

INVITATION FOR EXPRESSIONS OF INTEREST IN THE ACQUISITION OF AN 85% EQUITY INTEREST IN JSC GUDAURI



The Government of Georgia (the “Government”) invites international and local investors to submit expressions of interest for the purchase of 84.7% equity interest in JSC Gudauri (“Gudauri”), the owner of a ski-in/ski-out hotel, located in the Kazbegi region of Georgia, 120 km away from Tbilisi international airport, at the altitude of 2,000-3,275 meters from the sea level. The Gudauri hotel is located in the heart of the eponymous ski resort in Georgia, which is set in a spectacular location high in Greater Caucasus. Southern exposure of Gudauri resort ensures plenty of sunshine and its altitude and location offer great snow conditions from November through May. The Greater Caucasus is the highest mountain range in Europe. Heliskiing is one of most distinctive offerings in Gudauri, that provides skiers with access to some of the finest powder-snow in the Caucasus.

The assets of Gudauri include, inter alia, Gudauri Hotel, several adjacent small and large size cottages, and several Doppelmayr ski lifts in good working condition.

Gudauri Hotel

Gudauri Hotel is located in the center of the Gudauri ski resort at the altitude of 2,000 meters. It was constructed by the Austrian development company Allgemeine Bauten Vetriebsgesellschaft GmbH to a four-star standard. The hotel has been operating since 1988.

The hotel has 122 rooms, of which 78 are large accommodations and 44 are double occupancy standard rooms. Key amenities include: a restaurant/dining hall, “snack-bar”, chimney bar with fireplace, nightclub/bar, recreational area, tennis courts, swimming pool, sauna, conference facilities and fitness centre. The hotel area also houses three cottages. Another popular tourist spot worth mentioning is a small eatery owned by Gudauri located at the altitude of 2,750 meters between the second and third ski lift stations.

Gudauri Assets Overview

- Gudauri Hotel (122 rooms) with land plot of 46,676 m²
- Three cottages on the territory of Gudauri Hotel (168 m² each)
- 41,700 m² land plot, available for development
- 4,230 m² of land with five buildings, including water reservoir and treatment, totaling 1,333 m²
- 4,150 m² land plot with a building of 541 m² located apart from Gudauri Hotel and used as a garage
- 12,550 m² land plot with:
 - Three small-size cottages – 62 m² each, currently used as accommodations for service personnel
 - Six medium-size cottages – 88 m² each, currently used as accommodations for service personnel
 - Six large cottages – 208 m² each, currently used as accommodations for service personnel
 - Free standing building of 461 m² intended for service personnel
- 900 m² land plot and a mountain eatery of 318 m² located at the altitude of 2,750 meters between second and third ski lifts



Gudauri resort location

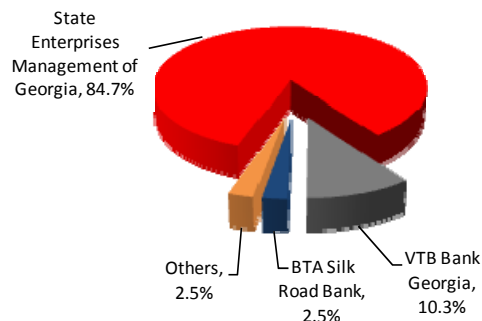


Gudauri Hotel



Gudauri resort

Shareholder Structure



Source: Company Data

- 10,500 m² land plot encompassing five Doppelmayr ski lift stations
 - Three-seater chairlift – length of 1,053.6 m and 1,650 p/h lifting capacity
 - Four-seater chairlift – length of 2,295.6 m and 1,900 p/h lifting capacity
 - Three-seater chairlift-length of 1,063.5 m and 1,100 p/h lifting capacity
 - Three-seater chairlift – length of 1,104.9 m and 1,400 p/h lifting capacity
 - Three-seater chairlift – length of 1,450 m and 1,400 p/h lifting capacity
- 7 Kässbörner snow grooming machines
 - 2 – 300 (455hp); produced in 2004
 - 2 – 200 (330hp); produced in 2007
 - 2 – 200 (230 hp); produced in the 1980s (fully refurbished)
 - 1 – 270 (270 hp); produced in the 1980s (fully refurbished)

Routes and Lifts

All five Doppelmayr chairlifts are in good working condition (one brand new, four completely renovated during the winter season 2007-2008). The first lift station is located at the altitude of 2,200 meters, the second one is situated at 2,700 meters, the third - at 3,007 meters, fourth - at 2,850 meters and the fifth newly-installed, is located at the altitude of 3,250 meters.

