, brigadiers, farm managers have increased, which caused increase of average salary.

Interest Expenses

As of the first half of 2020, total interest expenses of the company doubled compared to previous year and amounted to GEL 5,497 thousand (2019 6 months: 2,780 thousand GEL). The reason for the doubling is the increase in the leverage of the company, during the 6 months of 2020 the company obtained additional financial liabilities of GEL 36.4 million. Detailed information on the purpose of loans taken in 2020 is presented in the section "Information on capital and loan liabilities".

The company accounts for interest expenses in 2 methods:

Capitalized interest expenses:

The cost of borrowed funds directly related to the construction of an asset is capitalized and is included in the cost of the asset, when it is expected that these costs will bring economic benefits to the enterprise in the future and when these costs can be measured accurately. Capitalization of interest expense starts from the moment when all the following conditions are met:

- Initial costs have been incurred on the asset under construction;
- Initial costs related to the borrowed funds are incurred;
- Necessary works to bring the asset to its intended purpose or to bring it up for sale have commenced;

Capitalization of borrowing-related expenses is temporarily suspended when the process of conducting active work on the asset is delayed. The process of capitalization of the cost associated with borrowed funds ceases when, in principle, all active work required for bringing the asset to its intended use or preparation for sale is completed.

The company has capitalized GEL 1,867 thousand interest expenses on current construction assets as of 6 months of 2020. (6 months of 2019: 1,112 thousand GEL).

Interest expenses recognized in P&L:

The remaining interest expenses are recorded by the Company in the income statement. As of 6 months of 2020, the interest expenses recognized in statement of profit and loss amounted to GEL 3,630 thousand (GEL 1,668 thousand). Interest expenses a recognized excluding government subsidies.

Overview of Cash Flow Statement

Proper cash flow management is important for the company due to the current active investment strategy and existing voluminous interest liabilities.

Cash flows from operating activities are presented below:

	Unaudited	**Unaudited**	**Audited**	**Audited**
(GEL)	**2020** 6 Month	**2019** 6 Month	**2019** 12 Month	**2018** 12 Month
Cash flow from operating activities				
Profit before income tax	553,549	7,454,201	23,070,806	24,246,880
Adjustments:				
Financial expenses	3,630,340	1,668,320	4,401,120	3,198,348
Impairment losses of trade and other receivables	178,896	638,778	686,730	486,871
Depreciation and amortization	2,551,145	2,209,472	4,646,095	3,062,721
Government grant amortization	(20,060)	(774,366)	(1,174,546)	(546,201)
Impairment losses of inventory	255,974	258,534	366,510	184,781
Gratuitous delivery	75,084	132,920	259,761	384,445
Initial recognition of agricultural produce	-	-	(1,207,307)	(1,193,980)
Revenue from financial liabilities derecognition	(80,128)	(30,323)	(70,266)	(329,182)
Net loss from fair value accounted financial liabilities	2,769,352	1,368,536	964,630	969,684
Net foreign exchange loss	6,350,393	2,592,049	2,662,682	881,422
Cash inflow from operating activities before changes in operating assets and liabilities	**16,264,545**	**15,518,121**	**34,606,215**	**31,345,789**
Movements in working capital:				
Increase in inventories	8,576,464	3,346,052	(5,922,344)	(12,709,911)
Decrease/(increase) in trade and other receivables	(2,074,938)	1,717,863	(2,030,104)	2,243,006
Increase/(decrease) in trade and other payables	3,753,295	913,087	4,162,779	3,588,724
Decrease in deferred revenue	-	-	-	1,031,918
Cash inflow from operating activities	**26,519,366**	**21,495,123**	**30,816,546**	**25,499,526**
Interest paid	(5,497,462)	(2,780,170)	(6,845,149)	(4,119,246)
Net cash inflow from operating activities	**21,021,904**	**18,714,953**	**23,971,397**	**21,380,280**

Although the company's net profit decreased significantly by 93% compared to the previous period and amounted to 493 thousand GEL (2019 6 months: 7,358 thousand GEL), the company's cash flow statement is sound, indicating that the company's operating activities are stable compared to previous years. During 2020, there were non-monetary expenses such as losses from the difference between the exchange rates of 6.4 million GEL, due to the depreciation of the local currency, the exchange rate of the company doubled compared to the previous period (2019 6 months: 26 million GEL).

Cash inflows from operating activities amounted to GEL 26.5 million in the first half of 2020, an increase of 23.4% compared to the same period from last year. The main reason for this change is the decrease in inventories (by GEL 8.6 million) and the increase in trade and other liabilities (by GEL 3.8 million), which in turn is corrected by the increase in trade and other receivables (GEL 2.1 million). In total, the change in working capital had a positive effect of GEL 10.2 million on the inflow of funds from the Company from operating activities.

Investing activities:

	Unaudited	Unaudited	Audited	Audited
(GEL)	**2020** 6 Month	**2019** 6 Month	**2019** 12 Month	**2018** 12 Month
Cash received from grants related to assets	457,770	1,860,923	3,534,731	108,276
Proceed from issued loans	-		-	259,866
Net cash flow from fair value accounted financial instruments	(1,225,495)	(303,534)	(537,628)	(90,640)
Payments for property, plant and equipment	(25,863,438)	(46,514,471)	(77,110,320)	(24,632,171)
Proceeds from disposal of property, plant and equipment	207,632	105,122	210,245	63,176
Payments for biological assets	(12,743,117)	(7,551,052)	(12,190,274)	(2,575,174)
Payments for intangible assets	(91,655)	(84,453)	(84,453)	(79,830)

Net cash flow from investing activities	**(39,258,303)**	**(52,487,465)**	**(86,177,699)**	**(26,946,497)**

With free cash flows generated from operating activities and funds received from financial activities, in 2019-2020 the company implements an active investment policy. According to the data of the first half of 2020, 65% of the total cash spent on investment activities - 25,863 thousand GEL was allocated to investment in fixed assets, which includes investment in real estate throughout Georgia - agricultural land and commercial real estate. Detailed information about the investments made by the company during the last two years is presented in the subsection "*Investments*".

In terms of vineyard cultivation, 2019 was more capital intensive than 2020. During this period, the company purchased agricultural land throughout Georgia, which is combined with fixed assets - 77.1 million GEL. In the 12 months of 2019, 1.4 million vines were planted on these lands, and in the first half of 2020, 3 million vines were added, which increased the total number of plantations to 4.7 million. Therefore, as of the first half of 2020, compared to the previous period, investment in biological assets increased by 69% and amounted to 12.7 million GEL (2019 half year: 7.6 million GEL).

