Limited Liability Company

“Georgian Water and Power“

(Identification Code: 203826002)

Final Prospectus

IMPORTANT INFORMATION FOR THE INVESTORS:

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

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

Limitation of the liability:

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

Further, to the fullest extent permitted by applicable law, no person (including without limitation the Placement Agents, 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. The Placement Agent and the advisers to the Company accordingly disclaim all and any liability they might otherwise have in respect of this Prospectus or any such statement.

The Placement Agents are acting exclusively for the Issuer and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the offer. Therefore, the Placement Agents 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/her request and on the basis that the investor has confirmed to the "Placement Agents"(the **"Placement Agents"**) and Georgian Water and Power LLC (the "**Company**" or the "**Issuer**") that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she is located.

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

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

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

Approved by the National Bank of Georgia

____

Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

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

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Limited Liability Company

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Up to GEL 30,000,000 (thirty million) callable Bonds with floating interest (coupon) rate. The Bonds mature in 5 years from the date of their issue and placement. The nominal value of each Bond is GEL 1,000 (one thousand). Issue price: 100% of the nominal value. Interest on the Bonds is payable quarterly in arrears at the rate of 350 basis points premium over the National Bank of Georgia (the “NBG”) Monetary Policy (refinancing) Rate. The additional basis points on the refinancing rate was determined from book building and is reflected in the final prospectus.

General Information about the Prospect and the Offer

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

This Prospectus is prepared in relation to issuance of up to 30,000 (thirty thousand) coupon Bonds (debt securities with a floating interest rate) of the Company. The nominal value of each Bond is GEL 1,000 (one thousand Georgian Lari). The rate of interest shall be calculated by reference to the NBG Monetary Policy (refinancing) Rate, with the premium of 350 basis points. The interest will accrue on the Bonds from the Bond Issuance and Placement Date until the due date for redemption. The interest on the Bonds will be paid quarterly in arrears on the dates specified in the "*Overview of the Offering*". First payment of the interest will be made on 6 March 2017. The Bonds will be redeemed at the principal amount together with the accrued and unpaid interest (if any) on 6 December 2021.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any of the Call Option Settlement Dates, on giving not less than 30 Calendar Days' notice to the Bondholders and Nominal Holders who are registered at the primary Register maintained by the registrar (which notice shall be irrevocable), at their principal amount, together with accrued and unpaid interest to the Call Option Settlement Date (if any), (see "*Terms and Conditions of the Bonds*", Condition 7 (b) – "*Call Option*").

The Company may also redeem the Bonds in whole, but not in part, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of occurrence of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (c) – "*Redemption for Taxation*").

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

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

The Issuer will have the right to submit an application to the Georgian Stock Exchange (the "GSE") for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE.

An investment in bonds involves high risk. Any prospective investor, who will purchase the Bonds, should be prepared to face the economic risk of his/her 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 Agents 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/her own evaluation of potential risks involved.

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

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

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

Neither the Company nor the Placement Agents 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 Agents. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

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

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

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

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

1.1. Financial Information

The audited financial statements of the Company as of and for the years ended, 2014 and 2015 included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards **(**the "**IAS")** and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations. The 2014 and 2015 financial statements were audited by EY Georgia LLC ("**the Auditor**"), in accordance with International Standards on Auditing ("**ISA**"). Unless otherwise indicated, the financial information presented herein is derived from the annual Financial Statements.

Financial statements as of and for the periods ended 30 June 2015 and 30 June 2016 are prepared by the management of the Company in accordance with IFRS issued by IASB, including all IAS and interpretations issued by the IASB and International Financial Reporting Interpretations Committee of the IASB that are relevant to the operations of the Company. Semi-annual financial statements have not been audited or reviewed by an independent auditor and are based on management accounts.

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

1.2. Market, Industry and Economic Information

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

1.3. General Information

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

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

1.4. Currency and Exchange Rates

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

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

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

	High	**Low**	**Average**	**Period End**
		(Lari per US dollar)		
2016 (31th of October)	2.4985	2.1272	2.3271	2.4091
2015	2.4499	1.8780	2.2702	2.3949
2014	1.9527	1.7241	1.7659	1.8636
2013	1.7376	1.6348	1.6634	1.7363
2012	1.6751	1.6193	1.6513	1.6567
2011	1.8111	1.6388	1.6860	1.6703
2010	1.8875	1.6929	1.7826	1.7728

Source: NBG.

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

	High	**Low**	**Average**	**Period End**
		(Lari per US dollar)		
October 2016	2.4091	2.3277	2.3599	2.4091
September 2016	2.3345	2.2932	2.3113	2.3297
August 2016	2.3492	2.2788	2.3187	2.3056
July 2016	2.3527	2.3076	2.3367	2.3479
June 2016	2.3709	2.1272	2.1877	2.3423
May 2016	2.2309	2.1459	2.1860	2.1472
April 2016	2.3177	2.2309	2.2652	2.2309
March 2016	2.4716	2.2953	2.3894	2.3679
February 2016	2.4948	2.4702	2.4829	2.4778
January 2016	2.4985	2.3966	2.4360	2.4719

Source: NBG.

OVERVIEW OF THE OFFERING

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

The Offer..	Offering of up to GEL 30,000,000 debt securities (Bonds) due on 6 December 2021;
Issuer..	Georgian Water and Power LLC (Identification Number: 203826002)
Security..	Coupon bond (floating rate interest bearing security)
Nominal Value	GEL 1,000 (one thousand Georgian Lari)
Number of Bonds..	Up to 30,000 (thirty thousand)
Total Issue Price..	Up to GEL 30,000,000 (thirty million Georgian Lari)
Interest (coupon)...	The Bonds will bear interest at the rate of 350 basis points premium over the NBG Monetary Policy (refinancing) Rate, as published by the NBG on the following link: https://www.nbg.gov.ge/index.php?m=554&lng=eng including applicable taxes. (The additional basis points on the refinancing rate was determined from book building and is reflected in the final prospectus.) Interest rate is subject to international credit rating of the Company and may be altered in accordance with the rules set in Terms and Conditions of the Bonds (See *"Terms and conditions of the Bonds"*, Condition 6 *"Interest"*.
Issue Price...	100% of the principal amount (nominal value) of the Bond
Minimum placement lot	10 bonds (ten thousand Georgian Lari)
Minimum Placement Amount	GEL 10,000,000 (ten million Lari) corresponding to the minimum number of 10,000 (ten thousand) of the Bonds which are to be issued and placed on the Bond Issuance and Placement Date.
Deferred Placement Price	100% of the principal amount (nominal value) of each Bond plus the amount equivalent to the Interest accrued on the Bond issued on the Bond Issuance and Placement Date until the Bond Deferred Placement

	Date
Bond Deferred Placement Date	Any date after the Bond Initial Issuance and Placement Date until Offering Completion Date when the Bond is issued at the Deferred Placement Price
Offering Completion Date..................................	6 December 2016, when offering and issuance of the Bonds will be completed
Bond Issuance and Placement Date	The Bonds will be issued and placed on 6 December 2016
Maturity Date	The Bonds will be redeemed on 6 December 2021 at the principal amount together with the accrued and unpaid interest (if any)
Placement Agents/Co-lead Managers	JSC Galt & Taggart (Identification Number: 211359206) and JSC "PASHA Bank Georgia" (Identification Number: 404433671)
Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)**
Calculation and Paying Agent.............................	JSC Galt & Taggart (Identification Number: 211359206)
Registrar..	JSC United Securities Registrar of Georgia (Identification Number: 205156374)
Interest Accrual and Payment..............................	The interest is accrued on the Bonds at the abovementioned rate from the Bond Issuance and Placement Date until the due date of redemption. The interest will be accrued based on a 365-day year. The accrued interest will be payable quarterly in arrears. The first payment of the interest will be made on 6 March 2017
Status and Ranking of the Bonds	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst themselves. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in priority of payment equally with all other unsecured and unsubordinated creditors of the Company
Form of the Bonds...	The Bonds will be issued in dematerialized registered form. The Ownership title over the Bonds will be

	shown in the Register maintained by the Registrar and in registries maintained by Nominal Holders of the Bonds (as defined in the "*Terms and Conditions of the Bonds*"), and transfers of the Bonds shall be effected only through corresponding entries in the respective registries
Cancellation / Call Option/ Redemption............	Upon agreement with the Bondholder(s), the Company may cancel the Bond(s) prior to their maturity by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of cancellation**.** In addition, The Company may redeem the issued bonds (the "Call Option") in whole amount at a price equal to 100% of face value and accrued and unpaid interest to the Settlement Date (Call option exercise date). To avoid any doubts, the Company may exercise the Call Option: 1) At the date exactly two years after the Issue Date, 2) At the date exactly three years after the Issue Date 3) At the date exactly four years after the Issue Date Company shall give not less than 30 Business Days' notice to the Bondholders and Nominal Holders who are registered at the Register (which notice shall be irrevocable), (see "*Terms and Conditions of the Bonds*", Condition 7 (b) – "*Call Option*"). Also, in certain cases, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time upon giving notice to the Bondholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (c) – "*Redemption for Taxation*").
Put Option	Future bondholders may request an early redemption of the Bonds in whole amount at a price equal to 100% of their face value and accrued interest as of the date of the redemption from the Company in case BGEO Group Plc., whether directly or indirectly, ceases to hold more

	than 50% of the shares of the Company
Negative Pledge and Other Covenants................	Pursuant to the Terms and Conditions of the Bonds, the Issuer is subject to restrictions on the pledge of its assets except for certain Permitted Security Interests, and to other restrictions on the conduct of its business, disposal of assets and finances (See, "*Terms and Conditions of the Bonds*", Condition 5 (*Covenants*))
Event of Default..	If an Event of Default has occurred, the Bondholders' Representative (and in certain circumstances, Bondholders and/or Nominal Holders) may give notice that the Bonds are, and the Bonds shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Bonds* - Condition10 (*Events of Default*)".
Withholding Tax..	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any applicable Georgian withholding tax.
Use of Proceeds...	The net proceeds received by the Company from the issuance of the Bonds will be used for capital expenditures and partial refinancing of existing bonds (6 million GEL). See "*Use of Proceeds*".
Listing and Admission to Trading......................	The Issuer will have the right to submit an application to the GSE for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE.
Selling Restrictions	The offer of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction...	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Risk Factors..	Prospective investors shall consider carefully all the information set forth in this Prospectus and, in particular, the information set forth under "*Risk Factors*" before making a decision on investment in the Bonds

Contact Information of the Issuer	Georgian Water and Power LLC (Identification Code: 203826002) Address: M. Kostava 1st Lane #33, Tbilisi, Georgia; Tel: (995 32) 293 11 11; E-mail: gvakhtangishvili@gwp.ge
Contact Information of the Placement Agents/Lead managers..	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave. 0179 Tbilisi, Georgia; Tel: (995 32) 2444-132 (995 32) 24401-111; E-mail: st@gt.ge JSC "PASHA Bank Georgia" (Identification Code: 404433671); Address: 15 Rustaveli Avenue,0108 Tbilisi, Georgia; Tel.: +995 32 226 65 00; E-mail: treasury@pashabank.ge
Contact Information of the Bondholders' Representative..	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628) Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Security Codes (ISIN)...	Security code will be assigned by the National Bank of Georgia after submission of the final Prospectus

RISK FACTORS

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

Macroeconomic Risks and Political Risks Related to Georgia

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

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing 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 EU-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 the summer of 2013, Russian border guards erected fences along portions of the demarcation line between Georgia and South Ossetia, which moved the de-facto border further into Georgian-controlled territory 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 Government has taken certain steps towards improving relations with Russia, but, as of the date of this Prospectus, these have not resulted in any formal or legal changes in the relationship between the two countries.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is ongoing. 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, and any prolongation or further escalation of the geopolitical conflict between Russia and Ukraine, and 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, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia.

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

- 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; Political instability and deterioration of economic stance in Turkey

If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

Disruptions in Georgia's neighbouring markets may have an adverse effect on Georgia's economy

The Georgian economy is dependent on the economies of other countries within the region, including Azerbaijan, Armenia, Russia and Turkey.

Azerbaijan and Armenia used to be the two largest markets for Georgian exports, accounting for approximately 10.9% and 8.2% of Georgia's total exports, respectively, in 2015, their share of Georgia's total exports significantly decreased to 4.3% and 6.8%, respectively, as of 30 April 2016, according to figures published by Geostat. In February 2015, the Central Bank of Azerbaijan devalued the Manat by 33.6% against the US Dollar and by 33.8% against the Euro. In December 2015, the Central Bank of Azerbaijan moved to a managed floating exchange rate for the Manat, resulting in a devaluation of 47.6% against the US Dollar and 47.9% against the Euro. Between October 2014 and February 2015, the Armenian Dram depreciated against the US Dollar by approximately 16.9% and, following a period of relative stability, the Central Bank of Armenia engaged in foreign currency exchange interventions to support the Armenian Dram, spending a significant part of its national reserves, which were subsequently replenished by a sovereign bond issuance. Between 31 December 2015 and 31 May 2016, the Armenian Dram appreciated against the US Dollar by 1.3%.

Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 7.4% and 8.9% of Georgia's total exports and approximately 8.1% and 7.5% of Georgia's total imports as of 31 December 2015 and 30 April 2016, respectively, according to Geostat. In the spring of 2013, Russia lifted its trade embargo and the Russian market was reopened to Georgian producers. The export of Georgian products to Russia increased threefold in 2013. Recently, the Russian economy has witnessed an economic slowdown due, in part, to the decline in global oil prices and US and EU sanctions imposed as a result of the on-going political tensions between Russia and Western countries arising from the conflict in Ukraine and Syria. In January 2016, the Russian Rouble declined to an all-time low against the US Dollar.

Turkey represents the biggest importer to Georgia, accounting for 17.2% of Georgia's total imports in 2015, according to figures published by Geostat. While the Turkish economy is estimated to grow by 3.8% in 2016, according to the International Monetary Fund ("**IMF**"), political uncertainty, unfavourable geopolitical developments, a sharp weakening of the Turkish Lira and rising inflation in Turkey are potential obstacles to further economic growth and there can be no assurance that the positive growth trend will continue.

The economic slowdowns and currency depreciations in Georgia's main trading partners have resulted in lower exports from and remittances to, Georgia in recent periods. Any continuing or further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

In October 2010, the parliament of Georgia approved certain amendments to the constitution of Georgia (**the Constitution**) that were intended to enhance the primary governing authority of the parliament, to increase the powers of the prime minister of Georgia and to limit the scope of functions of the president of Georgia. Although the parliament unanimously adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013, any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia. Any political instability and/or disruption could have a significant negative effect on the Georgian economy, which could, in turn have a material adverse effect on the Company.

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

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

Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Georgia slowed to 2.8% in 2015 from 4.6% in 2014, according to Geostat. This slowdown was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Georgia and lower foreign direct investment ("**FDI**"). According to the IMF's World Economic Outlook published in April 2016, GDP growth in the region is expected to be negative at 1.1% in 2016, as economic conditions are expected to decline in most economies in the Commonwealth of Independent States ("**CIS**"), primarily due to a spill over effect from the decline in the Russian economy, as well as the adverse impact of lower oil prices on oil-exporting countries. The recovery is projected to strengthen in 2017 and beyond as conditions in stressed economies begin to gradually normalize. The IMF projects a 1.3% growth rate in CIS economies in 2017, and an average growth rate of 2.1% from 2018 to 2021. Despite the regional downward revisions of growth in CIS economies, the IMF expects 2.5% growth in Georgia in 2016 and 4.5% in 2017. Although Company Management believes that real GDP growth in 2016 will be higher than forecasted by IMF or other organizations and will be further strengthened following reduced dependence on CIS economies, strong market fundamentals, new investment opportunities related to the DCFTA, strong tourism performance and government reform agenda aimed at tax and customs liberalization, there can be no assurance that these growth levels will be achieved. Georgia continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of its customers in Georgia. Uncertain and volatile global economic conditions, such as heightened political tensions in Europe and the UK referendum in June 2016 in which the British people voted to leave the EU, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy. If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

The uncertainties of the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business

Georgia is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws recently becoming effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in their application, including their enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company.