In 2007 Gudauri received a government loan of EUR6 million with the annual interest rate of 12%, utilized for equipment refurbishment and upgrades.

The Gudauri resort has several ski runs suitable for beginners (red), intermediate (blue) and advanced (black) skiers.

- 2.6 km blue and 0.4 km red runs
- 4 km blue and 1 km red runs
- 0.8 km black, 1.5 km blue and 0.7 km red runs
- 2.3 km blue runs
- 3 km black, 0.7 km blue and 2 km red runs

The aggregate length of the ski runs is 19km - (the longest downhill run is 7 km through a 1,000 meters elevation change) with huge expansion potential.

Numerous off-piste slopes are available for heli-skiing and backcountry in Gudauri resort, accessible by helicopter. With helicopters granted almost unrestricted access to the local mountains, skiers can experience some of the most sublime runs in Europe - at altitudes ranging between 1,500 and 4,200 meters above the sea level.

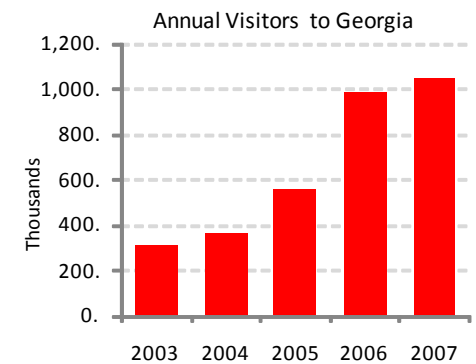
Tourism & Hospitality

The growth of Georgia’s tourism & hospitality industry has been driven by the country’s economic growth and development of international communications, major infrastructure upgrades including two new international airports, active foreign policy and a new commitment to security and personal safety. As a result, international arrivals have tripled in the last four years, reaching over one million visitors in 2007. By 2015, Georgia is expected to receive approximately 2.5 million visitors per annum, with tourism hospitality receipts exceeding US\$1 billion per annum. Travel to Georgia is easy with no visa requirements or simplified visa regime for citizens of more than 60 countries, including EU, OECD and CIS countries.

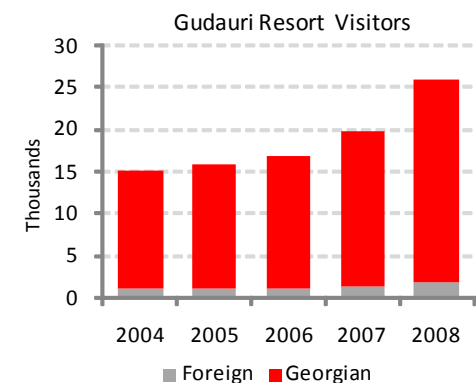
Two new international airports (Tbilisi International Airport in the East, 1.5 hours away, and Batumi International Airport in the West, 3 hours away) opened in 2007, the Government has also completed major rehabilitation and upgrades of roads, power networks, telecommunications infrastructure, and healthcare system. The following airlines currently fly to Georgia on a regular basis: Ukraine International Airlines, Turkish Airlines, Austrian Airlines, Lufthansa Airlines, AirBaltic Airlines, British Mediterranean Airlines, Czech Airlines, Aeroflot, Sibir Airlines.



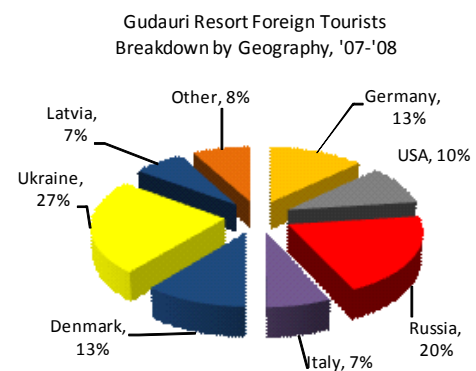
Doppelmayr ski lift with Gudauri Hotel in the background



Source: Department of Tourism and Resorts of Georgia



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Starting price

The starting price for the expressions of interest have been set at EUR5 million (equivalent in GEL). A bank guarantee in the amount of EUR1 million should be provided by all prospective investors in order to qualify for the further selection rounds.