Financial activities:

	Unaudited	***Unaudited***	***Audited***	***Audited***
(GEL)	**2020** 6 Month	**2019** 6 Month	**2019** 12 Month	**2018** 12 Month
Dividends paid	(590,094)	(936,119)	(2,443,957)	(3,403,161)
Proceeds from borrowings	36,365,977	64,780,687	116,573,758	42,719,346
Payment of borrowings	(18,862,359)	(31,790,549)	(53,364,774)	(30,351,467)
Net cash flow from financial activities	**16,913,524**	**32,054,019**	**60,765,027**	**8,964,718**

As of the first half of 2020, cash inflows from financial activities decreased by 47% compared to the same period of the previous year and amounted to GEL 16.9 million.

The company borrowed a total of GEL 36.4 million during 2020. Detailed information on the purpose of loans taken in 2020 is presented in the section *"Information about Capital and Loan Liabilities"*.

The loans repaid by the company in 2020 is reduced by 41% compared to the same period of the previous year, which is partly due to the three-month grace period issued by the bank during the Covid pandemic, and on the other hand by refinancing existing liabilities totalling GEL 2,444 thousand until the second quarter of 2021.

Regulatory Environment

Production of alcohol beverages

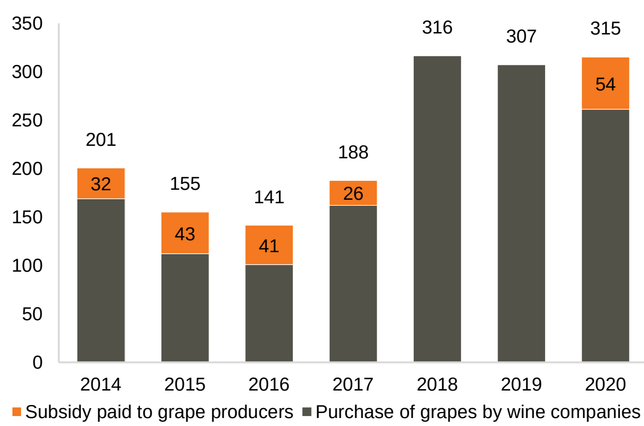
The state has been subsidizing grape production for years, as wine is a major export and also a strategically important product for Georgia's regional development. The subsidy was mainly concentrated on endogenous species such as Alexandroupoli-Mujuretuli, as well as mass-produced Rkatsiteli and Saperavi.

The state subsidy for grapes was completely abolished in 2018 and 2019, due to the high demand for Georgian wine in the export markets. State subsidies paid to grape growers were reduced from GEL 42.9 million in 2015 to GEL 25.7 million in 2017, before being completely discontinued in 2018. Despite the removal of the subsidy, the market price of grapes increased in 2018, due to high demand from wine companies. In addition to subsidizing grapes, the government has also supported the sector through grants and subsidized loans in recent years.

To avoid the negative impact of the coronavirus in 2020, the state again imposed a subsidy on grape growers. The subsidy was 0.3 tetri for 1 kg of Rkatsiteli and Kakhetian greens. The wine company would receive a subsidy if it received more than a thousand tons of Rkatsiteli or Kakhetian greens and paid at least 80 tetri. It should be noted that considering the subsidy, the average price of Rkatsiteli in 2020 was exactly 0.8 GEL (+ 13.8% annual growth), and the price of Kakhetian greens was 1.1 GEL (+ 4.9% annual growth). In 2020, the subsidy amounted to about GEL 50 million.

Purchase of grapes by state-owned companies is an additional method of stimulating the sector. For the second year in a row, the state company "Akura" has been calling for grapes from farmers and creating additional demand for them. In 2020, another state-owned company Khkh bought grapes.

Figure 28: Revenue of grape producers per harvest, GEL mn



Source: National Wine Agency, G&T Research

There are 24 types of wine in Georgia, with the name of the place of origin. The most common grape varieties in Georgia are Rkatsiteli and Saperavi, from which white and red wines are made, respectively.

Protected Denomination of Origin (PDO) is an internationally recognized classification system, which is used to identify a product manufactured within a defined geographical area and with a defined technology. Wines of origin distinguish Georgia and put it on the map of global producers and wines. Wines of origin are usually more expensive than other sources of wine because they are limited in quantity. The quality of the wine of origin is strictly controlled by the National Wine Agency.

Table 1: PDO Wines in Georgia

Name	Grape species	Type of wine	Region
Tibaani	Rkatsiteli	White dry	Kakheti
Kardenakhi	Rkarsiteli, khikhvi, Kakhetian Green	White	Kakheti
Kotekhi	Rkatsiteli, Saperavi	White dry, Red dry	Kakheti
Akhasheni	Saperavi	Red semi-sweet	Kakheti
Mukuzani	Saperavi	Red dry	Kakheti

Vaizisubani	Rkatsiteli 85%, Kakhetian Green15%	White dry	Kakheti
Gurjaani	Rkatsiteli 85%, Kakhetian Green15%	White dry	Kakheti
Teliani	Kaberne Sovinion	Red dry	Kakheti
Tsinandali	Rkatsiteli 85%, Kakhetian Green15%	White dry	Kakheti
Napareuli	Rkatsiteli, Saperavi	White dry, Red dry	Kakheti
Kindzmarauli	Saperavi	Red semi-sweet, Red dry	Kakheti
Kvareli	Saperavi	Red dry	Kakheti
Manavi	Kakhetian Geen 85%, Rkatsiteli 15%	White dry	Kakheti
Kakheti	Rkatsiteli, Kakhetian Green	White dry	Kakheti
Ateni	Chinese, Goruli Green, Aligote	Sparkling white	Shida Kartli
Sviri	Tsolikauri, Tsitska, Krakhuna	White dry	Imereti
Tvishi	Tsolikauri	White semi-sweet	Racha-Lechkhumi
Khvanchkara	Aleksandrouli, Mujuretuli	Red semi-sweet	Racha-Lechkhumi
Khashmi Saperavi	Saperavi	Red dry	Kakheti
Bolnisi	Rkatsiteli, Saperavi, Chinese,Goruli Green, Tavkveri, Shavkapito	Dry (white, red, pink, amber)	Kvemo Kartli
Salkhino Ojaleshi	Ojaleshi	Red dry	Samegrelo
Akhmetian Green	Kajhetian Green	Semi-dry or Semi-sweet white	Kakheti
Tsarapi	Rkatsiteli, Kakhetian Green, Khikhvi	White dry	Kakheti
Akhebi	Saperavi	Red dry	Kakheti

Source: National Wine Agency, Galt & Taggart

The National Wine Agency is a state-owned company that controls the quality of wine, certifies exports, ensures the harvesting process, provides primary marketing activities in export markets, and fights counterfeiting around the world. It is true that wine and spirits exporters, like all exporters in Georgia, do not pay any additional fees for exports, but they are required to obtain an export certificate from the National Wine Agency. The certificate certifies the quality of the product, authorizes the use of the appellation of origin and protects the counterfeit product from entering the export markets. In addition to all this, the National Wine Agency also helps to develop local viticulture, conducts research on vine varieties, establishes a vineyard cadaster, establishes procedures related to the place of origin, and so on.