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

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

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

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

As a result of expected regulatory amendments to achieve harmonization with EU legislation, the Company may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations.

Compliance with any new regulatory amendments and monitoring of such compliance may require additional expenditures. Such significant expenditures may have a negative impact on the profitability of the Company.

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

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for businesses. A new tax code (the "**Tax Code**") came into effect on 1 January 2011. In 2011, the Georgian Parliament passed the Organic Law on Economic Liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (other than excise) without a public referendum initiated by the Government (except in certain limited circumstances). This law has been in effect since 31 December 2013. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While Management believes that the Company and members of the Company operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Company could face fines or penalties as a result of regular tax audits.

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

In May 2016, the Georgian Parliament adopted changes to the Tax Code related to corporate profit tax, whereby an enterprise will not be liable for the payment of profit tax until the enterprise distributes its profit to the shareholders or incurs such costs or makes supplies or payments that are subject to corporate profit tax. It is expected that this change will intensify the economic activity and increase the capitalization of the private sector. Most of the relevant amendments to the Tax Code are expected to apply with effect from 1 January 2017. There can be no assurance, however, as to whether these amendments will achieve the desired result.

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

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, in 2015, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (including the sum of sales and purchase but excluding activities of the NBG) amounted to US$26.1 billion and €11.7 billion, respectively, and according to the same source, in the first seven months ended 31 July 2016, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (excluding activities of the NBG) amounted to US$15.6 and €6.7 billion, respectively. According to the NBG, the NBG had US$2.85 billion in gross official reserves as of 31 July 2016. While the Government has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari to US Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 22.2%, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. While the Lari generally appreciated against the US Dollar and other major international currencies in the three months ended 31 March 2016, primarily driven by an increase in the number of tourists travelling to Georgia, since then, the exchange rate has remained relatively stable. The Lari/US Dollar exchange rate was 1.8636 as of 31 December 2014, 2.3949 as of 31 December 2015, 2.3679 as of 31 March 2016, and 2.1472 as of 31 May 2016. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other currency inflows. Any failure to do so, or a major depreciation or further depreciation of the Lari, could adversely affect Georgia's economy. According to information published by Geostat, annual inflation in Georgia, as measured by the end-of-period Consumer Price Index ("**CPI**"), was 2.0% in 2014, 4.9% in 2015, 4.1% as of 31 March 2016 and 2.1% as of 31 May 2016. Although inflationary pressures have been contained due to lower world oil and food prices, there is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food and oil prices. Deflation, while increasing the purchasing power of the Lari, could adversely affect foreign investment. On the other hand, high and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Company's customers, which could, in turn, have a material adverse effect on its business.

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 mature 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, the 2008-2009 global financial crisis, and recent regional turbulence due to lower oil prices, and may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies world-wide, weakness of global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spill overs from Russia's recession, and the slowdown and rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

Risks Related to the Company’s Activities

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

The Company’s main water source, Zhinvali Reservoir, is located in Dusheti region Reservoir might be subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Even though the Company monitors water quality on hourly basis, any possible contamination due to factors beyond the Company control would force the Company to interrupt water supply; supplying water from alternative sources (such as the Natakhtari and Mukhrani water conduits), would increase operational costs. Treatment of contaminated water can also involve unplanned expenses (calculation of which is extremely difficult considering the fact that the contamination has not ever occurred in the past) which could adversely affect the Company’s profitability. Additionally, the Company could be held liable for consequences arising from an exposure of humans to hazardous substances. The Company monitors the abovementioned risk by the Early Notification System (that covers the whole Aragvi Valley and has been implemented by the international company “Stucky SA”)

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

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

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

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

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

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

Due to the changing weather conditions the Company manages its water resources efficiently by alternating the use of reservoirs and alternative water sources. Consequently, so far, natural events have not had a significantly negative effect on the Company. Using the alternative water sources is relatively expensive for the company because distributing the water from the Natakhtari and Mukhrani water conduits requires more electricity. Nevertheless, this occurs so rarely that it does not have a significant negative effect on the company.

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

Purified, chlorinated water, carried from the primary water reservoir to the final users, needs additional purification in certain cases. Main reasons for the need of additional purification are following: (i) long distance to the final user resulting in decrease of required level of chlorine in water, (ii) contamination of water during transportation. For this reason, chlorine tanks are installed on the collectors located in different districts of the city. Gaseous chlorine deposited in gas tanks bears a risk of explosion. Because of the existence of this risk, the company has the respective rules and regulations and conducts specialized trainings of its personnel. Despite the fact that the explosion of the gaseous chlorine has not occurred yet, n the event of explosion, the Company will be subject to state and environmental laws, violation of which can involve sanctions, lawsuits etc. The Company is unable to predict the outcome of investigations associated with lawsuits, or the possible loss or range of loss. As a result, significant charges and regulatory consequences can adversely affect the Company's financial performance and reputation.

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

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

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

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

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

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

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

Changes in currency exchange rates may impact the Company's financial performance.

Company's business is financed through retained earnings and borrowed funds. Currently, the Company does not have any borrowed funds denominated in USD and has less than 1% of its borrowings denominated in EUR. Company's revenue is denominated in GEL. Although company currently does not have a currency mismatch and its cash inflows as well as cash outflows are both mostly GEL denominated there is no guarantee that Company will be able to fully eliminate the risk of currency mismatch. If the Company does not have access to the GEL financing, it might have to borrow in USD or increase its EUR exposure. Such mismatch between financing and revenue currency would create foreign exchange risk, consequently, the volatility of the exchange rates may have a negative effect on the financial results of the Company.

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

The Company's revenues depend substantially on rates it charges to customers and on its ability to recover costs in these rates on a timely basis. Any unanticipated changes in regulations effecting the Company and compliance with such new regulations may result in significant increase of operating costs. Tariff charged by the Company for its services is regulated. If the Company is unable to transfer the cost increase to the end customer through tariff it charges, the Company's financial performance would be negatively affected. (see section 1.3.5.2. *"Water Tariff"*)

Unforeseen changes in the laws and regulations affecting the Company may have an adverse impact on its operational and financial performance. Along with tariff and potable water quality regulations, Ministry of Environment and Natural Resources Protection of Georgia controls wastewater treatment technology of the Company. Currently business fulfils existing law concerning “standards of maximum permissible discharge of pollutants in wastewater”. Since April, 2018 new European Union act #91/271/EEC concerning “urban wastewater treatment” will be enforced. By that time, the Company plans to rehabilitate and modernize existing wastewater treatment plant, so that new standards will be met (see section 1.3.5.1. “*Obligation Status*“). No assurance can be made that company will manage to rehabilitate the wastewater treatment plant on time. Any significant delays in the modernisation would increase the risk of non-compliance with new standards which may in turn result in fines and penalties against the Company. Such events may have a material negative impact on Company’s financial performance and create reputational risk.

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

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

Implementation of service quality rules and/or implementation of any other regulations from the GNERC may influence the profitability of the Company.

GNERC may demand an increased service quality from the Company. This could lead to an increased operating costs for the Company and adversely affect its financial performance. Likewise, an implementation of any regulation that will increase the operating costs poses a risk for the Company and may negatively affect its profitability.

Infrastructure of energy business line is partly amortized which may have a negative effect on the electricity business of the Company.

Company owns and operates three hydro power plants and manages one hydro power plant (see *“Management discussion and analysis of the Company’s financial condition and operating results”*). Significant part of generated electricity is utilized internally, which enables the Company to save energy costs. Excess electricity is sold externally.

According to the historical data, the company-owned energy generating facilities satisfy the Company’s energy demand. Furthermore, in case of an exception, if the company needs to purchase electricity from a third party, the respective expenses will be deemed operational and will be considered in the Water Tariff (see section 1.3.3. *“Electricity Sales”*).

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

The Company has certain privatization obligations towards the state and not fulfilling the obligations may result in the penalties being charged upon the Company. (see section 1.3.5. *"Share Purchase Agreement"*)

In May 2008, the shares of several companies providing water supply and sewage services to the cities of Tbilisi, Mtskheta and Rustavi were sold to Georgian Global Utilities Ltd. (GGU) (formerly Multiplex Energy Limited)., the sole shareholder of Georgian Water and Power LLC (GWP). Upon privatisation, GWP was created on the platform of Tbilisis Tskali LLC and Saktskalkanali LLC. These Companies supplied water services to the capital city of Tbilisi. Privatisation transaction involved several technical and investment obligations that had to be completed by the new owner by the due dates.

In case of not meeting the deadlines for the obligations, the GGU can be subject to certain penalties. For each fulfilled obligation GGU should receive final confirmation from relevant state authorities on such fulfilment. As of today, all due obligations in connection with the share purchase agreement have been met by the Company and independent expert reports (Grand Thornton and Levan Samkharauli National Forensics Bureau) have been prepared. According to the share purchase agreement, what remains to be done is the technical obligation– the rehabilitation and modernisation of the Gardabani Wastewater Plant and the investment obligation of not less than USD 220mn which is due in May 2018 (see section 1.3.5. *"Share Purchase Agreement"*).

In case of not fulfilling or partially fulfilling the technical obligations of the share purchase agreement the buyer will incur a penalty of GEL 3,000 per day until meeting the liabilities. In case of not fulfilling the investment obligation (the USD 220mn investment obligation), the buyer will incur a penalty of 0.1% of the investment per day for each day of not meeting of liability.

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

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

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

As at 31 December 2014, the Company employed up to 2,003 full-time equivalent employees **("FTEs")**. Some employees of the Company are members of the trade unions that are active and there is a collective bargaining agreement between the Company and the employees. Any reduction in headcount or pay could lead to labour disturbances. Labour disruption or failure to attract and retain operative personnel would may have an adverse effect on that facility's operations and, potentially, on the Company's business, financial condition and results of operations.

From 2008 till today, the company has not recorded any cases that would be classified as a strike, litigation or voluntary refusal to fulfil contractual obligations according to the Georgian Law and the 49th article of the Labour Code (see *"Employees"*).

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

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

Customer's inability to fully and duly pay their liabilities towards the Company may have a materially adverse effect on the profitability of the Company.

Company provides water and wastewater services to both legal entities in Tbilisi and to the general population of Tbilisi. Company historically had a high receivables collection rate from legal entities. During past 7 years the Company has drastically improved the collection rate from households, from 46.5% in 2009 to 96% as of 30 June 2016. Although collection rate has been strong during past 3 years both from legal entities as well as from households, there is no assurance that such trend will be maintained. Economic difficulties may have a materially adverse effect on the general population of Georgia as well as on the business sector which in turn may affect customers' ability to pay for the purchased services.

Any factor which may negatively influence the financial performance of the Company's key corporate customers as well as any factor which may negatively influence the general income level of Georgia's population would result in customers' inability to pay for the purchased services, which in turn, may have a materially negative effect on the Company's financial performance.

If the Company is unable to maintain its controls over the water supply system and over the inspection of illegal water usage, Company's efficiency would decrease which would negatively affect the Company's operating and financial performance.

The Company wants to minimize its water losses and instances of illegal water usage and therefore monitors the water supply network to identify and correct any deficiencies in the system. The Company is negotiating with the regulator to increase the fines for the illegal usage of water. Such regulation would decrease the incentive of the customer to use water illegal which would result in decreased waste and increase in revenue. However there is no assurance that the Company will be able to identify all illegal usage of water, also there is no assurance that the negotiation with the regulator regarding the fines would be successful or that such fines would create enough incentive for the customers not to use water illegally.

If the instances of illegal usage of water increase this would result in increased inefficiency and may have a materially negative impact on the financial performance of the Company.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

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

The Bonds constitute unsecured obligations of the Company

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

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

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

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

An investment in the Bonds involves certain legal investment considerations

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

Transfer of the Bonds will be subject to certain restrictions

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

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

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

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

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

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. (see *"Terms and Conditions of the Bonds"*, condition 11 "*Meeting of Bondholders, Modification and Waiver*")

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.

Risk of Early Redemption (see *"Terms and Conditions of the Bonds"*, condition 7 *"Redemption and Purchase"*)

In certain events specified in this Prospectus the Bonds may be redeemed prior to their Maturity Date. If the Bonds are redeemed prior to their Maturity Date, the Bondholder is exposed to the risk of a lower yield than expected due to such early redemption. Moreover, such redemption may be done at the moment when the yield of comparable bonds on the capital markets is reduced, which means that the investor may be able to reinvest the redeemed yields only in bonds with a lower yield.

Other Regulatory Risks

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

Following public offering of the Bonds, the Company has become a Reporting Company within the meaning of the Law of Georgia on Securities Market (the "**Securities Law**"). The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as "**Interested Parties**" (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions involving Interested Parties and exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the general meeting of shareholders. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements (see "*Regulation of Leasing Activities in Georgia -Additional Requirements Applicable to Reporting Companies*"). Consequently, the Company's Meeting of Partners has to approve transactions involving Interested Parties.

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

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

USE OF PROCEEDS

Net proceeds from the bonds will be used to:

1) GEL 6,000,000 will be used to refinance the outstanding bonds. (ISIN 2700603345, Issued date: 9 December 2015, duration: 2 years, interest rate: NBG refinancing rate + 7.5%).

2) Finance capital expenditures in water/wastewater and electricity infrastructure.

Planned Capital Expenditures	**Investments** (*GEL Thousands*)
Total Capital Expenditures	**30,000**
Water/Wastewater Network Infrastructure Development	26,072
Energy Projects	3,928

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization as of 31 December 2015 and as of 30 June 2016. This table should be read in conjunction with the sections entitled "*Selected Consolidated Financial and Operating Information*" and "*Management Discussion and Analysis of the Company's Financial Condition and Operating Results*", as well as the 2015 and the first half of 2016 financial statements, together with the related notes, all of which are reproduced elsewhere in this Prospectus.

	30-Jun-16[2]	**30-Jun-16**	**31-Dec-15**
	(GEL thousands)	*(GEL thousands)*	*(GEL thousands)*
Cash and cash equivalents	**1,812**	**1,812**	**6,807**
Indebtedness:			
Current loans and borrowings	22,868	22,868	24,943
Non- current loans and borrowings	69,645[2]	45,645	47,317
Total loans and borrowings	**92,513**	**68,513**	**72, 260**
Equity:			
Charter capital	208,469	208,469	208,469
Accumulated deficit	(128,471)	(128,471)	(142,458)
Revaluation reserve	171,760	171,760	145,676
Total equity	**251,758**	**251,758**	**211,687**
Total capitalization	**344,271**	**320,271**	**283,947**

Liabilities, as of 30th of June 2016, with the respective dates, are given in the following table:

Loan Type	**Issue Date**	**Maturity Date**	**Currency**	**Loan Volume** (*GEL Thousands*)
Bank Loan	19/06/2014	19/06/2019	GEL	13,500
Bank Loan	5/9/2015	4/8/2017	GEL	14,346
Non-Bank Loan	22/03/2016	23/03/2018	GEL	10.418
Bank Loan	3/12/2015	3/12/2017	GEL	9,356
Bank Loan	22/03/2016	23/03/2020	GEL	7,153
Bonds	9/12/2015	9/12/2017	GEL	6,000
Bonds	19/08/2015	17/08/2017	GEL	2,600
Bank Loan	20/08/2015	11/8/2020	GEL	4,500
Bank Loan	1/12/2002	1/12/2036	EUR	323
Total Liabilities			**GEL**	**68,196**

[1] Correction with an assumption that as of 30th of June, the company has already issued the GEL 30 million Bonds and other financials have remained unchanged;

[2] An assumption is made that out of the GEL 30 million bonds issued, 6 million will be used to refinance the old liabilities;

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The financial information of the Company set forth below as of and for the periods ended 30 June 2016, 31 December 2015 and 31 December 2014 has been extracted from, should be read in conjunction with, and is qualified in its entirety by the consolidated financial statements, including the related notes, contained elsewhere in this Prospectus.