Privatization conditions

1. Investor/new shareholder of Gudauri shall repay the company's debt to the state (EUR6 million equivalent in GEL), late charges and accrued fines of EUR582,472 (since December 21, 2007) according to the agreement № 511 between JSC Gudauri, the Ministry of Economic Development of Georgia and the Ministry of Finance of Georgia signed on July 10, 2007. The entire sum should be paid in full within 30 calendar days after the signing of the sale & purchase agreement.
2. A full payment for the 84.7% equity interest in Gudauri must be made within 60 calendar days after the signing of the sale & purchase agreement.
3. All existing Doppelmayr ski lifts must be checked and evaluated for safety once every two years. The evaluation should be approved by Doppelmayr representatives.
4. All ski lifts should operate properly every day during the winter season for at least seven hours a day with the exception of bad weather conditions or conditions harmful to the guests' well being. The investor should commit operating all five existing ski lifts providing access to ski runs no less than 25 km in aggregate length.
5. Price of the daily ski passes should not be increased by more than 50% in early of the subsequent two winter seasons.
6. All ski lifts must remain fully accessible to all skiers regardless of whether they are staying at Gudauri Hotel.

All interest parties should submit their expression of interest to the Ministry of Economic Development of Georgia. The deadline for the submission is 18:00 Tbilisi time on June 15, 2008. Please also note that proposals should be **emailed in the PDF format** to the Ministry of Economic Development of Georgia at gudauriresort@geo.gov.ge.

Ministry of Economic Development of Georgia reserves the right, at any stage of the selection process, to (i) reject, at its discretion, any or all proposals – with or without suspending the selection process, (ii) further amend the evaluation criteria, and/or other terms and conditions of the selection process, (iii) further pre-qualify one or more prospective investors for the participation in the subsequent round(s) of the selection process.

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All questions, comments regarding the tender process should be directed to the following address:

MINISTRY OF ECONOMIC DEVELOPMENT OF GEORGIA
Privatization Department
 12 Chanturia Street.
 0102 Tbilisi, Georgia
 Tel: (+995 32) 99 77 77
 E-Mail: gudauriresort@geo.gov.ge



Night time skiing in Gudauri



Gudauri Hotel



Gudauri Hotel – Main Lobby



Gudauri Hotel - Dining Hall

Income Statement (GEL)*

	2007-2008 Unaudited					
	Nov	Dec	Jan	Feb	Mar	Apr
Revenue	67,041	211,909**	917,113	764,411	666,825	121,379
Hotel	66,752	152,586	633,690	567,812	500,007	78,354
Ski lifts	0	55,762	248,174	159,000	156,818	33,025
Other	289	3,561	35,249	37,599	10,000	10,000
Operating Expenses	168,257	363,086	526,959	427,364	334,132	151,123
General & Administrative	148,031	270,581***	488,392	398,242	307,609	135,043
Other	20,226	92,505***	38,567	29,122	26,523	16,080
Operating Income	-101,216	-151,177	390,154	337,047	332,693	-29,744

* Not IFRS, not accrual basis

**Renovation and installation of ski lifts completed on 20th of December

*** Includes renovation of the hotel and furniture in the amount of approximately GEL127,080

Balance Sheet (GEL)*

Current assets	31 December 2007 Unaudited
Cash	140,089
Accounts receivables	142,641
Other current assets	489,175
Total current assets	771,905
Long-term assets	
PP&E	34,602,320
Hotel	10,263,400
Land	8,797,200
Ski lifts	13,195,800
Grooming machines	2,345,920
Total long-term assets	34,602,320
Total assets	35,374,225
Current liabilities	
Accounts payable	261,067
Short-term loan	15,529,417****
Other liabilities	201,063
Total current liabilities	15,991,546
Long-term liabilities	
Long-term loan	0
Other long-term liabilities	0
Total long-term liabilities	0
Total liabilities	15,991,546
Shareholders' Equity	
Common stock	10,395,814
Equity reserve	9,998,714
Retained earnings	(1,011,849)
Total shareholders' equity	19,382,679
Total liabilities & shareholders' equity	35,374,225

**** EUR6 million loan to the state with accrued interest and fines

Gudauri Resort Scheme