National Food Agency and regulations

KTW business activities, including manufacturing wine, alcoholic beverages and tinned fruit, are monitored by National Food Agency (NFA). Additionally, activities concerning wine and spirits are monitored by National Wine Agency (NWA). Company is regulated by the code on "Food/Animal Food safety, Veterinary and Plant Protection", government resolutions about food and plants, orders about sanitarian norms, product quality, product processing, plants, keeping and labeling issued by the ministers of agriculture and health and social protection of Georgia. Also, company is regulated by Georgian Law on "vine and wine".

The Code of Food / Animal Safety, Veterinary and Plant Protection regulates the basic principles and requirements of food safety, types of state control, types of authorized bodies, competencies of business authorities, obligations of business operator, basic requirements for plant protection, import/export of plant products, defined responsibilities, labeling obligation, etc.

The National Food Agency is a legal entity of public law under the state control of the Ministry of Agriculture and Environment of Georgia established on the basis of this Code. It monitors the market and verifies the compliance of the activities and products of business operators with the norms provided by law. It also assists business operators by clarifying norms and gives constructive recommendations to correct deficiencies. The National Food Agency monitors throughout Georgia, both in terms of food safety and veterinary and plant protection.

The Law of Georgia on Vine and Wine, along with other by-laws, defines the norms, technological process and quality indicators related to the bottling of wine and brandy. The National Food Agency monitors compliance with these norms, while the National Wine Agency monitors the quality of the wine and its compliance with the name.

The company does not need a license to produce alcoholic beverages.

The company has registered various trademarks in Sakpatenti, both in the field of alcohol production and food production. Trademarks include and combine: logo, label, name, etc. The full list of trademarks registered in Sakpatenti is presented on the official website: http://www.sakpatenti.gov.ge/

The company may be held liable for any breach of food safety regulations

As the company cultivates, processes and delivers food, the company is required to comply with the requirements of the Food / Animal Food Safety, Veterinary and Plant Protection Code, such as plant protection requirements, supporting for state control, supply of food to consumers, the rules of labeling and expiration date, the instructions related to the destruction of food. Failure to comply with the requirements of this Code will result in the imposition of a fine of GEL 500 to GEL 4,000 in different cases.

In case of vine cultivation, processing and its supply in any form, the company is obliged to comply with the requirements of the Law of Georgia on Vine and Wine, which are inspected by the National Wine Agency. Cases of non-compliance with the requirements of this law provide for sanctions in accordance with the rules established by the Minister of Agriculture, and the company may not be able to certify its products, which will negatively affect its image.

Hotel industry

Georgia does not require special permits to open a hotel, but a construction permit is required. Construction permit is issued for II, III, IV class buildings by the local self-government unit.

Registering a company is quick and easy. The company is registered by the National Agency of Public Registry in one day. Foreigners do not need special work permits. Citizens of almost 100 different countries can enter Georgia without a visa.

In 2010, the Georgian government established free tourist zones in Kobuleti, Anaklia and Ganmukhuri. Investors were offered plots of land at a symbolic price of GEL 1, and the hotel business was exempt from property and profit taxes until 2026. The government also provides:

A) The relevant infrastructure related to the hotel building (gas, water, sewerage system, electricity) will be in good condition or, if necessary, new infrastructure will be built;

B) Access roads to the hotel will be built and maintained;

C) The land on the territory of each hotel will be landscaped

D) A construction permit is issued in a simplified manner

As of the date of issue of the prospectus, the issuer does not use these and other state benefits listed above in the Law of Georgia on Promoting the Development of Free Tourist Zones.

Information on Already Known Trends, Uncertainties, Requirements or Events that May Have a Material Impact on the Issuer's Operations during at Least the Current Financial Year.

Given the changing political and economic environment, it is impossible to make predictions.

Governing Body and Management

The day-to-day management of the company is carried out by its 100% owner and CEO. Top management will consider the CEO and CFO who make decisions about the day-to-day operations of the company.

General Meeting

The highest governing body of the company is the General Meeting of partners.
The company has a sole partner and at the same time its CEO - Zurab Chkhaidze.
The partner makes decisions such as:

- Filling and receiving annual reports, as well as distribution of results;
- Appointment and challenge of the director;
- Changing the charter of the society, etc.

A protocol of the partner's decision is made about the decision.

Supervisory Board

Since November 26, 2020, the company has established a Supervisory Board. The Supervisory Board consists of at least three members. The number and composition of the Supervisory Board shall be determined by the General Meeting of Partners. The members of the Supervisory Board are elected and dismissed by the General Meeting of Partners. Each member of the Supervisory Board is elected by the General Meeting for a term of 1 (one) year. Supervisory Board meetings are held at least once a quarter. The invitation must be made in writing, at least 8 days in advance, according to the approximate agenda. The Supervisory Board makes decisions with 100% of the votes of the members present.

The competence of the Supervisory Board includes the following:

- Defining the principles of securities issuance policy by the company;
- Develop relevant proposals for the issuance of securities by the company, submit them to the partner and the director.
- The Supervisory Board has no right to interfere in the activities of the company, except for activities related to the issuance of securities by the company;
- Request a report from the director on the activities of the company once every 3 months.
- Develop a draft annual and quarterly budget of the company and submit it to the general meeting of partners for approval, as well as receive a report on the implementation of the annual and quarterly budget from the General Director of the company.
- Representation in agreement with the partner of the company in the processes it conducts against the CEO.
- Control and inspection of the financial documentation of the company, as well as the condition of property objects, in particular, the cash register of the company and goods;

Members of the Company Supervisory Board

According to the decision of the company partner on November 26, 2020, the members of the Supervisory Board were appointed the Head of the Strategic Development Department of the company - Alexander Chkhaidze (ID: 0100804358), Independent Member of the Supervisory Board - Kakha Chumburidze (ID: 01010005891), partner and executive director of the company Zurab Chkhaidze (ID: 01017000455), the financial director of the company - Koba Kharzeli (ID: 01012016135), the director of the companies in the issuer group - "Old Kakheti Distribution Company Ltd" and "Kakhetian Traditional Winemaking-Agro Chokhatauri" Ltd - Ruslan Makatsaria (ID: 01007005663) and the chief accountant of the company - Tea Tebidze (ID: 61001019197).