Investors should be aware that the financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Year ended 31 December 2015 and the Year ended 31 December 2014" is taken from the 2015 financial statements. Results of Operations for the period ended 30 June 2016 is taken from the 2016 half year management report that was in accordance with IFRS.

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

Statement of Financial Position

(Amounts expressed in thousands of Georgian Lari)

	30-Jun-16	30-Jun-15	31-Dec-15	31-Dec-14
ASSETS				
Non-current assets				
Property, plant and equipment	278,747	259,041	265,947	255,697
Investment Property	18,394	18,394	18,394	18,394
Trade and other receivables	-	-	284.00	571.00
Loans Issued	10,823	8,052	10,889	8,500
Restricted cash	2,922	2,591	2,545	2,460
Other non-current assets	2,009	1,724	2,387	1,588
Total non-current assets	**312,894**	**289,802**	**300,446**	**287,210**
Current assets				
Inventories	3,257	2,860	2,379	2,386
Trade and other receivables	18,955	19,847	13,425	8,645
Loans issued	873	1,057	29	-
Current income tax asset	449	0	765	3,012
Prepaid taxes other than income tax	3,849	3,454	4,626	1,704
Prepayments	348	339	2,746	3,802
Cash at bank	1,812	5,886	6,807	9,486
Total current assets	**29,544**	**33,443**	**30,777**	**29,035**

TOTAL ASSETS	**342,438**	**323,246**	**331,223**	**316,245**
EQUITY				
Charter capital	208,469	208,469	208,469	208,469
Accumulated deficit	(128,471)	(155,499)	(142,458)	(160,522)
Revaluation reserve for property, plant and equipment	171,760	146,197	145,676	145,925
TOTAL EQUITY	**251,758**	**199,166**	**211,687**	**193,872**
LIABILITIES				
Non-current liabilities				
Borrowings	45,645	70,276	47,317	78,573
Deferred income tax liability	350	25,614	27,573	23,654
Total non-current liabilities	**45,995**	**95,890**	**74,890**	**102,227**
Current liabilities				
Borrowings	22,868	3,761	24,943	356
Advances received	5,560	9,779	6,364	6,883
Trade and other payables	12,377	11,502	11,487	9,763
Provisions for liabilities and charges	2,133	1,406	1,318	1,406
Other taxes payable	1,748	1,741	534	1,738
Total current liabilities	**44,685**	**28,189**	**44,646**	**20,146**
TOTAL LIABILITIES	**90,680**	**124,079**	**119,536**	**122,373**
TOTAL LIABILITIES AND EQUITY	**342,438**	**323,246**	**331,223**	**316,245**

Statement of Profit and loss and Comprehensive Income

(Amounts expressed in thousands of Georgian Lari)

	30-Jun-16	30-Jun-15	31-Dec-15	31-Dec-14
Revenue from water supply	46,921	44,491	94,663	90,377
Revenue from electric power sales	4,162	9,146	13,271	8,673
Revenue from network realization	-	-	-	11,728
Other revenue	1,291	2,966	4,735	4,428
Total revenue	**52,374**	**56,603**	**112,669**	**115,206**
Salaries and other employee benefits	(7,686)	(10,169)	(19,117)	(17,714)
Electricity and transmission costs	(6,627)	(4,651)	(9,826)	(8,673)
Raw materials, fuel and other consumables	(1,789)	(2,166)	(4,551)	(5,510)
Maintenance expenditure	(1,127)	(1,521)	(4,090)	(4,302)
General and administrative expenses	(1,467)	(1,234)	(2,764)	(2,645)
Taxes other than income tax	(1,438)	(1,546)	(3,051)	(4,216)
Professional fees	(832)	(739)	(2,140)	(1,043)
Reversal of allowance/(allowance) for impairment of trade receivables	(1,127)	(62)	169	(5,197)
(Charge for) / reversal of provisions	(798)	-	(168)	3,119
Cost of network realization	-	-	-	(9,668)
Other income	299	403	643	1,070
Other operating expenses	(3,428)	(3,458)	(6,303)	(7,350)
	(26,021)	**(25,142)**	**(51,198)**	**(62,129)**
EBITDA	**26,353**	**31,461**	**61,471**	**53,077**
Interest income	1,097	815	1,662	1,657
Finance costs	(5,193)	(15,330)	(21,783)	(3,785)
Net foreign exchange losses	(160)	(459)	(573)	(2,051)
Depreciation and amortization	(7,372)	(7,646)	(16,004)	(13,363)
Profit before income tax expense	**14,725**	**8,841**	**24,773**	**35,535**
Income tax expense	(693)	(3,286)	(6,711)	(5,537)
Profit and other comprehensive income for the year	**14,032**	**5,555**	**18,062**	**29,998**

Cash Flow Statement

(Amounts expressed in thousands of Georgian Lari)

	30-Jun-16	30-Jun-15	31-Dec-15	31-Dec-14
Cash flows from operating activities				
Profit/(loss) before income tax	14,725	8,841	24,773	35,535
Adjustments for:	-	-		
Depreciation and amortization	7,243	7,646	16,004	13,363
(Reversal of allowance)/allowance for impairment of trade receivables	1,127	62	(169)	5,197
(Reversal)/charge of provisions	798	-	168	(3,119)
Net loss from disposal of property, plant and equipment	(39)	140	196	
Loss from disposal of investment property	-	-		173
Net foreign exchange losses	160	459	573	2,051
Interest income	(1,097)	(815)	(1,662)	(1,657)
Finance costs	5,193	15,330	21,783	3,785
Operating cash flows before working capital changes				
Change in inventories	(878)	(473)	7	1,064
Change in trade and other receivables	(3,967)	(7,696)	(8,026)	(2,719)
Change in prepaid taxes other than income tax	778	(1,750)	(2,922)	(1,385)
Change in prepayments	(8)	466	1,056	1,722
Change in trade and other payables	1,137	1,152	2,303	1,085
Change in advances received	(802)	2,894	(519)	(4,117)
Change in other tax payables	1,214	3	(1,204)	1,199
Change in restricted cash	(377)	(131)	(85)	1,207
Interest received, net	253	(949)	122	246
Income tax paid	(1,451)	1,686	(546)	(5,768)
Net cash from operating activities	**24,008**	**26,864**	**51,852**	**47,862**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	(19,927)	(11,008)	(27,958)	(40,796)
Purchase of investment property	-	-	-	(28)
Proceeds from sale of property, plant and equipment	70	146	263	
Proceeds from sale investment property	-	-	-	1,103
Issue of loans	-	(15)	(445)	(945)
Repayment of loans issued	66	1,169	80	-
Net cash used in investing activities	**(19,791)**	**(9,708)**	**(28,060)**	**(40,666)**

Cash flows from financing activities				
Proceeds from borrowings	9,628	26,513	66,549	98,798
Repayment of borrowings	(18,528)	(46,704)	(92,331)	(42,756)
Dividends paid out	(110)	(112)	(247)	(71,190)
Net cash from financing activities	**(9,010)**	**(20,303)**	**(26,029)**	**(15,148)**
Effect of exchange rate changes on cash and cash equivalents	(202)	(452)	(442)	1,102
Net (decrease)/increase in cash and cash equivalents	**(4,995)**	**(3,599)**	**(2,679)**	**(6,850)**
Cash and cash equivalents at the beginning of year	6,807	9,486	9,486	16,336
	-			
Cash and cash equivalents at the end of year	**1,812**	**5,886**	**6,807**	**9,486**

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

The following discussion and analysis of the Company's financial condition and operating results principally covers the years 2014-2015 and the first half of 2016. Unless otherwise specified, the financial information for the periods presented in this document has been extracted and/or derived from the financial statements. This section should be read in conjunction with the financial statements and the other financial information included elsewhere in the Prospectus.

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

Factors Affecting the Company's Financial Statements

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

Macroeconomic Conditions

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

Georgian economic growth has several drivers. The country's geographic location between land-locked, energy-rich Azerbaijan and Central Asia and their customers in the West has predetermined importance of transportation and logistics. Tourism has been one of the success stories of the last decade. Travel inflows, with 22.5% CAGR in number of visitors over 2006-2015, are a significant source of foreign currency for Georgia, generating US$1.9 billion in 2015. The economy is also well positioned to become a destination for significant FDI in the hydro energy sector. Further opportunities for accelerated growth are expected to come with affective EU DCFTA.

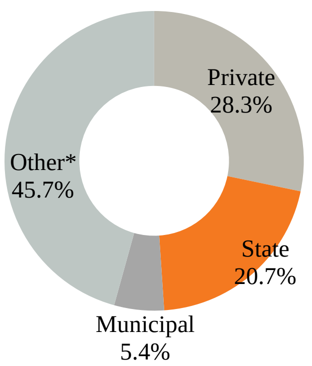
Georgia's Economic Liberty Act, which came into effect on 31 December 2013, caps Government expenditure at 30% of GDP, the fiscal deficit at 3% of GDP and Government debt at 60% of GDP. Under the Economic Liberty Act, subject to certain exceptions, public referenda initiated by the Government are required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

Water supply and sanitation (WSS) sector

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

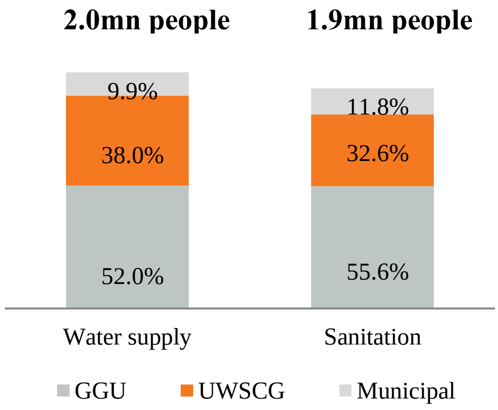
In total, 418 cities, towns and villages are serviced by the licensed companies, 366 (20.7% of population) of which are serviced by the state-wide, state-owned utility UWSCG and 32 (28.3% of population) by private utility and independent power producer – GGU. Notably, GGU is the only private utility scale company that provides almost 1/3 of the population with WSS services. Out of five largest cities that make up 44.1% of total population in Georgia two are fully serviced by GGU. There are two other privately owned licensed utilities on the market, however they are primarily servicing industrial demand in Zestaponi (Soguri LTD) and Tskharostavi (Tskharostavi LTD) and their market share is negligible, close to zero in terms of population service.

Figure 1: WSS utilities by ownership structure, share of population serviced



Source: GNERC

Figure 2: Population covered by licensed WSS utilities



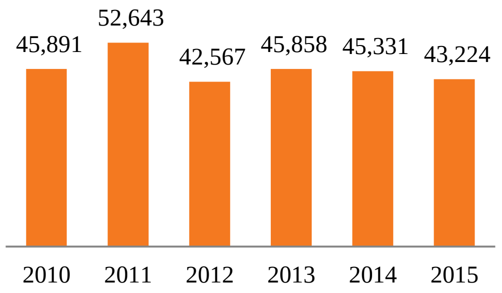
Source: GNERC

**Other indicates the part of the population serviced by other than licensed utilities on local/municipal level*

GGU is the nation’s largest utility company servicing over 1 million people on the annual basis. 88.0% of GGU’s customer base is serviced by Georgian Water and Power (GWP) - concentrated on greater Tbilisi area. GWP holds a leading position in sector in terms of reach and coverage both in water supply and sanitation service provision. GGU is also the only self-sufficient, profitable utility on the market with collection rates around 96%, while another large WSS utility, UWSCG, is largely subsidized by the state and customer collection rates come below 50%.

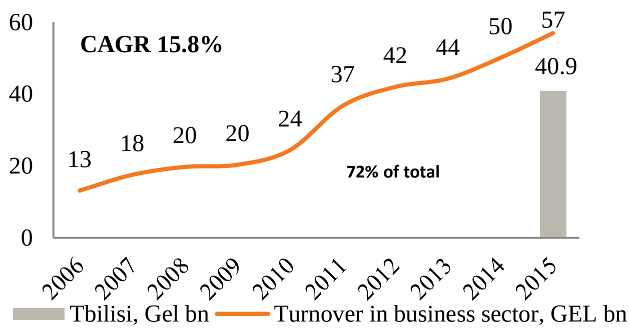
Tbilisi is the most economically active municipality in Georgia producing 48.4% of country's GDP in 2015 and is serviced exclusively by GWP. Tbilisi houses 30% of nation's population, and accounted for 63.1% of formal employment in 2015 with highest average salary at GEL 1,006.7, 12.3% over the national average. 43.6% of all legal entities (278,295) are registered in Tbilisi and account for 71.7% of total business turnover countrywide.

Figure 3: Business registrations in Georgia



Source: NAPR

Figure 4: Turnover in business sector, GEL bn

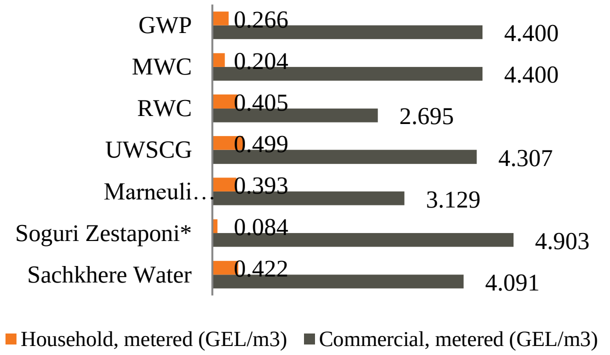


Source: GeoStat

Economic activity and commercial entity registrations are important as the commercial entities are metered and are easier to be accounted for. On top of that, commercial tariffs for metered entities are 16.5x higher per m^3 than for households. Higher economic activity and solid numbers of registered businesses translate into higher revenues for GWP.

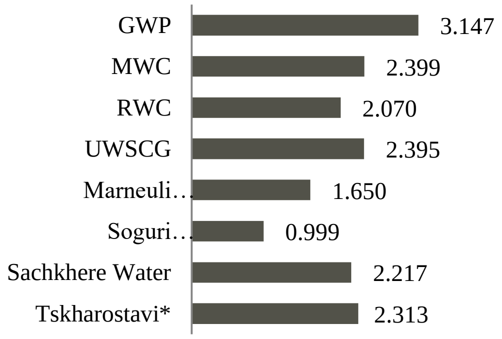
Since WSS services are perceived to be natural monopolies, they are regulated by the regulatory commission and are subject to price control policy both for water supply and sanitation services. There are three tariff levels for the two components of WSS service – water supply and sewage. Household customers and commercial/industrial customers pay different rates. Furthermore, household customers' tariffs vary based on whether they are metered or pay per capita. Most household consumers pay per capita/month. Notably, 23% (102,722) of GWP households are metered, while the rest pay per capita/month (340,014), according to GNERC 2015 annual report.

Figure 5: WSS tariffs for metered households, GEL/m^3



Source: GNERC
**Services mostly commercial customers*

Figure 6: WSS tariffs for non-metered households, GEL/person/month

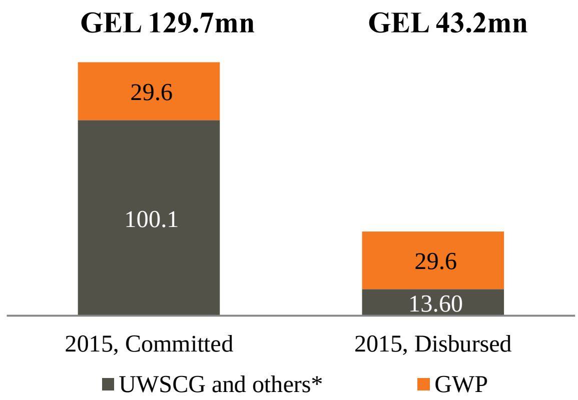


Source: GNERC
**Services mostly commercial customers*

Water losses still remain to be the main challenge in the sector as majority of the assets are amortized and require continuous rehabilitation and investment to achieve efficiency. In 2015 60% of the extracted water was lost,, 33% was the water provided to the customers and the rest the water losses related to the water extraction process. On top of this, 69% of the water is unmetered which makes it even harder to account for the water losses. Poor condition of infrastructure is the main reason for leakages, the abovementioned water loss rate is about 4-5 times higher than that in the Western Europe. Accordingly, with efficient investments the company plans to reduce the water loss rate to 30% in 3 years, which will have a positive effect on the financial position of the Company.

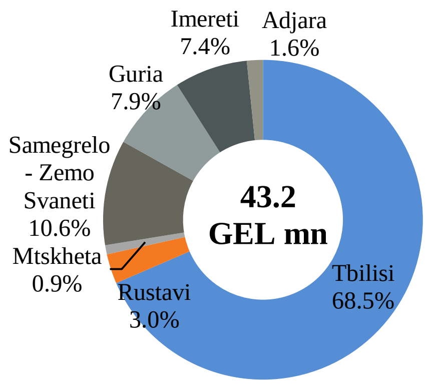
In 2015 GEL 129.7mn was committed for investments in the WSS sector, 3/4 falls on UWSCG and the rest on GGU. Bulk of investment commitment c. 95% within GGU came from GWP. GWP disbursed 100% of committed investments of GEL 6mn in 2015 which was the cost of new connections and the network rehabilitation.

Figure 7: Investments in WSS sector, 2015 (GEL mn)



Source: GNERC

Figure 8: Breakdown of investments, 2015 (GEL mn)



Source: GNERC

**Others include Mtskheta Water Company and Rustavi Water Company with total disbursement equal to GEL 1.7mn in 2015; commitment not specified*

***Committed Investments are the ones that the investor has promised to make.*

****Disbursed Investments are the ones that were actually realized.*

The government of Georgia has committed to a goal to secure access to WSS services to 100% of population by 2020. The government plans to incentivize investments and invest itself in delivering the safe drinking water and proper sanitation services to the population. Bulk of investments that government commits are financed through debt from IFIs, ADB being one of the largest contributors with US$ 326mn disbursed by 2015. Other IFIs that have been involved in the WSS sector include but are not limited to EIB, World Bank, EBRD, KfW and SIDA.

1.1. Company overview

GWP is a daughter company of Georgian Global Utilities Ltd (GGU)a privately owned company, which supplies water and provides wastewater services to 1.2 million people (approximately 1/3 of Georgia's total population) in Tbilisi. BGEO Group PLC is the ultimate parent company of GWP and indirectly holds 100% of its shares through wholly owned subsidiaries.

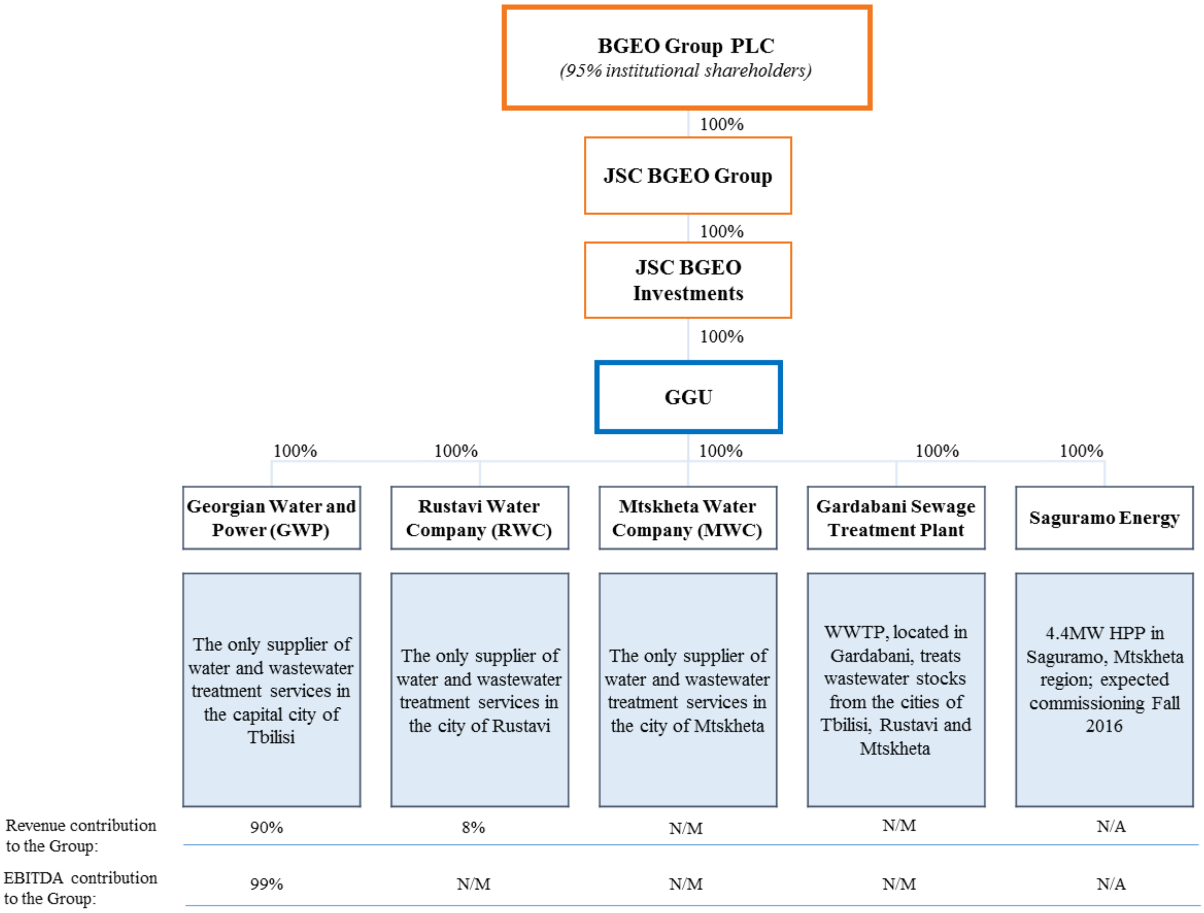
GWP is the largest revenue contributor to GGU (c. 90%). Other subsidiaries, such as Rustavi Water Company (RWC) generates on average 9% of Group revenues, and Mtskheta Water Company (MWC) less than 1% of Group revenue. Thus RWC and MWC represent only a minor part of Group's activity.

On 8 December 2015 Fitch Ratings has assigned the Company Long-term foreign and local currency Issuer Default Ratings (IDRs) of 'BB-'. The Outlook is Stable. Fitch also assigned the Company foreign and local currency senior unsecured ratings of 'BB-'.

The 'BB-' ratings reflect the Company's natural monopoly position in Tbilisi's water supply and sanitation sector. The ratings are supported by low sector risk, solid profitability, low leverage and good receivables collection rates.

1.2. Shareholding structure of the Company

GWP is 100% owned by Georgian Global Utilities Ltd. Ultimately 100% of shares of GWP are owned by BGEO Group Plc.



1.2.1. Description of business of the Company

The Company's core activities are:

- Supply of potable water
- Generation and sale of electric power;
- Wastewater collection and processing.

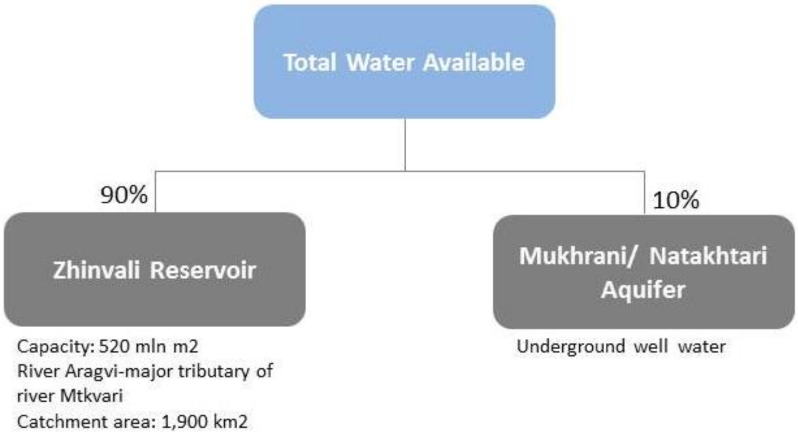
The Company's total revenue reached c. GEL 113 mln in 2015. Major portion was attributable to water sales which amounted to c. GEL 94.7 mln, followed by power sales c. GEL 13.3 mln and other sales c. GEL 4.7 mln.

Revenue split per activities - 2015:

Revenue items	**Amount in GEL, '000**	**Share**
Water sales	94,663	84%
Electricity sales	13,271	12%
Other sales	4,735	4%
Total	**112,669**	**100%**

1.2.2. Water Sales

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



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

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

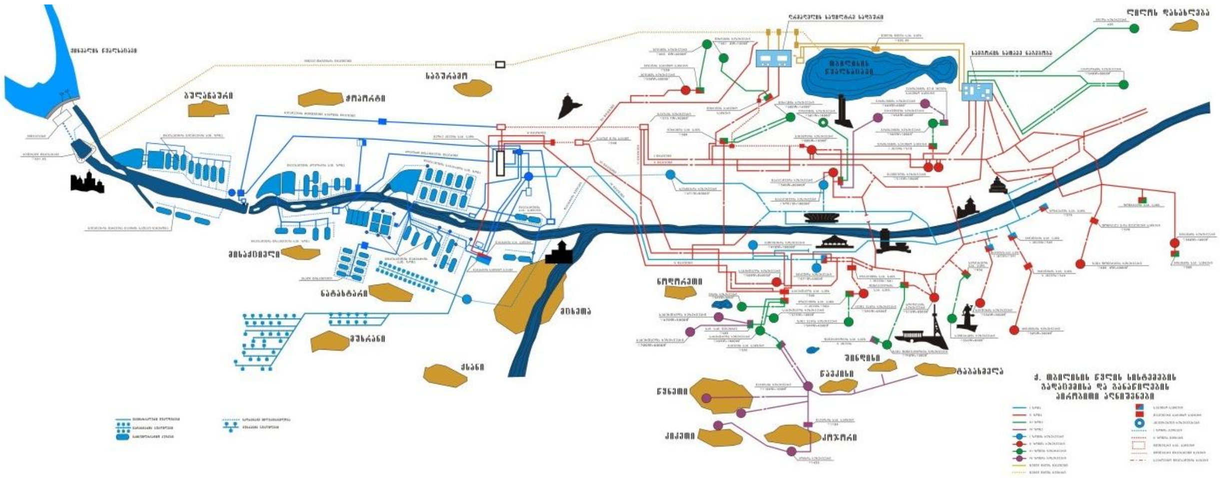
Some 520 mln m3 of potable water is supplied from water production/treatment facilities in Bulachauri, Natakhtari, Saguramo, Samgori and Grmaghele on an annual basis.

Water is chlorinated and if necessary, coagulated with aluminium sulphate. Water quality complies with World Health Organization (WHO) standards. The Company has Chemical Micro-biological Laboratory (CML) for water quality control. Water quality monitoring is conducted on a daily basis, along with planned recurrent monitoring procedures in Tbilisi and its surroundings on 373 points of water supply network.

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

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

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



The Company services capital city of Tbilisi with portable water. Since 2014 the Company started to serve the residents within Tbilisi's new extended borders, adding 1.0% to the customer base. Total customer pool includes both legal entities and population. Among population, there are unregistered households, which are not metered. The Company receives information about non metered customers from public service database, to generate bill according to per capita tariff. The Company's Breakdown of revenue by customer type is provided in the table below:

Water sales split per group of clients – 2015:

Revenue type	Amount in GEL, '000	Share
Legal entities	67,215	71%
Households	27,448	29%
Total	**94,663**	**100%**

In October 2010, the were changes in the Georgian Law concerning "electricity and natural gas", according to which electricity, natural gas and water services and their respective fees were integrated into one coordinated system. According to the law, Georgian National Energy and Water Supply Regulatory Commission has the authority to determine the area (territorial scope) of the uniform system of administration, and the administrator of this system, who will carry out the service fee/tax administration through the system.

Administration of services through an uniform system of administration is carried out on the basis of an agreement concluded between the system administrator and the service provider, according to which the system administrator, according to the information from the service providers, delivers the receipts to the customers, monitors the payment of accrued charges and in case of a non-payment or an incomplete payment ceases its service to the customer until the due payments are made.

On October 13th, 2010, the Commission decided to choose Tbilisi and its administrative borders as an area of the uniform system and gave the right to use this system to JSC Telasi, JSC Energo-Pro Georgia, Georgian Water and Power LLC and the cleaning service of the Tbilisi City Hall. JSC Telasi and JSC Energo-Pro Georgia were chosen as the administrators of the uniform system.

According to the agreement between Georgian Water and Power LLC and JSC Telasi, JSC Telasi prints and distributes the uniform receipts of electricity, cleaning services and water services to the customers and in case of the default on the due payments (including the payments due from water services) ceases the supply of electricity to the defaulted customers. The administration of the integrated and coordinated system helps Georgian Water and Power LLC to collect the revenue from the services it renders.

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

Serving area	**Bill distributor**
Capital city of Tbilisi	Telasi
Several surrounding villages	Energo-Pro, GWP

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

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

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

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

Number of households and legal entities and their growth tendency:

Description	2008	2009	2010	2011	2012	2013	2014	2015	30 June 2016
Number of households	377,730	391,258	398,207	418,501	433,193	443,930	456,932	442,736	447,548
y/y growth		*3.6%*	*1.8%*	*5.1%*	*3.5%*	*2.5%*	*2.9%*	*-3.1%*	*1.1%*
Number of legal entities	18,328	20,065	21,841	23,726	25,278	27,535	29,518	27,045	27,674
y/y growth		*9.50%*	*8.90%*	*8.60%*	*6.50%*	*8.90%*	*7.20%*	*-8.40%*	*2.30%*

Revenue from different customers and their growth tendencies:

Description	2009	2010	2011	2012	2013	2014	2015	30 June 2015	30 June 2016
Revenue from households	14,912	18,727	25,099	28,390	26,910	27,264	27,448	12,873	13,702
y/y growth		*25.6%*	*34.0%*	*13.1%*	*-5.2%*	*1.3%*	*0.7%*		*6.4%*
Revenue from legal entities	54,832	55,715	56,804	57,913	60,652	63,113	67,215	31,618	33,218
y/y growth		*1.6%*	*2.0%*	*2.0%*	*4.7%*	*4.1%*	*6.5%*		*5.1%*

Due to the installation of new meters and the update of the old ones in 2015 the Company improved its accuracy in measuring the consumption.The revenue from legal entities increased in 2015 and in the first half of 2016. Increase of Revenue from households in 2015 and in the first half of 2016 is mainly due to the fact that the Company is updating the information about the number of residents for a given household to make sure it collects its revenue efficiently.