Alexander Chkhaidze - Head of Strategic Development Department, Member of the Audit Committee and Chairman of the Supervisory Board

Alexander has been the Head of the Strategic Development Department since May 2017. At the same time, Alexander has been a co-founder of Vault Wines Technology Company since 2018, and since 2017 he is a co-founder of Sando Group technology company. Alexander received a degree in Business Administration from New York University.

Kakha Chumburidze - Chairman of the Audit Committee and Independent Member of the Supervisory Board

Kakha Chumburidze has been holding the position of the Supervisory Board of the company since November 2020, at the same time, since 2015, Kakha has been holding the position of the First Vice President of the Georgian Football Federation. In 2007-2015 he was the General Director of the football club "Saburtalo". In 2006-2007 Kakha headed the Department of Sports and Culture at Tbilisi Medical University, and in 2004-2006 he worked as a technical director at the football club "Dinamo". Kakha was educated at the Georgian Zootechnical-Veterinary Institute.

Zurab Chkhaidze - 100% owner of the company, General Director and member of the Supervisory Board

Zurab has been the CEO of the company since its inception in 2001. From 1997 to 2001, he worked for the Askanel Brothers Ltd. as co-founder and CEO of this company. Zurab holds a bachelor's degree in microeconomics and management from Ivane Javakhishvili State University, a master's degree in food production management from the Georgian Technical University, and in 2017 he acquired PhD business technologies at the same university.

Koba Kharkheli - Financial Director of the Company, Member of the Audit Committee and Member of the Supervisory Board

Koba Krakheli has been holding the position of CFO of the Group since 2013. Prior to joining the company, he worked for Good Valley LLC in 2009-2011 and for New Style Construction Company in 2008-2009, where he also held the position of Business Manager. In 2006-2008, Koba held the position of Vice Director at the Accounting and Consulting Group. Prior to that, he was the Financial Supervisor of Burji Ltd. He holds a bachelor's degree in mechanical engineering from the Georgian Technical University. Koba took ESM Corporate Finance courses in 2007-2008 and Business Management courses in 2002-2008.

Ruslan Makatsaria - Director of Old Kakheti Distribution Company Ltd and Kakhetian Traditional Winemaking-*Agro Chokhatauri Ltd, member of the Audit Committee and member of the Supervisory Board.*

Ruslan Makatsaria holds the position of Director of Old Kakheti Distribution Company Ltd and Kakhetian Traditional Winemaking-Agro Chokhatauri Ltd from 2019 to present, in 2008-2019 he worked as the Director of Makro Ltd. In 1992-2008 he was the founder and chairman of the board of directors of JSC Albatross. Ruslan holds a Bachelor's and Master's degree in Engineering Technician from the Georgian Technical University in 1985-1992.

Tea Tebidze - Chief Accountant and Member of the Supervisory Board

Tea has been holding the position of Chief Accountant of "Kakhetian Traditional Winemaking" since 2015. In 2011-2015 he worked in a similar position in a Georgian-Austrian company. In 2000-2001, Tea worked as an International Relations Specialist at the Ministry of Foreign Affairs of Georgia. Tea has earned the status of a member of the International Association of Chartered Accountants. In 1997, Tea studied at Batumi Sh. At Rustaveli State University, Faculty of Western European Languages.

Directors of Issuer

General Director of the company - Zurab Chkhaidze

The director is responsible for the day-to-day management of the company. Its obligations include:
• Managing the day-to-day activities of the company
• Prepare an annual budget
• Introducing the company to third parties
• Hiring / firing employees

The management structure of the group includes the following sections:
A) Department of Human Resources Management, Quality Control and Monitoring;
B) Financial Department
C) Production department
D) Sales department
E) Food and Beverage Department;
G) kitchen department;
H) Operating department;
I) Administrative department

The current senior management of the company includes the CEO and the Chief Financial Officer.

Name	Position	Terms of employment
Zurab Chkhaidze	CEO	Perpetual
Koba Khakheli	CFO	Perpetual

Zurab Chkhaidze - 100% owner and general director.
Zurab has been the CEO of the company since its inception in 2001. From 1997 to 2001, he worked for the Askaneli Brothers Ltd. as co-founder and CEO of this company.

Zurab holds a bachelor's degree in microeconomics and management from Ivane Javakhishvili State University, a master's degree in food production management from the Georgian Technical University, and in 2017 he defended his doctorate in business technologies at the same university.

Koba Kharkheli - Financial Director.
Mr. Koba has held the position of CFO of the Group since 2013. Prior to joining the company, he worked for Good Valley LLC in 2009-2011 and for Akhali Style Construction Company in 2008-2009, where he also held the position of Business Manager. In 2006-2008, Koba held the position of Vice Director at the Accounting and Consulting Group. Prior to that, he was the Financial Supervisor of Burji Ltd .He holds a bachelor's degree in mechanical engineering from the Georgian Technical University. Koba took courses of corporate finance in ESM Tbilisi in 2007-2008 and Business Management in 2002.

Related Party Transactions

According to IAS 24 (Related Party Explanatory Notes), parties are considered related if one party has the ability to control the other party or to have a significant influence on the other party's financial and operational decisions. When considering each possible relationship, attention is paid to the content of the relationship and not just the legal form.

Related parties may enter into transactions that were not entered into by unrelated parties and transactions between related parties may not be concluded on the same terms and amounts as transactions entered into between unrelated parties. All related party transactions discussed below were conducted on an 'open hand' basis.

Transactions between Group companies are eliminated in the consolidated financial statements.
Remuneration for top management looks like this:

(GEL,000')	**2020**	**2019**	**2018**
Remuneration of Senior management	154,334	308,667	312,834

The Issuer's Individual and Consolidated Balance Sheet and Income Statement are disclosed in the Appendix 1 of the Prospectus.