Collection rates:

Description	2009	2010	2011	2012	2013	2014	2015	30 June 2016
Households	46.5%	60.9%	88.9%	91.0%	95.0%	93.4%	95.8%	96.0%
Legal entities	98.0%	97.6%	97.4%	99.5%	98.7%	97.7%	98.4%	98.9%

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

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

- Among households: Policy of granting vouchers to households by Tbilisi City Hall has been changed in 2014. Due to new policy vouchers were granted to customers characterized with low collection rates. So as a result the Company in 2014 received funds from Tbilisi City Hall for good paying households, while bad paying customers were left without vouchers and their unpaid bills has reflected in collection rates of 2014.

- Among legal entities: The collection rates' slight deterioration is attributable to new customers in 2014. Big portion of overdue charges has been agreed with the customers and scheduled for payments in 2015.

Operating highlights for 2016:

The Company is striving to improve its efficiency and ensure uninterrupted supply of its services.

1) Company rehabilitated Bodorna-Grmmaghele tunnel. The goal of rehabilitation projects is to ensure the stable and efficient supply of water to Tbilisi.
2) Company rehabilitated Zhinvali HPP tailrace tunnel to ensure uninterrupted operation of the Zhinvali HPP.

Company further plans to optimize its infrastructure to minimize any risk of interruption in its operations.

Additionally company has started working on a zoning project. The main purpose of zoning project is to localize the losses, through measuring the supply and consumption on a zonal basis.

Company is actively working on the rehabilitation of Gardabani wastewater plant's mechanical treatment to ensure the long-term performance. The goal of the project is to ensure the quality of treated waste water stocks to be in compliance with EU directives and ensure environmental safety.

Company has implemented multiple commercial projects during 2016:

1) The Company replaced meters for 350 large and 3,000 medium commercial customers which resulted in accurate measurement of the usage of water. Successful implementation has allowed the Company to correctly and efficiently account for its largest revenue stream.
2) The Company implemented project for hand held units to improve performance of meter readers and eliminate fraudulent behavior. As a result the Company accuracy of reading meters has improved, travel and employee costs were optimized and overall control on the meter reading process has improved.

Capital Expenditures

Due to the particular characteristics of the Company business, planning and executing the capital expenditures is one of the strategic directions of the company. Assets are intensely rehabilitated and new projects are executed to improve and increase the efficiency of the operational cycle.

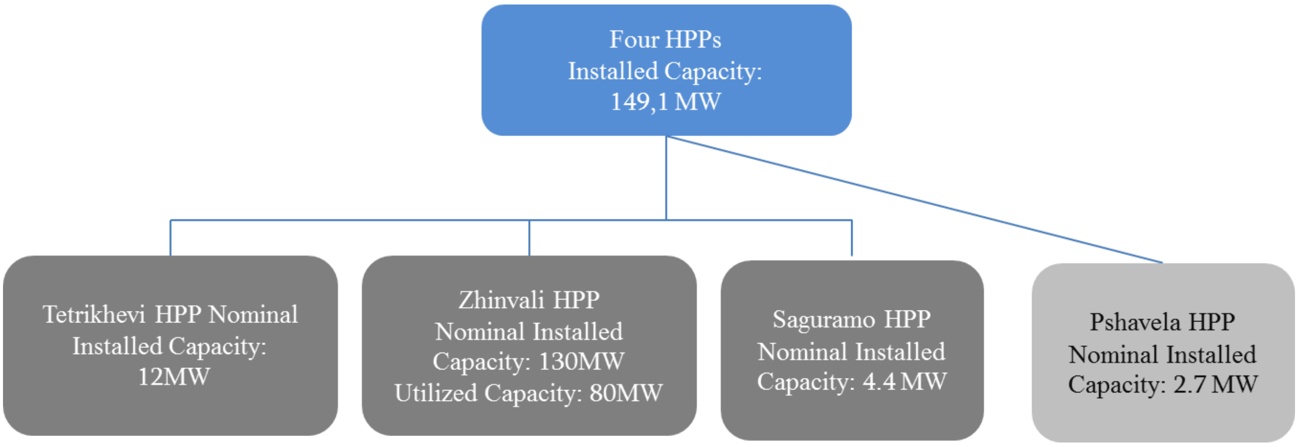
The company, in the scope of its investment strategy, has identified various types of capital expenditures and has divided them into four groups:

- Maintenance Investments – this type of investment is used to finance the current maintenance of the asset in order to prolong its exploitation period.
- Value adding/effective investments – this type of investment is made to decrease the Company expenses and/or increase its revenues by making various capital expenditures that are based on efficient decisions. In order to do this, additional financial analysis, discussion of alternatives and identification of value-adding opportunities is required.
- Regulation related investments – the ones that ensure that the company is compliance with the regulation.

- Business development initiatives – this direction comprises the development projects such as the rehabilitation projects on the whole network, the prolongation of the network and HPP exploitation period, new development projects, purchase of important assets and etc.

1.2.3. Electricity Sales

Revenues generated from electricity sale totaled c. GEL 13.3 mln (11.8% of total revenue) in 2015. The Company owns three hydropower stations and has one under management with total installed capacity of 149.1 MW and average electricity generation of 500 GWh.



Zhinvali HPP has an installed capacity of 130 MW and water reservoir of 520 mln m3 of water. The Company uses major part of electricity generated by Zhinvali for internal purposes. The rest is sold to third parties. HPP was constructed during Soviet Union, in mid 80s. Georgian law of Energy and Natural Gas states that HPPs constructed before August 2008 with installed capacity equal or above 13 MW, are regulated; therefore, Zhinvali HPP energy tariff is determined by regulatory body – GNERC. Purpose for regulation is to manage prices and to maintain overall low market rate, as all old plants together comprise significant part of Georgian electricity system.

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

The Company also has an operating lease on Pshavela HPP, which was constructed in 2014 and is owned by Pshavela Ltd. HPP is small run-off-river plant, with 2.7 MW installed capacity. Operating lease agreement remains valid until 5th of January, 2018.

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

Electricity generation holds a great potential for further growth. In February 2014, the Company signed a contract to export electricity to Turkey via the new Akhaltsikhe-Borcka high voltage line.

Furthermore, the Company has developed investment projects to build 2 small HPPs with a total capacity of 7.0 MW.

Saguramo HPP is built on existing GGU tunnel infrastructure in Mtskheta Region. The plant receives water from Zhinvali water reservoir via the Bodorna-Grmagele water supply tunnel. HPP’s installed capacity is 4.4 MW and the projected generation potential is up to 35GWh. The plant was commissioned in October, 2016. As per the Ministry of Energy’s decree any HPP built post August 2008 will be fully deregulated, which effectively means that Saguramo HPP will be selling the generated electricity at a market price.

Bodorna HPP is a run-of-the-river plant that the management is interested in developing. The project is in a feasibility and EIA study phase, scheduled to be completed in December 2016. The commencement of the construction phase is planned in Q1 2017 and the expected date of commissioning is December 2018. The plant will receive water from the Bodorna Reservoir and HPP’s installed capacity is planned to be c. 2.6MW with annual generation projected at c. 17GWh. When built, the plant will be fully deregulated and will be selling the generated electricity at a market price.

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

Power generation, consumption and sales analyses:

Description (GWh)	2008	2009	2010	2011	2012	2013	2014	2015	30 June 2016
Generation	426	469	557	439	319	397	379	416	170
Purchase	5.0	-	-	19.0	20.0	6.0	10.0	1.0	0.4
Total available electricity	**431**	**469**	**557**	**458**	**339**	**403**	**389**	**417**	**170**
Consumption	301	292	291	290	288	281	273	278	133
Y/y changes of consumption		*-3%*	*0%*	*0%*	*-1%*	*-2%*	*-3%*	*2%*	
Third Party Sales	130	177	266	168	51	122	116	96	51

1.2.4. Other Revenue

Other revenue (GEL 4.7 mln of revenues in 2015) includes following sub streams:

- Revenue from connection service consists of fees charged to households and legal entities for water supply and waste water discharge project preparation;
- Income from rent was generated from renting lands and buildings in the posession of the Company;
- Management fee consists of the revenue generated from investment consulting to other subsidiarises of the GGU: Rustavi Water Company, Mtskheta Water Company, Gardabani Sewage System and Saguramo Energy;

1.2.5. Share Purchase Agreement ("SPA")

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

Within the share purchase agreement (SPA), the government required the buyer to carry out certain obligations:

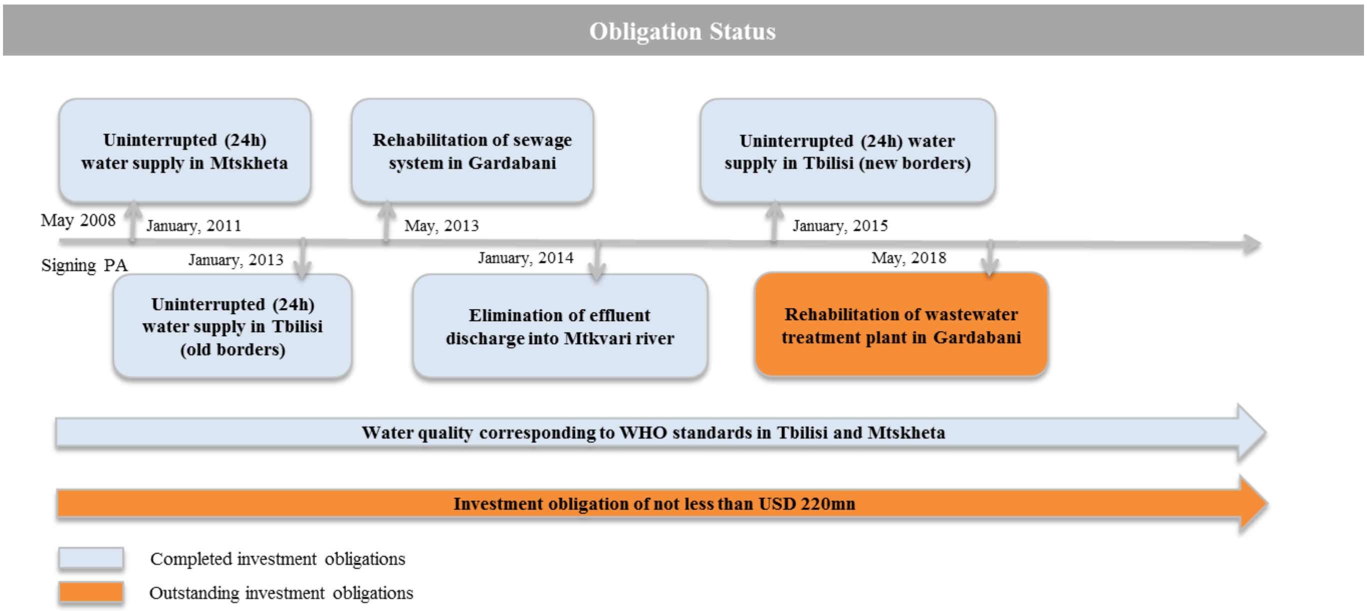
- Technical obligations: Investments related to refurbishment and rehabilitation of the water supply and wastewater management infrastructure.
    - 24 h water supply within old borders of Tbilisi;
    - 24 h water supply within new borders of Tbilisi;
    - 24 h water supply in Mtskheta;
    - Rehabilitation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

SPA also states a timeframe in which all the obligations should be fulfilled. In case of violation of terms of the SPA, the buyer may become subject to certain prescribed penalties.

Moreover, the buyer has provided a bank guarantee for the amount of USD 15 mln for securing the fulfillment of obligations under the SPA. As a result of performance of certain technical obligations, the amount of guarantee has been reduced to USD 3 mln. As the buyer has not called the guarantee, the amount of the guarantee was gradually decreasing in line with the fulfillment of obligations.

1.2.5.1. Obligation Status

Obligations per SPA and their timeline (as of September 30, 2016)



Along with fulfillment of technical obligations listed above, the buyer has to continuously maintain water quality corresponding to World Health Organization Standards in Tbilisi, and Mtskheta. As of today water quality has been achieved. GWP follows the technical regulations promulgated by Tbilisi Municipality which are based on World Health Organization guidelines. Moreover, GWP has acquired ISO 9001 certificates for water quality in Tbilisi.

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

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

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

The Company is actively working on the rehabilitation of Gardabani wastewater plant's mechanical treatment to ensure long-term performance. Three external consultants Fichtner, Schlegel and Studio Altieri are working on the feasibility study and will complete the study by the end of 2016. Company expects to finish the rehabilitation by May 2018.

Compliance with concentration requirements (as of June, 2015)

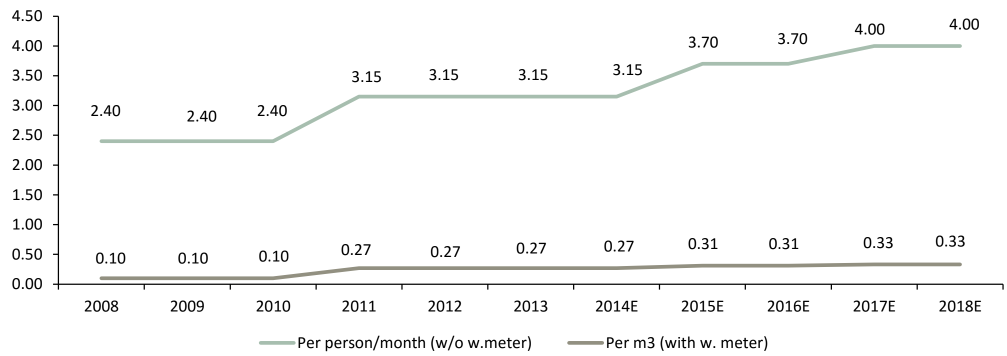
Measurement: mg/I	Acceptable level of concentration after 10-April-2018	Acceptable level of concentration until 10-April-2018	Existing Concentration in Entering Waste Water (2016)	Expected Concentration After mechanical Treatment (2016)
Total suspended solids	35	60	56	31
Biological oxygen demand 5	25	40	41	22
Chemical oxygen demand	125		95	87
Total nitrogen	10	20	10	9
Total phosphorus	1	2	0.78	0.65

As for the investment obligations related to Share Purchase Agreement, denominated in GEL and equivalent to USD 220mn, as of today, the Company has made USD 231mn investments (confirmed by the audit reports of 2 members of the big four). Consequently, by May, 2018 (the due date to meet the obligations) the given obligations will be fulfilled in excess.

1.3.5.2. Water Tariff

The SPA prescribes certain limitations (caps) on tariffs charged by GWP to its customers. Generally, tariffs for services (water and sewage) of GWP are set by GNERC, however, until 2018 the caps provided by the SPA shall be applied.

Water Tariff Caps per SPA (GEL incl. VAT)



In 2010, water tariffs were successfully increased in Tbilisi from GEL 2.4 to GEL 3.15 per capita for non-metered clients and from GEL 0.1 to GEL 0.27 per m3 for metered customers. Further tariff increase was expected in 2015 (up to GEL 3.7). The Company submitted an official request to increase tariffs in Tbilisi from GEL 3.15 to GEL 3.7 for non-metered clients and from GEL 0.27 to GEL 0.31 per m3 for metered clients in Tbilisi, however GNERC recalculated the tariffs with the currently effective water tariff setting methodology and retained tariffs at the same level until 1st January, 2017. GNERC is to set new tariffs for the Company, becoming effective from 1 January 2017. (see *"Legal Framework"*)

Analysis of Financial statements of the Company

Financial Statements of the Company for and as of year ended 2013, 2014 and 2015 have been prepared in accordance with IFRS and audited by the Company's independent auditors, PricewaterhouseCoopers (PwC) and EY Georgia LLC (EY), in accordance with International Standards on Auditing ("**ISA**").

Financial statements of the Company for and as of period ended 30 June 2015 and 30 June 2016 have been prepared in accordance with IFRS by the management of the Company.

Number of customers and revenue streams:

	30-Jun-16	30-Jun-15	2015	2014	2013
Total revenue s	52,374	56,603	112,669	115,206	99,230
Y/y growth	*-7.5%*		*-2.2%*	*16.1%*	
	-				
Number of households	*469,977*	*460,483*	*465,202*	*456,932*	*443,930*
Revenue from households	13,702	12,873	27,448	27,264	26,910
y/y growth of revenue	*6.40%*		*0.70%*	*1.30%*	
Number of legal entities	*31,754*	*30,319*	*31,038*	*29,518*	*27,535*
Revenue from legal entities	33,219	31,618	67,215	63,113	60,652
y/y growth of revenue	*5.1%*		*6.5%*	*4.1%*	
Revenue from power sales	4,162	9,146	13,271	8,673	4,905
y/y growth	*-54.5%*		*53.0%*	*76.8%*	
Other revenue	1,291	2,966	4,736	4,427	6,763
y/y growth	*-56.5%*		*6.9%*	*-34.5%*	

Total revenue of the Company has undergone a gradual increase during the years 2013-2015 expressed in c. 6.6% growth p.a., generating additional c. GEL 13.5 mln.

Revenue for 2014 increased substantial by 16.1% due to a 11.7mln city hall financed project of developing water networks in new villages. Excluding the City Hall project, the revenue growth would have been 4.3%.

Revenue showed 2.2% decrease in 2015 which is mainly attributable to non-recurring revenue fluctuations in 2014. Excluding the non-recurring revenue from the 2014 number shows a substantial 9% growth in 2015, driven by the increased revenue from electric power sales and from water supply.

The half year revenue in 2016 fell relative to the respective period in 2015 due to the decrease in revenue from electric power sales. The revenue in the first half of 2016 from electric power sales decreased relative to the first half of 2015 due to the fact that the Zhinvali HPP was on a repair mode and was not generating power for two months in 2016 and the water level was lower than expected due to weather conditions. The repair work on the Zhinvali HPP was a one-time project and similar projects are not planned in the near future.

Company provides water services to both legal entities and individuals. Water sales presented 84% of total revenues out of which 71% were revenues from legal entities.

Increase of Revenue from households in 2015 and in the first half of 2016 is mainly due to the fact that the Company is updating the information about the number of residents for a given household charge the fees to the households and account for the revenue accurately.

Revenue from legal entities tends to grow gradually and converge with economic growth trends of the country. In 2013-2015 this revenue stream rose by 5.3% p.a. on average, mainly driven by water meters updates and installation.

During last 2 years, number of households and number of legal entities have increased by additional c. 21,272 and c. 3.503 of new customers respectively.

The Company is negotiating with the regulator to increase the fines for the illegal usage of water. This will promote a more efficient collection and increase of the Company revenues from legal entities as well as from households.

Revenue from power sales increased in the years 2013-2015 mainly due to positive weather conditions and resulting availability of water. The revenue in the first half of 2016 from electric power sales decreased relative to the first half of 2015 figure due to the fact that the Zhinvali HPP was on a repair mode and was not generating power for two months in 2016 and the water level was lower than expected due to weather conditions.

Other revenue growth in 2015 was triggered by the increase in revenue from connection service. Despite the fall of other revenue in the first half of 2016 compared to the respective period in the previous year, the Company expects to report an increased other revenue on a full year scale due to the fact it has already received advances for the connection service projects it is planning to carry out.

EBITDA 2013-2015 and 2015, 2016 half years

	30 June 2016	**30 June 2015**	**2015**	**2014**	**2013**
EBITDA	26,353	31,461	61,471	53,077	50,486
Y/y growth	*-16.2%*		*15.8%*	*5.1%*	
EBITDA Margin	*50.3%*	*55.6%*	*54.6%*	*46.1%*	*50.9%*

EBITDA of the Company has had an increasing trend over the last 2 years, growing by 5.1% in 2014 and by 15.8% in 2015, a gradual growth of 10.3% p.a., generating additional GEL 11mln. EBITDA margin increased in 2015 mainly due to the absence of a low margin city-hall financed project that took place in 2014. The fall of EBITDA margin in the first half of 2016 was caused partially by the decrease in the revenue of the respective period from electric power sales due to the fact that the Zhinvali HPP was on a repair mode and was not generating power for two months in 2016 and the water level was lower than expected due to negative weather conditions. On the other hand, the increase of electricity and transmission costs in the first half of 2016 further contributed to the decline of the EBITDA margin.

Cost structure of the Company:

Description (GEL, thousands)	30 June 2016	30 June 2015	2015	2014
Salaries and other employee benefits	7,686	10,169	19,117	17,714
Electricity and transmission costs	6,627	4,651	9,826	8,673
Raw materials, fuel and other consumables	1,789	2,166	4,551	5,510
Maintenance expenditure	1,127	1,521	4,090	4,303
General and administrative expenses	1,467	1,234	2,764	2,645
Taxes other than income tax	1,438	1,546	3,051	4,216
Professional fees	832	739	2,140	1,043
Reversal of allowance/(allowance) for impairment of trade receivables	1,127	62	(169)	5,197
(Charge for) / reversal of provisions	(798)	-	168	(3,119)
Cost of network realization	-	-	-	9,668
Other income	(299)	(403)	(643)	(1,070)
Other operating expenses	3,428	3,458	6,304	7,350

Salary and other employee benefits rose in 2015 because of the fact that the company management hired qualified stuff and increased bonuses.

General and administrative expenses are stable from year to year.

Professional fees increased due to new range of financial services the Company received in 2015 and in the first half of 2016, which includes the legal consulting from PwC and EY, the tariff consulting from PwC, rating expenses from Fitch and Galt & Taggart, and the strategic consulting expenses from Aecom and EY.

Electricity and transmission costs increased in the full year as well as the half year comparisons due to the rise in transmission fees on 15th of December 2015.

Other operating expenses decreased in 2015 due to the decrease in bad debt collection expenses and fines and penalties. On the other hand, there was a slight increase in other expenses the first half of 2015 to the respective period of 2016. Due to the production expenses such as the service fee for the WWTP (waste water treatment plant) and the regulation fee on electricity and water.

Description (GEL, thousands)	30 June 2016	30 June 2015	2015	2014
Finance Costs	5,193	15,330	21,783	3,785
y/y growth	*-66.1%*		*475.5%*	

Finance costs were unusually high at the end of 2015 due to the GEL 13.9mln translation loss that was included in the respective caption. The same explanation applies to the difference between half year numbers.

Description (GEL, thousands)	30-Jun-16	30-Jun-15	2015	2014
Gross trade and other receivables	47,691	48,391	41,764	38,243
Less impairment loss provision	-28,736	-28,544	-28,055	-29,027
Trade and other receivables	18,955	19,847	13,709	9,216
y/y growth	*-4.5%*		*48.8%*	

Trade and other receivables increased in 2015 partially due to the decrease in allowance for impairment of trade receivables. Compared to 2014, impairment loss provision as a proportion of gross trade and other receivables decreased from 75.9% to 67.2%. The reduction in allowance was caused by the successful negotiations between the Company and the electricity suppliers such as JSC Telasi and JSC Energo-Pro obligating them to cease the supply of electricity to the customers that have failed to make the due payments for their water consumption. On the other hand, excluding the 11.7mln city-hall financed project in 2014 shows a significant increase in revenue in 2015 due to the abovementioned reasons and the rise in trade receivables is consistent with the growth in revenue.

Trade and other receivables show larger amounts as of 30th of June 2015 and 30th of June 2016 compared to the full year numbers. This is caused by the fact that the Company collects more of its receivables towards the year-end as many of its customers cover their outstanding liabilities in December.

Description (GEL, thousands)	30 June 2016	30 June 2015	2015	2014
Prepaid taxes other than income tax	3,849	3,454	4,626	1,704

Prepaid taxes other than income tax increased in 2015 due to the fact that the Company earned an advanced ruling on its water loss taxation. According to the ruling, the taxable portion of water loss was increased. This caused the reduction of the Company's taxes and an increase in its prepaid taxes. The Company started to report its VAT returns in the first half of 2015, which explains the increase of prepaid taxes from 2014 to the first half of 2015. Prepaid taxes decreased from 2015 to the first half of 2016 as the taxes due in the period were subtracted from the prepaid account.

Description (GEL, thousands)	30 June 2016	30 June 2015	2015	2014
Deferred income tax liability	350	25,614	27,573	23,654

Deferred income tax liability had a drastic decrease in the first half of 2016 due to the new law stating that the companies that reinvested their profit were exempt from income taxes.

Outstanding financial liabilities as of 2015 (in thousands GEL):

	30-Jun-16		*30-Jun-15*		*31-Dec-15*		*31-Dec-14*	
	Current liabilities	***Non-current liabilities***	***Current liabilities***	***Non-current liabilities***	***Current liabilities***	***Non-current liabilities***	***Current liabilities***	***Non-current liabilities***
Loans from Georgian financial institutions and Georgian companies	22,684	37,045	3,761	70,276	24,812	38,760	356	78,573
Debt securities issued	184	8,600	-	-	131	8,557	-	-
Total borrowings	**22,868**	**45,645**	**3,761**	**70,276**	**24,943**	**47,317**	**356**	**78,573**

Certain portion of the Company's borrowings has become current due to the fact that their maturity dates approached.

	30-Jun-16		*30-Jun-15*		*31-Dec-15*		*31-Dec-14*	
	GEL	***USD***	***GEL***	***USD***	***GEL***	***USD***	***GEL***	***USD***
Loans from Georgian financial institutions and Georgian companies	59,729	-	36,483	37,554	63,572	-	14,179	64,750
Debt securities issued	8,784	-	-	-	8,688	-	-	-
Total borrowings	**68,513**	**-**	**36,483**	**37,554**	**72,260**	**-**	**14,179**	**64,750**

The Company transferred its USD borrowing to GEL in order to minimize currency risk. Company intends to continue matching its revenue denomination with its expenses to avoid fluctuations caused by exchange rate changes.

In 2015, the Company had two issuances of 2-year local bonds of GEL 2.6 mln and GEL 6.0 mln (ISIN codes GE2700603329 and GE2700603345 respectively). The bonds were issued at par carrying fixed coupon rate of 14% and floating coupon rate NBG + 7.5% per annum, paid at maturity for 1^{st} and 2^{nd} emission respectively.

Total equity (in thousands GEL)

Equity	**2015**	**2014**	**2013**
Charter capital	208,469	208,469	208,469
Accumulated deficit	(142,458)	(160,522)	(121,092)
Revaluation reserve	145,676	145,925	147,274

Accumulated deficit decreased in 2015 due to the fact that the Company was profitable and the dividend was low. The increased accumulated deficit in 2014 is explained by an excess of dividends declared over generated profit of the year by c. GEL 40.8 mln.

Charter capital as at 31 December 2015, the Company had fully contributed charter capital of GEL 208,469 (2014: GEL 208,469).

Gross dividend in the amount of GEL 247,000 was declared and paid in 2015. Dividend in the amount of GEL 70,777,000 was declared during the year 2014 (2013: GEL 27,713,000).

Cash flow statement data

Cash inflow from operations' increase in 2015 is consistent with the EBITDA change in the respective period. Excluding the working capital and income tax changes, the cash flow from operations showed the amounts and the content similar to the respective numbers of EBITDA in 2014-2015. Therefore, the explanation for the EBITDA increase in 2015 is applicable to the change in the cash flow from operations.: net cash flow from operations increased mainly due to the absence of a low margin city-hall financed project that took place in 2014. This positive effect outweighed the negative effect of working capital changes in 2015 and consequently the cash flow from operations increased from 2014 to 2015.

Likewise, cash flow from operations decrease from the first half of 2015 to the first half of 2016 is consistent with the EBITDA change in the respective period.

Cash outflow from investing activities decreased in 2015 because of the lower cash expenses in the purchase of PPE and intangible assets. The cash outflow for the fixed assets was higher in the first half of 2016 than in the respective period of 2015 explaining the increased cash outflow from investing activities in the respective period. (see *"Capial Expenditures")*

Cash outflow from financing activities increased in 2015 due to the increased repayment of borrowings and the decreased proceeds from the new loans taken by the Company.

Major financial ratio analysis

	30 June 2016	30 June 2015	2015	2014
Current ratio	0.66	1.19	0.69	1.44
Quick ratio	0.46	0.92	0.45	0.90
Debt/Equity	0.27	0.37	0.34	0.41
Debt/EBITDA	N/A	N/A	1.18	1.49
DSCR	2.81	1.56	1.52	4.37
EBIT/Fixed Charges	3.65	6.94	5.18	10.49
EBITDA Margin	50.3%	55.6%	54.6%	46.1%
Net Profit Margin	28.3%	9.8%	16.0%	26.0%
CFO/Debt	0.71	0.74	0.72	0.61
FOCF/Debt	0.12	0.43	0.45	0.10
DCF/Debt	0.12	0.43	0.45	N/A

Note:

EBITDA – Earnings before interest, taxes and depreciation/amortization

EBIT – Earnings before interest and taxes

DSCR – EBITDA divided by the interest plus principal

CFO – Cash flow from Operations

FOCF – Cash flow from operations minus capital expenditures

DCF – FOCF minus dividends paid on common and preferred shares.

Liquidity ratios decreased from 2014 to the first half of 2016, caused by the fact that a large amount of company's non-current liabilities became current.

Debt/Equity ratio has shown an improving trend, as the Company reduced its borrowings and increased its equity, increasing the ability to meets its obligations. The improvement in Debt/EBITDA ratio further confirms the Company's increased ability to service its obligations.

DSCR decreased in 2015 due to the fact that the grace period of some of the borrowings expired in 2015 resulting in the increased payments in the respective year. DSCR increased significantly in the first half of 2016 due to the fact that the company did not have loans denominated in foreign currency and there was no loss from the exchange rate fluctuations unlike in the first half of 2015.

EBITDA margin was low in 2014 due to the low margin of the non-recurring project of developing water networks in new villages. EBITDA margin improved significantly in the first half of 2015 and by the end of 2015 due to the lower raw material and other operating expenses. In the first half of 2016 the rise in transmission fees increased the electricity and transmission costs. On the other hand, negative weather conditions, the lack of availability of water and the fact that Zhinvali HPP was not operating for 2 months in the first half of 2016 caused the decline of revenue from electric power sales. Consequently, in the first half of 2016 EBITDA margin slipped from the 2015 figure.

The Company was profitable from 2014 to the first half of 2016 period. Net income was unusually low in 1H15 though, explained by net foreign exchange losses caused by the fluctuations in GEL during the period.

CFO/Debt increased in 2015 due to decreased borrowings and increased EBITDA. The ratio remained stable over the rest of the periods.

FOCF/Debt was higher in the first half of 2015 and at the end of 2015 compared to the other discussed periods due to the fact that capital expenditures were lower during 2015. Considering the fact that the industry requires significant capital expenditures, the given ratio is very important in the financial analysis of the Company.

Same explanation applies to the DCF/Debt ratio the calculation of which was not meaningful in 2014 because of the extremely large dividend of 71mln paid in the period. (see *"Capital Expenditures"*)

LEGAL FRAMEWORK

Overview. Water supply and sanitation ("**WSS**") is considered a natural monopoly and its operations are therefore regulated by GNERC. Other regulatory bodies that oversee different aspects of the WSS utility operations include the Ministry of Regional Development and Infrastructure ("**MRDI**") and the Ministry of Environmental and Natural Resources ("**MENR**"). GNERC regulates the economic and license-related aspects of the WSS services and sets price control policy for water and sanitation supply, while MENR oversees the environmental safety and sustainability aspects of the surface and underground water recovery at the intake points. MRDI, on the other hand, is responsible for channelling the funds and planning WSS infrastructure development. Another independent body under the Ministry of Agriculture ("**MoA**"), the National Food Agency ("**NFA**"), is responsible for ensuring that the drinking water quality standards are met. Notably, GNERC's independence is ensured through independent source of financing and budgeting that is not influenced by any state authority. GNERC's revenue is mostly made up of the regulatory fee, set at 0.3% of total revenue of a regulated entity, paid out to the commission annually.