Statement of Financial Position

The consolidated balance sheet of the company is presented below:

Consolidated balance sheet	Unaudited	Audited	Audited
(GEL)	**2020** 30 June	**2019** 31 December	**2018** 31 December
Assets			
Non-current assets			
Property, Plant and equipment	171,040,734	144,698,612	78,160,320
Biological assets	27,611,821	12,725,094	3,962,587
Intangible assets	415,252	323,597	256,284
Total non-current assets	**199,067,807**	**157,747,303**	**82,379,191**
Currents Assets			
Cash and cash equivalents	767,732	2,221,139	4,038,890
Financial assets at fair value through profit or loss	1,050	208,881	234,780
Trade and other receivables	40,344,112	35,915,467	22,026,128
Inventory	54,029,667	62,435,687	55,895,919
Total current assets	**95,142,561**	**100,781,174**	**82,195,717**
Total assets	**294,210,368**	**258,528,477**	**164,574,908**
Equity			
Charter capital	408,374	408,374	408,374
Retained earnings	118,536,798	118,634,089	99,641,689
Total Equity	**118,945,172**	**119,042,463**	**100,050,063**
Non-current liabilities			
Borrowings	100,332,800	-	30,737,246
Deferred revenue	60,180	80,240	1,254,786
Total Non-current Liabilities	**100,392,980**	**80,240**	**31,992,032**
Current Liabilities			
Trade and other payables	21,687,109	14,571,834	8,256,540
Financial Liabilities at fair value	2,850,953	1,514,927	1,113,824
Short-term borrowings	50,334,154	123,319,013	23,162,449
Total Current Liabilities	**74,872,216**	**139,405,774**	**32,532,813**
Total Liabilities	**175,265,196**	**139,486,014**	**64,524,845**
Total Equity and Liabilities	**294,210,368**	**258,528,477**	**164,574,908**

Statement of Operational Results

The company's consolidated profit and loss statement is presented below:

Statement of Profit or Loss (Consolidated)	Unaudited	Unaudited	Audited	Audited
(GEL)	**2020** 6 month	**2019** 6 month	**2019** 12 month	**2018** 12 month
Revenue	51,185,113	46,391,666	105,239,812	84,523,905
Cost of goods sold	(31,014,920)	(27,983,130)	(63,552,888)	(46,307,617)
Gross Profit	**20,170,193**	**18,408,536**	**41,686,924**	**38,216,288**
Selling and distribution expenses	(2,411,450)	(2,047,934)	(4,659,471)	(4,722,116)
General and administrative expenses	(4,689,094)	(4,397,982)	(8,380,671)	(6,499,082)
Other income	233,985	1,120,486	2,452,456	2,301,244
Operating profit	**13,303,634**	**13,083,106**	**31,099,238**	**29,296,334**
Net loss from fair value accounted financial instruments	(2,769,352)	(1,368,536)	(964,630)	(969,684)
Financial expenses	(3,630,340)	(1,668,320)	(4,401,120)	(3,198,348)
Foreign exchange loss	(6,350,393)	(2,592,049)	(2,662,682)	(881,422)
Income before income tax expense	**553,549**	**7,454,201**	**23,070,806**	**24,246,880**
Income tax (expense)/ benefit	**(60,746)**	**(96,367)**	(459,017)	(350,332)
Net income for the year	**492,803**	**7,357,834**	**22,611,789**	**23,896,548**

Statement of Cash Flow

The Company Cash Flow Statement is presented below:

Consolidated Cash Flow Statement	Unaudited	Unaudited	Audited	Audited
(GEL)	**2020** 6 Month	**2019** 6 Month	**2019** 12 Month	**2018** 12 Month
Cash flow from operating activities				
Profit before income tax	553,549	7,454,201	23,070,806	24,246,880
Adjustments:				
Financial expenses	3,630,340	1,668,320	4,401,120	3,198,348
Impairment losses of trade and other receivables	178,896	638,778	686,730	486,871
Depreciation and amortization	2,551,145	2,209,472	4,646,095	3,062,721
Government grant amortization	(20,060)	(774,366)	(1,174,546)	(546,201)
Impairment losses of inventory	255,974	258,534	366,510	184,781
Gratuitous delivery	75,084	132,920	259,761	384,445
Initial recognition of agricultural produce	-	-	(1,207,307)	(1,193,980)
Revenue from financial liabilities derecognition	(80,128)	(30,323)	(70,266)	(329,182)
Net loss from fair value accounted financial liabilities	2,769,352	1,368,536	964,630	969,684
Net foreign exchange loss	6,350,393	2,592,049	2,662,682	881,422
Cash inflow from operating activities before changes in operating assets and liabilities	**16,264,545**	**15,518,121**	**34,606,215**	**31,345,789**
Movements in working capital:				
Increase in inventories	8,576,464	3,346,052	(5,922,344)	(12,709,911)
Decrease/(increase) in trade and other receivables	(2,074,938)	1,717,863	(2,030,104)	2,243,006
Increase/(decrease) in trade and other payables	3,753,295	913,087	4,162,779	3,588,724
Decrease in deferred revenue	-	-	-	1,031,918
Cash inflow from operating activities	**26,519,366**	**21,495,123**	**30,816,546**	**25,499,526**
Interest paid	(5,497,462)	(2,780,170)	(6,845,149)	(4,119,246)
Net cash inflow from operating activities	**21,021,904**	**18,714,953**	**23,971,397**	**21,380,280**
Cash flows from investing activities				
Cash received from grants related to assets	457,770	1,860,923	3,534,731	108,276
Proceed from issued loans	-		-	259,866
Net cash flow from fair value accounted financial instruments	(1,225,495)	(303,534)	(537,628)	(90,640)
Payments for property, plant and equipment	(25,863,438)	(46,514,471)	(77,110,320)	(24,632,171)
Proceeds from disposal of property, plant and equipment	207,632	105,122	210,245	63,176
Payments for biological assets	(12,743,117)	(7,551,052)	(12,190,274)	(2,575,174)
Payments for intangible assets	(91,655)	(84,453)	(84,453)	(79,830)
Net cash flow from investing activities	**(39,258,303)**	**(52,487,465)**	**(86,177,699)**	**(26,946,497)**
Cash flows from financing activities				
Dividends paid	(590,094)	(936,119)	(2,443,957)	(3,403,161)
Proceeds from borrowings	36,365,977	64,780,687	116,573,758	42,719,346
Payment of borrowings	(18,862,359)	(31,790,549)	(53,364,774)	(30,351,467)
Net cash flow from financial activities	**16,913,524**	**32,054,019**	**60,765,027**	**8,964,718**
Net increase/(decrease) in cash and cash equivalents	**(1,322,875)**	**(1,718,493)**	**(1,441,275)**	**3,398,501**
Cash and cash equivalents at the beginning of the year	2,221,139	4,038,890	4,038,890	1,444,407
Effect of changes in foreign exchange rate	(130,532)	(449,697)	(376,476)	(804,018)
Cash and cash equivalents at the end of the year	**767,732**	**1,870,700**	**2,221,139**	**4,038,890**

Dividends Policy

The company has no declared dividend policy.

The actual dividend is issued several times a year, following a review by the CFO and CEO of the Company's current and forecast operating activities.

During the first half of 2020, the company announced and issued a dividend of GEL 590,094. (2019: GEL 2,443,957, 2018: GEL 3,403,161).

Important Litigation Cases

The company's significant litigation for the date of submission of the prospectus are presented below. The total amount of disputes in court, the detailed information of which is not given below, does not exceed 5,000 (five thousand) GEL.

Dispute N1:
Plaintiff: - Kakhetian Traditional Winemaking Ltd
Defendant: - Revenue Service of the Ministry of Finance of Georgia and the Dispute Resolution Board with the Ministry of Finance of Georgia.

Disputable amount: 885,965 (eight hundred ninety five thousand nine hundred sixty five) GEL.

Content of the dispute:
The full tax period of the company from 2014 to 2018 was examined by the controller. As a result, the controller charged the company an additional VAT refund of GEL 885,965. The additional tax was levied on the company in connection with a contract for the sale of alcoholic beverages with a partner distributor of Ukrainian export sales, which included the placement of products for sale and advertising in various supermarkets in the market. This commercial operation was perceived by the tax authority as a lease for supermarket counters. The lease imposed covers the period 2016-2018.

The decision was appealed to the LEPL Revenue Service of the Ministry of Finance of Georgia, but the appeal was not upheld, which in turn was appealed to the Dispute Resolution Board of the Ministry of Finance of Georgia, the appeal was not upheld this time either.

Status: By the date the prospectus, a case has been filed in the Court of First Instance and the company is awaiting a court hearing.

Dispute N2:

Plaintiff: - State Property Management Agency
Defendant: - KTW Khobi Ltd

Disputable amount: 1,850,110 (one million eight hundred thousand) GEL.

Content of the dispute:
Based on the Decree # 949 of the Government of Georgia of May 27, 2016, a conditional purchase agreement was signed between the parties, on the basis of which 12,416 sq.m of real estate and the building located on it were transferred to KTW Development Ltd. In the settlement of Aieti in Khobi.

The company was contractually obliged to build a hazelnut processing plant on the transferred property with a minimum investment of 1,453,600 GEL. The company failed to meet this obligation in a timely manner. The National Agency for State Property canceled the contract with the company and fined the company GEL 1,850,109.6.

Status: For the prospectus filing date, the company is waiting for the court hearing to be scheduled.

Description of Significant Changes in the Financial or Commercial Condition of the Issuer

No other significant changes related to the issuer or its financial or commercial activities have taken place since 31 December 2018 before the date of the Prospectus preparation.

Charter Capital

The total consolidated charter capital of the Group has not changed during the last three years and as of June 30, 2020 amounts to 408,374 thousand GEL (31/12/2019: 408 thousand GEL; 31/12/2018: 408 thousand GEL).

The charter capital consists of the contributions of 100% of the group owner Zurab Chkhaidze.

With the establishment of the company or increase of the charter capital, the contribution can be made in any currency. In public accounting books, the amount is denominated in the national currency, and contributions may also be presented in the form of other property or non-property items to be assessed by an independent expert. The partner responsible for the contribution is liable to the public for the value of the non-cash contribution that this object had at the time of registration.

Rights and responsibilities of partners

The company has one founder and partner - Zurab Chkhaidze.

The partner has the full and unrestricted right to dispose of his / her share (or part of it) in the company (including the right to sell, donate, exchange, pledge without restriction). The partner has the right to receive a dividend from the profit of the "company" in proportion to his share.

Audit Committee

An Audit Committee has been set up with the Company's Supervisory Board, whose main function is to facilitate the functioning of internal audit and external audit. The Audit Committee consists of at least three members, appointed by the Supervisory Board. The Audit Committee shall include at least one independent member of the Supervisory Board. Other members of the Audit Committee are also appointed by the Company's Supervisory Board.

The members of the Audit Committee are:
Kakha Chumburidze (ID: 01010005891) - Independent member / chairman of the Audit Committee
Aleksandre Chkaidze (ID: 0100804358) - Member of the Audit Committee
Koba Kharkheli (ID: 01012016135) - Member of the Audit Committee
Ruslan Makatsaria (ID: 01007005663) - Member of the Audit Committee

Rights and responsibilities of the Audit Committee:

a) Control the truthfulness of the issuer 's financial statements;
b) Ensure the effectiveness of the internal control system and the independence of internal audit (if any);
c) Manage the relationship with the external auditor;
d) The Audit Committee provides the Supervisory Board with information on the results of the audit, the impact of the audit on the soundness of the financial statements, and the involvement of the Committee in this process;
e) The Audit Committee issues recommendations on ensuring the veracity of financial information and on the auditor / audit firm to be selected by the General Meeting;
f) The Audit Committee regularly submits a report on its activities to the Supervisory Board and, in its absence, to the General Assembly, and immediately reports any inconsistencies arising in the performance of their functions.

Audit Committee supervises:
a) The process of preparing financial statements;
b) The effectiveness of quality control, risk management and, if necessary, internal audit of financial information;
c) Audit of financial statements / consolidated statements taking into account the findings of the quality control system monitoring report;

The Audit Committee is chaired by the Chairman of the Committee, who is elected by the Supervisory Board.

The List of Documents that are Mentioned / Indicated in the Registration Document

The following documents are mentioned in the registration document:

- Consolidated Audited Financial Statements - 2018 and 2019 (uploaded on the website https://reportal.ge/Forms.aspx?payerCode=200075113&SystemID=0&show=1&np=1&cid=I&prd=);
- Company charter - (uploaded on the public registry portal napr.gov.ge);
- Agreement between the placement agent and the issuer - (the document can be obtained in physical form at the issuer's address);
- Agreement between the payment and settlement agent and the issuer - (the document can be obtained in physical form at the issuer's address);
- Agreement between the representative of the bondholders and the issuer - (the document can be obtained in physical form at the issuer's address);
- Real estate appraisal report compiled by LEPL Levan Samkharauli National Forensics Bureau - (the document can be obtained in physical form at the issuer's address).

Overview of the Securities

Statement about Working Capital

The working capital of the company (short-term assets minus short-term liabilities) as of June 30, 2020 was 20,270 thousand GEL, which is enough to finance current operations. The company's current and quick ratios are 1.27 and 0.55.

As of December 31, 2019, the working capital of the company is negative, as loans were classified as short-term liabilities due to breach of loan covenant. In case of non-violation of covenant, the working capital of the company would be 43.617 thousand GEL, current and quick ratios of 1.76 and 0.67, respectively.

The working capital of the company is sufficient to finance its current operations. As a result of the issuance of new bonds, working capital will increase to 53,270 thousand GEL. The current and quick ratios of the company will be 2.27 and 0.98, respectively.

Description of Conflicts of Interest of the Parties Related to the Offering

There is no conflict of interest between the company and the placement agent (as well as its affiliated bank), the parties are not affiliated and / or affiliated companies.
As far as the issuer is aware, the issuer's management, members or members of the supervisory board or partner are not going to participate in the offer and acquire the securities. The issuer has not been informed about the person who has expressed a prior desire to subscribe to more than 5% of the offer.