Regulatory framework for WSS sector

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

Source: GNERC

Price control. As one of the major regulatory players on the market, GNERC constantly updates WSS utility price control methodology and other regulations that apply to WSS utilities in order to approximate with existing best practices. GNERC is currently developing new WSS tariff methodology with the assistance of Austrian regulator, E-Control, an international consulting and engineering company MVV Decon GmbH and global advisor - Grant Thornton. The first draft of the document has already been prepared and will be made available for utilities by the end of 2016. Current price control methodology rests on the TOTEX principle whereby the commission incorporates all economically justified expenses associated with regulated activities that are related to WSS service supply to end-consumers and a capped profit margin which, as in electricity utility price control methodology, equals the regulatory WACC, 13.54%, however as the water and electricity tariff regulations have a tendency to resemble each other in most of the developed economies, we assume that the water price control methodology will most likely resemble electricity market price control methodology that has been laid out since 2014.

Normative losses. GNERC defines "Normative Loss of Potable Water" as a permissible loss of potable water, which arises during receipt, transportation and distribution of water by means of water supply system and shall be calculated in accordance with specially prescribed rules. GNERC is aiming at adopting a new document on normative loss calculation by the end of 2016 with the goal to start implementing it in 2017. Normative losses will be determined for each utility company separately, as is the case in electricity sector, and new methodology will distinguish between the production losses, technical losses and losses caused as a result of excessive consumption. The aim for calculating normative losses is for the utilities to be compensated for such losses. Distinction between losses will trigger different incentive mechanisms available for them to reduce amount of non-revenue water in the network.

Service Quality Rules. Starting from January 2017 the regulator (GNERC) will fine or incentivize water utilities based on the quality of their service. Newly adopted Service Quality Rules ("**The Rules**") provide quality standards for the services rendered by utilities and will be reinforced starting from 1 January 2017. The Rules are there to incentivize improvement in overall service quality among utilities; the Rules provide standards for the response time to the customer trouble reports, new customer registration requests and phone calls. The Rules also apply when it comes to keeping subscribers informed about the planned supply interruptions through "Out of Service" notifications via email and/or text (sms) messages. The Rules have a clear framework for handling the unplanned interruptions and new customer connections as well. In case of an extraordinary interruptions when the utility is unable to eradicate the cause of interruption in less than 12 hours, the utility must submit a detailed explanation and/or justification to GNERC as to why such event occurred Service standards are divided into two types (1) General Standards and (2) Guaranteed Standards. The General Standards are not related with a specific customer, but rather set milestones that shall be reached during a calendar year in relation with all customers. As for the Guaranteed Standards - they are related with specific customers and the service providers are fined for violation of such standards in relation to a customer. In case of breach of Guaranteed Standards, the service provider shall pay a compensation to the customers, per each case of breach (GEL 5 for individuals and GEL 10 for legal entities). Such compensation shall be reflected as a credit on the subscriber's card of each customer, within 10 calendar days from the breach. In case of breach of General Standard (not reaching set milestones) GNERC applies incentives or fines, that are later reflected in tariffs. Each 1% of increase/decrease of a set milestones shall cause increase/decrease of regulatory cost base (RCB) by 0.01% for the purposes of calculation of a tariff. Consequently, increase/decrease of RCB factors into incremental increase/decrease in revenues collected by the utility companies.

POLICIES AND PROCEDURES

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

Labor safety norms

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

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

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

Water quality control

Water quality in capital city of Tbilisi is monitored and maintained according to Decree N58 of the Government of Georgia, dated 15 January 2014. The Company has Chemical Micro-biological Laboratory (CML) for water quality control and acts according to drinking water technical regulation standards.

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

The laboratory follows planned recurrent monitoring procedures in Tbilisi and its surroundings on 373 points of water supply network.

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

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

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

Registration of completed activities and preparation of supporting reports:

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

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

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

Accident reporting and management

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

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

Water supply accident

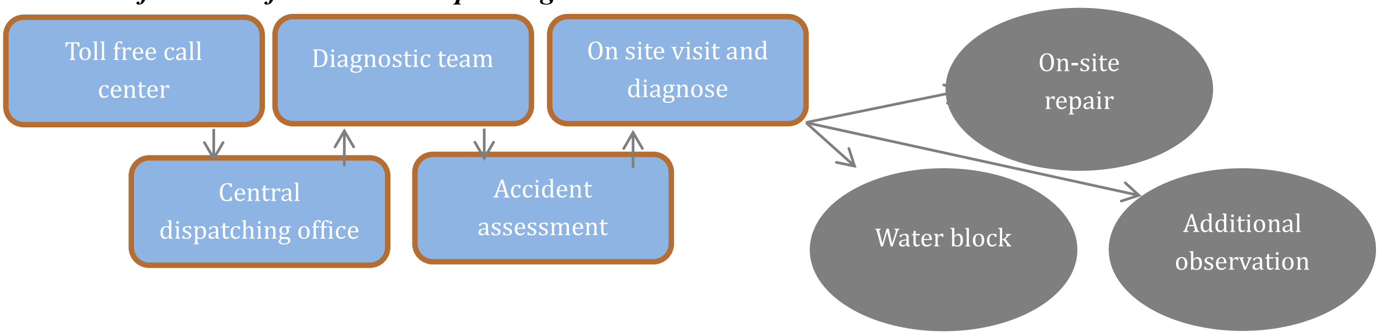
Initially information about the accident is delivered through toll free call centre. There are 16 call centre operators, working in shifts. They service the calls 24/7. Tbilisi and Rustavi are both covered through it. The Company has recently implemented CRM based on Microsoft Dynamics business solution.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

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

There are several outcomes:

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

Information flow and corresponding actions:



Wastewater accident

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

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

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

The Company has been improving its efficiency in terms of grid management thus reducing the number of accidents.

Number of registered accidents:

Year/Month	December	January	February	March	April	May	June
2013/2014	1260	1324	1206	1228	862	1071	1028
2014/2015	1056	1170	1008	1226	1061	1172	1073
2015/2016	1053	932	939	999	947	927	775
Change 2016-2014	*204*	*154*	*198*	*2*	*-199*	*-101*	*-45*
Change 2016-2015	*3*	*238*	*69*	*227*	*114*	*245*	*298*

Connection of new customers The Company's main revenue stream is generated from water supply and wastewater management charges. Expanding the network and obtaining new customers are important to the business and, therefore, the process of connecting new customers to the network has to be easy, transparent and efficient.

Steps related with connection of new customers:

- New customer submits an electronic or written application to the Company; on the same day, through chancellery, the application is forwarded to new connections department;
- New connections department within one business day evaluates the application and all attached documents and in case of any fault, informs the seeker of connection via text message, mail and other available means of electronic communication; If the application is satisfactory (without any fault), within one business day new connections department transfers scanned application and all supporting documents to the water supply and sewage department;
- Specialists of water supply and sewage department, within 3 business days, develop sketches and designs for new connection and transfer it back to the new connections department;
- Received information is analyzed by the new connections department and technical conditions of the works to be implemented are prepared. Then all documents are passed to the construction department of the Company;
- Construction department immediately starts the process of project approval with different other departments and submits needed documentation to the Tbilisi City Hall for obtaining any applicable permits; If issuance of permits is delayed, the applicant (new customers) is duly informed about expected delays;
- After all of the needed permits are received the Company's construction department starts on site works; after works are finished construction department submits corresponding documents indicating work completion to the new connections department;
- New connections department informs the applicant about completion of works and simultaneously transfers information about new customer to the customer relations and water sales department for registration purposes;
- As a final step, delivery-acceptance act is signed between the Company and the new customer, new water network is recorded on the Company's balance sheet and the customer starts receiving water and sewage services from the Company.

All works conducted by the construction department are duly supervised and monitored by the Company's technical supervision department.

Advance payment for new customer connection is required in the amount of 50% of total project cost, which has to be paid by the seeker of connection right after the submission of an application. The remaining amount is payable after all works are completed. If new customer delays payment or some disagreement arises about amount of payment new connections department is obliged to record service fee as a receivable and reflect that amount in an utility bill, which will become payable within 10 days after water supply starts for legal entities and within 20 days – for households

MANAGEMENT AND EMPLOYEES

Overview

The Company has a two-tier management structure – Shareholder (which is represented by its board of directors and represents a superior body of governance) and a General Director (which is in charge of day-to-day management of the Company, subordinated to the Shareholder).

Shareholder's Resolutions

According to the constitutional documents (charter) of the Company, all the following matters fall under the competence of, and shall require resolution of, the Shareholder:

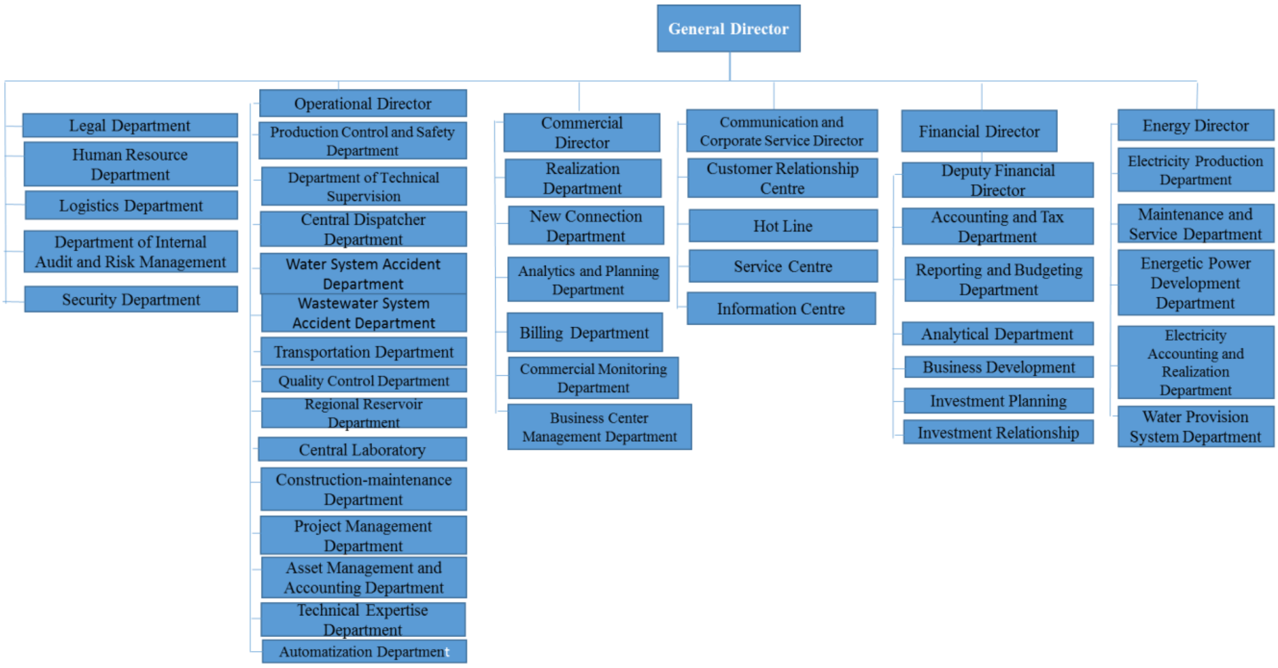
- Amending the constitutional documents (charter) of the Company;
- Increasing/decreasing the equity capital of the Company, distribution of shares, placing any restrictions/limitations on sale of shares or granting any options on such shares;
- Restricting or canceling pre-emptive rights or tag along/drag along rights attached to the shares;
- Commencement of new types of business activities;
- Any merger, consolidations, amalgamation, division or separation of the Company;
- Establishment of any subsidiaries, joint ventures or branches of the Company;
- Acquisition of shares in other companies or pledging any shares held by the Company;
- Payout of dividends;
- Any issuance of loans or guarantees, beyond the ones envisaged under the duly approved budget, business plan or any similar documents of the Company;
- Entering into any management agreements, beyond the ones envisaged under the duly approved budget, business plan or any similar documents of the Company;
- Financing of the Company's activities from third-party sources;
- Extending loans or converting loans into equity in excess of US$ 100,000, except in case of the Company's sister companies;
- Any expenditures in excess of US$ 500,000 in any economic year, beyond the ones envisaged under the duly approved budget, business plan or any similar documents of the Company;
- Any sale, lease, rent, exchange, pledge or mortgage of assets of the Company with value of more than US$ 500,000;
- Approval of any investment program or business plan of the Company;
- Any liquidations, winding up or dissolution of the Company;
- Appointment of an external auditor of the Company;
- Initiation of any court or arbitral proceedings, or making settlements in respect of proceedings, having value of more than US$ 500,000;

- Approval of payout of any bonuses or other incentive schemes for the General Director or other members of the management of the Company;

General Director

Day-to-day management and representation of the Company is vested upon the General Director in accordance with the Company's charter.

The General Director shall lead the Company business diligently and faithfully, observing the provision of the charter, requirements of applicable laws and of a respective employment (service) contract.



Below table lists the key management officials of the Company:

Name	Current Position	Term of Employment / Reappointment
Giorgi Tskhadadze	Chief Executive Officer	2 year
Ekaterine Beridze	Director of Communication and Corporate Service	2 year
Mamuka Kikalishvili	Chief Operating Officer	1.5 year
Irakli Babukhadia	Chief Commercial Officer	1.5 year
Giorgi Vakhtangishvili	Chief Financial Officer	1.5 year
Jaba Mamulashvili	Chief Legal Officer	1 year
Rusudan Sanikidze	Head of HR	1 year
Guram Akhvlediani	Head of Investment policy and project management department	1.5 year

1.1. Director/CEO - Mr. Giorgi Tskhadadze

Mr. Tskhadadze joined GGU in December 2014. Previously held executive positions at several leading local companies, holding position of CFO at IDS Borjomi and Poti Sea Port. Prior to joining GWP, Giorgi was acting as a partner at Proxima Prime Partners. Holds a bachelor degree in Economy and Engineering from Tbilisi State University.

1.2. Senior Managers

1.2.1. Giorgi Vakhtangishvili – CFO

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

1.2.2. Mamuka Kikalishvili - COO

Mr. Kikalishvili joined GWP in April 2015.
He has an extensive experience of working on infrastructural projects; before joining GWP, Mamuka held a position of manager of field operations at Tetra Tech ENE-Georgia (USAID/Power and Gas Infrastructure Oversight Project).
Graduated from Caucasus School of Business (MBA degree) and is the doctor of Technical Science (Georgian Technical University)

1.2.3. **Irakli Babukhadia – CCO**

Mr. Babukhadia joined GWP in April 2015.
Irakli previously worked as a management consultant both independently and at Tetra Tech Inc. and PA Consulting Group. The latest position held by Irakli was first deputy CEO (finance and commerce) at

Mixori Ltd. (construction and construction materials company). Holds a degree in International Business Law from Tbilisi State University

1.2.4. **Jaba Mamulashvili – CLO**

Mr. Mamulashvili joined GGU in February 2016.
Before joining GWP he held a position of a partner at Begiashvili & Co. Limited - one of the leading Georgian law firms. Jaba specializes in general commercial law and has a notable experience in equity investments, mergers & acquisitions, corporate and project financing, etc.
Holds a master's degree in International Business Law from University of Manchester.