Information about the issuer registrar is provided in the *"Term Sheet Document"*

Information about the sequence of securities in case of insolvency / bankruptcy in the capital structure is presented in the *"Term Sheet Document"*.

Management persons and related parties shall not make trades with their own or another person's securities and / or other financial instruments related to the issuer's securities for at least 30 calendar days prior to the issuance of the statutory semi - annual or annual reports.

Terms and Conditions of the Bonds

The issue of up to USD 10,000,000 bonds, with coupon rate of not greater than 9% was authorized by a resolution of the Supervisory Board of the Company passed on 30 November 2020. The maturity of the bonds was determined to be December, 2022.
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 12 December, 2020 (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. The Agreement is available in Georgian Language. In case of existence of contradicting statutes between the agreement and the prospectus, terms and conditions of prospectus shall prevail.

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 6 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 the electronic form. Nominal value of a single bond is USD 1,000 (one thousand).

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

The Register and such other registries/records as referred to in the foregoing clause (ii) are hereinafter a "**Registry**."

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

a) Bond Offering Process

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

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

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

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

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

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

The issues and/or the agent are empowered to issue the bonds at the deferred price after the issue date till the date of the expiry of the offer (including the end of the aforementioned date). The deferred placement of the bonds will take place at the deferred price. The investors are allowed to express interest to acquire the deferred bonds by informing the Placement agent. Notifying the agent about the willingness to purchase the bonds is possible over electronic means of communication and/or by any other means allowed by the Placement agent.

Subscribing Investors and those investors, who acquire the bonds at the deferred date (mentioned below as "investors") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or before the deferred issue date. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer delivers the purchased Bonds to the same brokerage account either on the Issue Date or the deferred issue date. In exceptional cases, the Placement Agent may at its discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Subscribing Investor's brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorized Nominal Holder.

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

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

b) Changes during Public Offering

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

I. Submits to the National Bank of Georgia an amendment to the Prospectus explaining all changes made to the Prospectus;

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

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

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

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

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 1 month after the completion of the bond placement, the Issuer will submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

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

5. COVENANTS

a. **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**:

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

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

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

Representative, all the rights and obligations of the Issuer under the Bonds and the Agreement; and

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

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

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

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

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

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

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

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

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

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

(IV) This Condition 5(c) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) 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".

ii. **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 Issuer prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, at the request of Bondholders holding 20% or more (whether directly or through Nominal Holders) of outstanding Bonds the Issuer shall provide the Bondholders 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".

iii. **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 10 per cent. of the total consolidated assets of the Issuer determined by reference to the consolidated balance sheet of the Issuer prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, at the request of Bondholders holding 20% or more (whether directly or through Nominal Holders) of outstanding Bonds the Issuer shall provide the Bondholders with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

(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.

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

v. **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 2020, exceeds the sum of:

(a) 50 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2017 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 2017 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2017 of any Indebtedness of the Issuer into or for share capital of the Issuer; or

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

(i) any Indebtedness, provided that

(a) total Indebtedness of the Group excluding unsecured contingent liabilities arising in the ordinary course of business does not at any time exceed 65% (eighty per cent) of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; and

(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 5.5 to 1.

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

a. Inter-company indebtedness: between issuer and any subsidiary and between any subsidiary and another subsidiary

vii. **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.

viii. **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.

ix. **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.

x. **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 – "*Preliminary Term Sheet Document*" (*see, pg.1)*. The final interest rate is determined pursuant to Condition 2(a) ("*Bond Offering Process*") and will be reflected in the *"Final Term Sheet Document"*. The interest is payable quarterly according to the dates stated in *"Final Term Sheet Document"* (each an "**Interest Payment Date**").

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. The first payment will be made on the date specified in the *"Final Term Sheet Document"*.

Interest on bonds will be accrued prior to the date of their repayment / redemption, unless the principal has not been repaid to the "bondholder" at that time. In such a case, the accrual of interest will continue at the current rate until the amount payable on such bond has been paid in full to the relevant "bondholder" or his authorized representative.

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.

If an amount of interest payable in respect of any Bond, as calculated in accordance with these Conditions does not constitute an integral multiple of 0.01 GEL, such amount shall be rounded to the nearest integral multiple of 0.01 GEL (with 0.005 – 0.009 GEL being rounded up).

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**

i. **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 the date indicated in the *"Final Term Sheet Document"*. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

ii. **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.

iii. **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:
   1. Principal and interest on each Bond shall be paid to the Bondholders and Nominal Holders as recorded in the Register at the close of business (06.00 PM) 3 Business Days before the due date for payment thereof (the

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

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

3. 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.

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

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

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

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

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

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

9. TAXATION

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

10. **EVENTS OF DEFAULT**

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

i. **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

ii. **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

iii. **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

iv. **Insolvency**:
   1. 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;
   2. the Issuer or any Material Subsidiary fails or is unable to pay its debts generally as they become due; or
   3. the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer; or

v. **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$ 1,000,000 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, nationalized, expropriated or compulsorily acquired; or

vi. **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

vii. **Authorization and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorization, exemption, filing, license, 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

viii. **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.

The issuer shall submit the regulated information to the National Bank of Georgia in electronic form, in accordance with the relevant legislation. The issuer will also provide information to the "bondholders" by posting on the issuer's website the following issues: Any changes in the securities owner's rights, including changes to the securities terms that may have an indirect effect on the securities holder's rights or are derived from the loan or interest rate term changes; And other matters covered by the relevant legislation.

16. DEFINITIONS

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

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

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

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

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

"Deferred placement date" has the meaning indicated in "Term Sheet Document";

"Deffered placement price" has the meaning indicated in "Term Sheet Document";

"Offering Completion Date" has the meaning indicated in "Term Sheet Document";

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

"**Group**" means the Issuer and its 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;

“Net Financial Indebtedness” means, with respect to any Person at any date of determination (without duplication), Indebtedness minus cash and cash equivalents.

“EBITDA” - shall be calculated based on the Financial Statements of the Borrower prepared in accordance with IFRS as gross profit plus operating income less operating expenses and impairment of receivables, adding back costs for impairment of assets (and taking no account of the reversal of any previous impairment charge made in calculation period) and add back other non-cash items (e.g. share based compensation expenses).

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

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

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

a. which, for the most recent IFRS Fiscal Period, accounted for more than 5 per cent. of the consolidated revenues of the Group or which, as of the end of the most recent IFRS Fiscal Period, was the owner of more than 5 per cent. of the total consolidated assets of the Group, determined by reference to the consolidated financial statements of the Issuer prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; or
b. to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

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

"**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 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 4**Error! Reference source not found.** (*Disposals*), does not, at any such time, exceed 50 per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

(i) 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;

(j) 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;

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

(l) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (k) 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$30,000,000 or 35 per cent. of the total consolidated assets of 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;

(m) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (l) inclusive, provided that the aggregate amount of such collateral does not at any time exceed 70 per cent. of the total consolidated assets of 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.

"Preliminary Term Sheet Document" – The document of offering terms, which sets out the terms of the offer by disclosing the information available or the probable information at the date of its submission;

"Final Term Sheet Document" – The document of offering terms, listing final offering terms of the underlying security;

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).

Price Setting

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

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

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

Placement of the Bonds

The issuer and/or the agent are empowered to issue the bonds at the deferred price after the issue date till the date of the expiry of the offer (including the end of the aforementioned date). The deferred placement of the bonds will take place at the deferred price. The investors are allowed to express interest to acquire the deferred bonds by informing the Placement agent. Notifying the agent about the willingness to purchase the bonds is possible over electronic means of communication and/or by any other means allowed by the Placement agent.

Subscribing Investors and those investors, who acquire the bonds at the deferred date (mentioned below as "investors") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or before the deferred issue date. Subscribing Investors shall open such brokerage accounts with the Placement Agent. The Issuer delivers the purchased Bonds to the same brokerage account either on the Issue Date or the deferred issue date. In exceptional cases, the Placement Agent may at its discretion allow the Subscribing Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent (instead of the Subscribing Investor's brokerage account with the Placement Agent). In such cases, the Bonds are delivered to the account of the Subscribing Investor held with the Registrar or with other authorized Nominal Holder.

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

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

Listing and Admission to Trading

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

Taxation of the Bonds in Georgia

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

Withholding Tax on Interest

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

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

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

Interest paid to Bondholders that are companies registered in countries having preferential taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15%.

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

Taxation of bond alienation

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

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

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

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

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

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

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

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

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

Taxation of profit from sale of Bonds by Resident Individual Bondholders

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

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

Tax on Payment of Principal

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

Value Added Tax

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

The Consolidated and Individual Financial Statements of the Issuer - Appendix 1

The Consolidated Financial Statements for 2020 and Individual Financial Statements for 2019 and 2020 is not audited and in prepared by the management. The Consolidated Statements for 2019 and 2018 are audited.

Statement of Profit and Loss	Consolidated			Individual		
('000 GEL)	2020 (6 months)	2019 (12 months)	2018 (12 months)	2020 (6 months)	2019 (12 months)	2018 (12 months)
	unaudited	audited	audited	unaudited	unaudited	unaudited
Revenue	51,185	105,240	84,524	50,604	103,096	83,052
Cost of goods sold	(31,015)	(63,553)	(46,308)	(30,485)	(62,169)	(45,323)
Gross Profit	**20,170**	**41,687**	**38,216**	**20,119**	**40,927**	**37,729**
	(2,411)	(4,659)	(4,722)	(2,001)	(4,402)	(4,622)
Selling and distribution expenses	(4,689)	(8,381)	(6,499)	(3,190)	(6,507)	(5,066)
General and administrative expenses	234	2,452	2,301	367	3,962	2,268
Other income	**13,304**	**31,099**	**29,296**	**15,296**	**33,980**	**30,310**
Operating profit	(2,769)	(965)	(970)	(2,769)	(965)	(970)
	(3,630)	(4,401)	(3,198)	(3,884)	(6,246)	(3,862)
Net loss from fair value accounted financial instruments	(6,350)	(2,663)	(881)	(5,218)	(3,390)	(1,010)
Financial expenses	**554**	**23,071**	24,247	**3,424**	**23,380**	24,468
Foreign exchange loss	(61)	(459)	(350)	(61)	(252)	(350)
Income before income tax expense	**493**	**22,612**	**23,897**	**3,364**	**23,128**	**24,117**
Income tax (expense)/ benefit	-	-	-	-	-	-
Net income for the year	**493**	**22,612**	**23,897**	**3,364**	**23,128**	**24,117**

Statement of Financial Position	Consolidated			Individual		
('000 GEL)	2020 (30 Jun)	2019 (31 Dec)	2018 (31 Dec)	2020 (30 Jun)	2019 (31 Dec)	2018 (31 Dec)
	unaudited	audited	audited	unaudited	unaudited	unaudited
Assets						
Long-term assets						
Property, plant and equipment	171,041	144,699	78,160	85,314	82,305	56,032
Biological assets	27,612	12,725	3,963	12,611	9,172	2,799
Intangible assets	415	324	256	306	259	240
Investments in subsidiaries	-	-	-	67,179	57,052	29,578
Total long-term assets	**199,068**	**157,747**	**82,379**	**165,411**	**148,787**	**88,649**
Short-term Assets						
Inventory	54,030	62,436	55,896	51,047	59,891	53,350
Trade receivable	40,344	35,915	22,026	33,833	27,609	20,528
Financial assets at fair value through profit or loss	1	209	235	1	209	235
Cash and cash equivalents	768	2,221	4,039	493	1,865	3,922
Total Short-term assets	**95,143**	**100,781**	**82,196**	**85,374**	**89,574**	**78,035**
Total Assets	**294,210**	**258,528**	**164,575**	**250,784**	**238,361**	**166,683**
Equity and Liabilities						
Equity						
Share capital	408	408	408	408	408	408
Retained earnings	118,537	118,634	99,642	127,068	124,295	103,610

Total Equity	**118,945**	**119,042**	**100,050**	**127,477**	**124,703**	**104,019**
Long-term liabilities						
Borrowings	100,333	-	30,737	100,333	-	30,737
Deferred revenue	60	80	1,255	-	-	1,134
Total long-term liabilities	**100,393**	**80**	**31,992**	**100,333**	**-**	**31,872**
Short-term liabilities						
Trade and other payables	21,687	14,572	8,257	17,899	10,880	8,096
Financial liabilities at fair value	2,851	1,515	1,114	2,851	1,515	1,114
Borrowings	50,334	123,319	23,162	2,225	101,264	21,582
Total Shot-term liabilities	**74,872**	**139,406**	**32,533**	**22,975**	**113,658**	**30,793**
Total equity and liabilities	**294,210**	**258,528**	**164,575**	**250,784**	**238,361**	**166,683**

Significant contribution to the profit and loss statement is made by the individual share of the parent company "Kakhetian Traditional Winemaking" Ltd.

As for the reporting of financial position, the assets are allocated to subsidiaries, therefore the individual and consolidated balance sheets are materially different in terms of Property, plant and equipment and biological assets.