1.3. Employees

Currently the Company employees 2042 employees.

The Company aims for best practice in recruitment, training and development. Health and safety policies and procedures are delivered through programmes which integrate with other areas of the business including operations, human resources and quality. The Company has a range of training programmes aimed at different levels across the organisation.

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

1.4. Remuneration and Benefits

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

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

Benefits:

- ✓ Every employee is included in an insurance scheme, with the Company contributing GEL 14.5 per month for employees with monthly salary of not more than GEL 530
- ✓ The employees are enjoying special mobile communication tariffs and internet charges; Plus, in case of key managers, the Company covers the communication (mobile and internet) fees and charges up to a certain amount;
- ✓ Trainings are held frequently for the professional development of employees fully financed by the Company.

1.5. Litigation Statement

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

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

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholders

100% of shares of the Company are ultimately held by BGEO Group Plc.

Balances and Transactions with Related Parties

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

Following the public offering of the Bonds back in the august of 2015, the Company became a Reporting Company within the meaning of the Securities Law. The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as Interested Parties (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions involving Interested Parties and exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the shareholder's meeting. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements. Consequently, the Company's shareholder shall approve transactions involving Interested Parties. The Company seeks to conduct all related party transactions on arm's length basis. with market terms and at market prices.

The outstanding balances with related parties were as follows:

	31-Dec-15		*31-Dec-14*	
	Entities under common control	***Other related parties***	***Entities under common control***	***Other related parties***
Cash and cash equivalents	–	371	–	3,634
Loans outstanding as at 1 January	**8,500**	–	**6,658**	–
Loans issued during the year	445		945	
Loans repayments during the year	(80)		–	
Restructure of trade receivables	2,053		897	
Loans outstanding as at 31 December	**10,918**		**8,500**	
Trade and other receivables	112	–	12	–
Prepayments for non-current assets	1,101	–	724	–
Borrowings as at 1 January	**–**	**(78,600)**	–	**(7,699)**
Proceeds from borrowings	(9,977)	(22,031)	–	(86,798)
Borrowing repayments during the year	123	87,090	–	15,897
Offset with trade receivables	2,287	–	–	–
Borrowings as at 31 December	**(7,567)**	**(13,541)**	–	**(78,600)**
Trade and other payables	(807)	–	(533)	–

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

	31-Dec-15		*31-Dec-14*	
	Entities under common control	***Other related parties***	***Entities under common control***	***Other related parties***
Income and expenses				
Revenue from water supply	301	–	384	–
Revenue from electric power sale	4,105	–	2,282	–
Other revenue	769	–	795	–
Other income	704	–	927	–
Interest income	1,540	–	404	–
Production expenses	(1,559)	–	(1,422)	–
Interest expenses	(1,403)	(2,521)	(154)	(1,751)
Rent expenses	(7)	–	(2)	–
Other expenses	(174)	–	(44)	–

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

TERMS AND CONDITIONS OF THE BONDS

The Board of Directors of the Company passed on 3 November, 2015 a resolution, whereby it approved and authorised the issue of up to GEL 30,000,000 floating rate bonds by the Company.

Maturity date of the Bonds is 6 December 2021. 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, acting in the capacity of the Bondholders' Representative, dated 29 November 2016 (the "**Agreement**"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "*Overview of the Offering*") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement.

Copies of the Agreement are available for inspection during usual business hours at the principal office of the Bondholders' Representative: at Nodia, Urumashvili and Partners LLC, Office No. 28, 4th Floor, 71 Vaja-Pshavela Ave., Tbilisi 0186, Georgia and at the offices of the Issuer: 33 M.Kostava 1st Lane, Tbilisi 0179, Georgia. In addition to the Prospectus, including these Terms and Conditions, the Bondholders (as defined below), and in certain cases (envisaged by the Prospectus, including these Terms and Conditions), the Nominal Holder of the Bonds, are entitled to the benefit of, are bound by, and are deemed to be subject to the relevant terms of the provisions of the Agreement and such terms apply to them. In Particular, by acquiring the Bond(s) a Bondholder consents and agrees that it is entitled to the benefit of the covenants set forth in Condition 5 of these Terms and Conditions and in Clause 6 of the Agreement (the "**Covenants**") and it will enjoy the rights and obligations deriving from performance, partial performance and/or non-performance of such Covenants only on the condition that it authorizes the Bondholders' Representative to act on its behalf in respect of such Covenants pursuant to Condition 4(a) of these Terms and Conditions. Accordingly, neither a Bondholder nor a Nominal Holder has the right to act directly against the Issuer for breach of any of these Covenants and only the Bondholders' Representative may take action against the Issuer in respect of breach of such Covenants, except as provided in Condition 12 of these Terms and Conditions.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued as dematerialized book-entry bonds, in registered form, in denomination of GEL1,000 each.

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

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

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

Final size of the Offer (number of the Bonds and total issue volume), was determined in the process of offering of the Bonds to potential investors (book-building). The final offer was 30,000,000 (thirty million) GEL.

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

Following completion of the book-building process, the Placement Agents will make an announcement on determination of the final size of the Offer and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the number of the Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of final size of the Offer, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors ("**Subscribing Investors**").

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.

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

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

(b) Changes during Public Offering

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

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

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

(iii) set time limit of no less than 10 calendar days for investors to respond whether they agree to cancellation of the offering in the existing form. 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 the Bonds at their principal amount together with any accrued interest. The Investors (Bondholders) who have not revoked the purchase of the 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 the Bonds shall be valid only if the title change is registered in the relevant Registry. After placement of the Bonds, the Issuer will have the right to submit an application to the Georgian Stock Exchange for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

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

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

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

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

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

5. COVENANTS

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

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

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

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

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

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

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

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

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

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

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

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; (iii) the leasing, sale and disposal of assets from its inventory in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests", does not, at any time, exceed 25% per cent of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period.

(e) **Transactions with Affiliates**:

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

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

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

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

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

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

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

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

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

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

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

(ii) such Restricted Payment, when aggregated with all other Restricted Payments previously made since 31 December 2015, exceeds the sum of:

(a) 100% per cent of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2015 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 2015 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2015 of any Indebtedness of the Issuer into or for share capital of the Issuer.

(h) **Indebtedness**:

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

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

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

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

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

(k) **Financial Information**:

(iii) 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 Auditor thereon.

(iv) 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.

(v) 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.

(l) **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.

(m) **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.

(n) **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

Unless cancelled or redeemed prior to the Maturity Date pursuant to the terms of this Prospectus, each Bond shall bear the interest payable quarterly in arrears on 6 March 2017, 6 June 2017, 6 September 2017, 6 December 2017, 6 March 2018, 6 June 2018, 6 September 2018, 6 December 2018, 6 March 2019, 6 June 2019, 6 September 2019, 6 December 2019, 6 March 2020, 6 June 2020, 6 September 2020, 6 December 2020, 6 March 2021, 6 June 2021, 6 September 2021, 6 December 2021 with the first interest payment to be made on 6 March 2017. Each date set for payment of interest in this Condition 6 is hereinafter referred to as an "**Interest Payment Date**". Each Bond will bear an 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 the same rate until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 365-day year. The period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest

Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

The Bonds shall bear interest at a floating rate to be fixed by the Calculation and Paying Agent for each Interest Period. The rate of interest for each Interest Period shall be calculated by reference to the most recent NBG Monetary Policy (refinancing) Rate on the Interest Determination Date, with the premium in the scope of 350 basis points, as published by the NBG on the following link: https://www.nbg.gov.ge/index.php?m=554&lng=eng on its website or such other link or page as designated by the NBG for the purpose of displaying the relevant rate, or if such service ceases to be available or the relevant rate ceases to be available on such service, the page that displays the relevant rates on another service as specified by the Calculation and Paying Agent.

If it is not possible to determine the rate of interest in accordance with the above paragraph, the rate for the next Interest Period shall be determined by the Calculation and Paying Agent in its sole discretion, acting in good faith and in a commercially reasonable manner.

"**Interest Determination Date**" means for any Interest Period, the day one Business Day before the first day of such Interest Period.

Change of credit rating

The coupon rate payable on the Bonds will be subject to adjustments, from time to time, if Fitch, S&P or Moody's downgrades the Company's rating in the manner described below.

If the rating of the Company from Fitch, S&P or Moody's is decreased to a rating set forth in the immediately following table, the coupon rate on the Bonds will increase from the coupon rate payable on the Bonds on the date of their issuance by the percentage set forth opposite to that rating:

Rating*	Percentage
B+	+0% p.a. (remains un-changed)
B	+0.5% p.a.
B-	+1.0% p.a.
Below B-/no rating	+3% p.a.

* Including the equivalent ratings of S&P or Moody's.

7. REDEMPTION AND PURCHASE

(a) **Final Redemption**: The Issuer may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 6 December 2021. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

(b) **Call Option:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any of the Call Option Settlement Dates, on giving not less than 30 Business Days' notice to the Bondholders and Nominal Holders who are registered at the primary Register maintained by the Registrar (which notice shall be irrevocable), at their principal amount, together with accrued and unpaid interest to the Call Option Settlement Date (if any).

Call Option Settlement Dates are following:

6 December 2018, 6 December 2019, 6 December 2020

(c) **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 days' notice to the Bondholders and Nominal Holders who are registered at the primary Register maintained by the Registrar (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.

(d) **Purchase**: The Issuer and its Subsidiaries may at any time purchase the 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).

(e) **Bondholders' Right (Option) for Put Option:** Bondholders have the right to request from the company the full repayment of the bonds (redemption) at a price that will be equal to 100% of their face value plus the interest accrued at the time of redemption if the BGEO Group Plc does not own directly or indirectly more than 50% of the shares of the Company. In case of the usage of such right the issuer is obligated to meet the bondholders' demands.

8. PAYMENTS

(a) **Method of Payment**:

(i) The calculation of Principal and interest on each Bond shall be carried out 3 Business Days before (the “**Calculation Date**”) 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.

If NBG refinance rate changes during the period from Interest Determination Date to Interest Payment Date, the Issuer and the Calculation and Paying Agent shall have the right to recalculate interest amount 1 Business Day prior to the Record Date.

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

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

(iv) At the request of the Issuer and/or the Registrar trading of the 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 Agents 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 Agents, and the Registrar act solely as agents of the Issuer and for the purposes of this Prospectus and offering do not assume any obligation or relationship of agency or trust for or with any Bondholder 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 Agents or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agents or the Registrar, provided that the Issuer shall at all times maintain (i) a Calculation and Paying Agent, and (ii) a Registrar, in each case, as approved by the Bondholders' Representative.

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

(c) **Calculation and Payment:** any payment to be made in relation to the Bonds (including interest) shall be calculated and paid in accordance with the terms of this Prospectus and Georgian law by the Calculation and Paying Agent. Furthermore, the amount(s) due as calculated by the Calculation and Paying Agent, except for manifest error, shall be binding on the Issuer. The Calculation and Paying Agent shall calculate the amounts at least 3 Business Days before the relevant payment date and notify the Issuer. At least 1 Business Day before the relevant payment date, the Issuer must place relevant funds in Georgian Lari on its bank account maintained with the Calculation and Paying Agent and instruct the latter to transfer such funds. If there are sufficient funds on the Issuer's account, the Calculation and Paying Agent is entitled, but not obliged, to transfer payments due on the 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**: The Bondholders will not be entitled to any interest, penalty or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day. The due payment will be made on the following Business Day.

9. TAXATION

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

10. EVENTS OF DEFAULT

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

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

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations (other than 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 calendar days after notice of such default shall have been given to the Issuer by the Bondholders' Representative; or

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

(d) **Insolvency**:

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

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

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

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

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

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

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

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

The Issuer has also undertaken in the Agreement that it shall within 14 days after the issuance of its annual audited financial statements, within 14 days after each Interest Payment Date and also within 14 days of any request by the Bondholders' Representative, send to the Bondholders' Representative a certificate of the Issuer signed by its General 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. MEETING OF BONDHOLDERS, MODIFICATION AND WAIVER

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

15. DEFINITIONS

Unless the context shall require otherwise, and in addition to the terms defined in elsewhere in this Prospectus, the expressions used in these Conditions shall have the following meanings:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Net Financial Indebtedness” means, with respect to any Person at any date of determination (without duplication), Indebtedness minus cash.

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

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

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

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

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

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

"**Permitted Security Interests**" means:

a) Security Interests in existence on the Issue Date;

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

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

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

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

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

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

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

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

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

k) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of US$ 45,000,000 or 50% per cent. of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

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

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

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

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

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

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

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

“GWP Bonds” mean bonds issued by LLC Georgian Water and Power on 9 December 2015, in amount of GEL 6,000,000 (six million). ISIN: 2700603345

“Call Option Date of GWP Bonds” means 9 December 2016, Call option date for bonds issued by LLC GWP on 9 December 2015, in amount of GEL 6,000,000 (six million). ISIN: 2700603345

16. GOVERNING LAW AND JURISDICTION

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

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

TAXATION OF THE BONDS IN GEORGIA

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

Withholding Tax on Interest

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

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

Interest paid to Bondholders that are companies registered in countries having beneficial taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15%.

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

Taxation of sale of Bonds – General

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

If the Free Float Exemption does not apply, the following tax liabilities may arise:

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

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

Taxation of sale of Bonds by Non-Resident Individual Bondholders

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

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

Taxation of sale of Bonds by Resident Legal Entity Bondholders

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

Taxation of sale of Bonds by Resident Individual Bondholders

If the Free Float Exemption does not apply, a Georgian resident individual Bondholder will have to pay income tax at 20% upon the disposal of the Bonds. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax.

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

Tax on Payment of Principal

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

Value Added Tax

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

GENERAL INFORMATION

1. The Company has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a decision of the Shareholder's Meeting of the Issuer dated 3 November, 2016.

2. There has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since 31 December, 2014.

3. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

4. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the office of the Company:

a) The copy of this Prospectus together with any Supplement to this Prospectus or any further Prospectus;

b) The Agreement between the Issuer and Bondholders' Representative;

c) The audit report on the historical financial information of the Company set out in the annex to this Prospectus.

5. EY Georgia LLC has consented to the inclusion in the Prospectus of their report in the annex.

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

Issuer
LLC Georgian Water and Power

33 M. Kostava Lane 1.
Tbilisi,
Georgia

Placement Agent, Co-lead Manager, Calculation and Paying Agent
JSC Galt & Taggart
79 D Aghmashenebeli Ave
Tbilisi, 0102
Georgia

Placement Agent, Co-lead Manager
JSC "PASHA Bank Georgia"
15 Rustaveli Avenue Tbilisi,0108
Georgia

Bondholders' Representative
Name

LTD "Nodia Urumashvili and Partners"
4th floor, Office N28, N71 Vazha-Pshavela,
0186, Tbilisi,
Georgia

Calculation and Paying Agent
JSC Galt & Taggart

79 D Aghmashenebeli Ave
Tbilis, 0102
Georgia

Registrar
JSC United Securities Registrar of Georgia

11 Mosashvili Str.
Tbilisi, 0179
Georgia

Auditor of the 2015 Financial Statements

EY Georgia LLC
Kote Abkhazi Street 44

Tbilisi 0105
Georgia

Signed on behalf of LLC Georgian Water and Power

Signatory

Name: Giorgi Tskhadadze

Position: General Director (CEO)

Signature:

Date:

Signatory

Name: Giorgi Vakhtangishvili

Position: Financial Director (CFO)

Signature:

Date:

Signed on behalf of JSC Galt and Taggart:

Signatory

Name: Irakli Kirtava

Position: CEO

Signature:

Date:

Signed on behalf of JSC "PASHA Bank Georgia"

Signatory

Name: [include name]

Position: [include name]

Signature:

Date: