

# INVEST IN GEORGIA

## INSIDE THIS ISSUE:

Government of Georgia Announces The Sale of 51% of Poti Sea Port to Rak Investment Authority	2
Spend Your Vacations in Georgia!	3
Did You Know...	
Georgia Preserves High Investor Confidence in Q1 2008	5
<b>News</b>	
Investment directory updated	5
Holiday Travel Becomes General Sales Agent of FlyLAL Lithuanian Airlines in Georgia	6
Groundbreaking Sovereign Bond Offering for Georgia	6
<b>Upcoming Event</b>	
International Logistics Conference	6
<b>Investment Opportunity</b>	
Green Office	6
<b>Georgian Company Profile</b>	
Fresh Travel – for the Development of the Georgian Tourism	7

## Country's First Economic Free-Zone Launched

A milestone project for the Government of Georgia creating free industrial zones on Georgian territory was officially launched on April 15, 2008 with a ceremony marking the creation of a free economic zone near the Black Sea port of Poti. Hailed by proponents as the "project of the decade", Poti Economic Free-Zone is designed to turn Georgia into the "Dubai or Singapore" of the Black Sea region. Great hopes have been placed in the project, which is meant to boost the economic growth and to create some 20,000 new jobs.

The Government of Georgia chose the Investment Authority of Ras Al Khaimah (RAKIA) from the United Arab Emirates as the winner of the tender for the development and management of Poti Economic Free-Zone (PEFZ). April 15 ceremony marked the end of a months-long effort to begin the actual creation of a free economic zone adjacent to the

Poti Seaport. The goal of the Government of Georgia and Ras Al Khaimah Investment Authority is to develop



the Poti Economic Free-Zone as one of the most modern, investor-friendly free-zones in the world with state-of-the-art infrastructure and facilities. RAKIA will develop PEFZ with world class industrial infrastructure that will attract quality investment in the manufacturing and services sectors.

Within the scope of the project a new seaport terminal will be built in Poti. It will be three times bigger than the existing one and equipped with the most up-to-

date technology. The PEFZ will be created on 305 hectares of land adjacent to the port, and will include modern manufactur-

ing facilities, warehouses, logistical and industrial centers, commercial complexes, etc. PEFZ will be developed creating manufacturing clusters within the industrial area that will ensure forward and backward integration, and improve cost efficiency enhancing the competitiveness of the industries operating there.

According to the PEFZ development plan, USD 200 million will be invested in the construction and equipment of the

free economic zone at the initial stage, with USD 1.5 billion to be invested within the next five years.

Key officials of the Government of Georgia, including the President, the Prime Minister, the Speaker of the Parliament and the Minister of Economic development attended the project inauguration.

"We have gathered to respond to the needs of our people. Today we will take the path which will bring us to a Georgia without poverty, attraction of billions of investments to Georgia, providing jobs for tens of thousands of Georgian citizens, establishing Georgia as a key financial-economic center of the region, overcoming poverty and unemployment," President Saakashvili said at the opening ceremony.

Continued on p.2

Country's first Economic Free-Zone launched

Government of Georgia Announces The Sale of 51% of Poti Sea Port to Rak Investment Authority, Plan to Establish a Free Industrial Zone Nearby

Continued from p. 1

He stressed the importance of the project for the Georgian people. According to him, the free industrial zone around Poti will benefit both foreigners and locals with new jobs and new business opportunities created. "The new port and the free industrial zone will become a new Georgian economic miracle," the president said adding that his vision was to turn Georgia into the "Dubai or Singapore" of this region.

The construction and operation of the Poti Economic Free-Zone is a long-term project. According to the president, the early results will possibly already be felt within three months but it will take years to see the "final results, final revival, and 100-storey skyscrapers here in Poti."

The 150-year-old Port of Poti is one of the major ports in the Black Sea basin. It registered 7.7 million tons of total "throughput" in 2007, which is a growth of 16% compared to the previous year. However, there is a much greater potential for expansion considering its strategic location on the Europe-Asia transport corridor and the growing cargo turnover between European and Asian countries.

The construction of a new port terminal and the creation of a free economic zone is designed to stimulate and develop the Poti Port thereby making it a leading port in the region.

Government of Georgia announces that it has successfully completed the sale of a 51% equity interest in JSC Poti Sea Port ("PSP"), the leading port in Georgia, to RAK Investment Authority (Ras Al Khaimah, United Arab Emirates). The consideration paid for the 51% equity interest in PSP was US\$80 million (equivalent to container terminal, passenger terminal, ferry terminal and oil terminal. PSP is capable of handling Panamax-size vessels, provides direct ferry access to major Black Sea Ports in Ukraine, Russia and Bulgaria, and has direct connection with the country's railway network, as well as motorway links with all towns and cities of Geor-

PSP owns a 100 Ha plot of undeveloped land nearby the current port with quay-side length of 2,200m, on which the construction of a modern container terminal is intended.

In addition to a 51% equity interest in PSP, RAK Investment Authority has purchased for US\$10 million from the Georgian government a 300Ha plot of land situated near PSP, on which it intends to build and operate a free industrial zone in accordance with the recently adopted Georgian legislation.

"I am delighted to welcome RAK Investment Authority as the new majority owner of Poti Sea Port, and wish them success in the construction of a new port terminal and free industrial zone. The government is currently considering a further sale of 18% of Poti Sea Port on the local stock exchange, allowing financial and retail investors to gain exposure to Georgia's dynamic transport and logistics sector", commented Lado Gurgenidze, Prime Minister of Georgia.

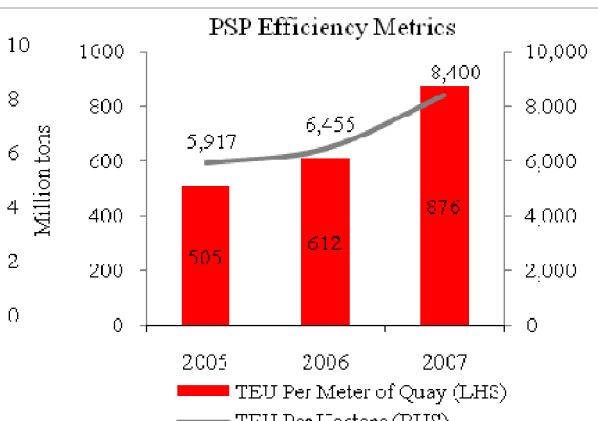
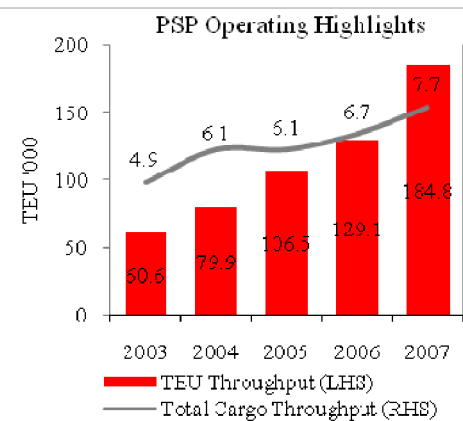
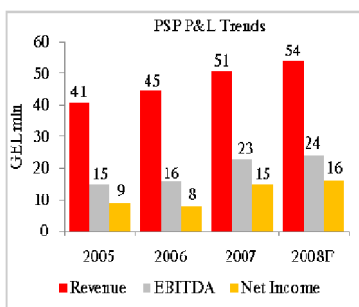
Transaction Structure	Cash Purchase, with the full payment at the closing	
Equity Interest Acquired	51%	
Consideration	US\$80 mln	
	2007*	2008F**
EV/EBITDA	10.4x	9.7x
P/E	14.9x	14.0x
P/B	1.1x	1.1x

\*Based on unaudited financial results  
\*\*Based on company projections

GEL116 million at the exchange rate of the National Bank of Georgia as of April 14, 2008), which translates into EV/EBITDA'07 of 10.4x and P/E'07 of 14.9x, based on PSP's 2007 unaudited financial results.

PSP has been operating since 1858. The port is equipped with modern cargo handling facilities and comprises a general cargo terminal, bulk cargo terminals,

gیا. PSP currently serves 10 shipping companies, including MAERSK, CMA CGM, MSC, Hapag Lloyd/ZIM and CSAV NORASIA/APL.



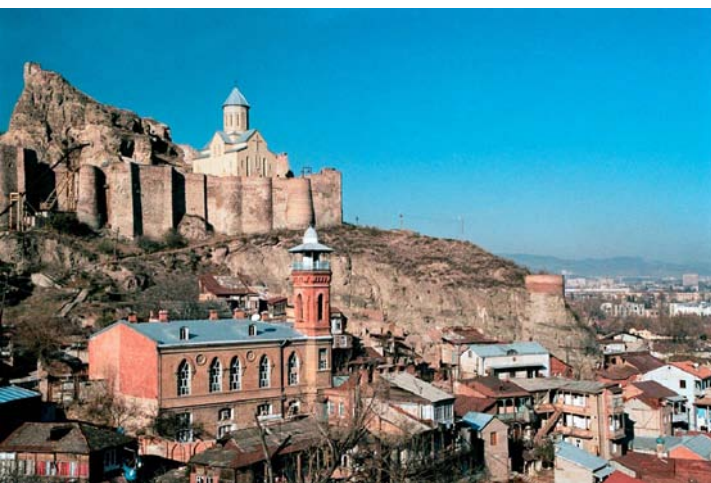
## Spend Your Vacations in Georgia!

Wondering where to spend your vacation? Georgia is the choice. Boasting the highest mountains in Europe, a picturesque Black Sea coastline, fabulous walks, more indigenous grape varieties than anywhere else, and architectural marvels – from stone watch-towers in the mountains to carved wooden balconies, richly frescoed churches and art nouveau in the towns, Georgia offers some of the most diverse and satisfying vacation opportunities in the world. In combination with the Mediterranean climate and legendary Georgian hospitality, you have a unique destination for your travel and holidays.

The recent boost in Georgia's tourism industry has reflected the country's democratic upheaval, the growth of international communication, a strong foreign policy, and a new commitment to security and personal safety. As a result of the political and liberal economic reforms undertaken since 2004, the former bu-

reaucratic system was broken up to give way to a new, free business environment. In 2007, international tourist arrivals reached an all-time record of over 1 million people and the total number of international visitors, crossing national borders into Georgia, increased by 7 percent as compared to 2006.

The government of the country is working actively to foster the development of tourism, which due to inexhaustible resources holds immense potential for overall economic development. According to a new Tax Code, in force since January 2005, tour operators' incoming tourist revenue is considered as export and is free of VAT. The state is firmly committed to attracting foreign investors and creating a more favorable environment. The evidence indicates that some USD 650 million is planned to be invested in the tourism industry, including USD 150 million to be invested in 22 accommodations located on the Black Sea coast in the Adjara region.



Infrastructure development is currently running high. At the moment, Marriott and Sheraton international hotel networks own hotels in Tbilisi with SAS Radisson and Intercontinental under construction and Hyatt, Hilton and Kempinski already scheduled.

Two new, international airports meeting European standards have opened in Tbilisi and Batumi. At the same time, roads and highways, energy and water supply systems are being developed and have improved rapidly, and the modern highway, which will cross the country is scheduled to be launched in 2012.

Presently, Georgia is famous for its rich opportunities in cultural tourism. The country is situated on the crossroads of Europe and Asia and set dead-centre between many of the great currents of history. Sandwiched in the Caucasus Mountains, Georgia has served for millennia as a way station for travelers and traders, explorers and invaders - Greeks, Russians,

Persians, Armenians, Mongols and Turks alike. Filled with ancient ruins, castles, churches, waterfalls, glaciers, mineral water springs, deserts and beaches, forests and steppes, it is truly a unique land. Not quite Asian, and certainly not Middle Eastern, yet not fully European either, Georgia is an exotic mixture of influences not seen anywhere else. Visitors to the country are able to take advantage of the rich cultural heritage, numerous historical and architectural monuments, diversified ethnography and unique folklore.

At the same time, tourists are welcome to take adventure tours. Due to its superb mountain setting Georgia is perfectly suited to those seeking nearly any kind of adventure. Summits like Mt Ushba (4710 meters), Mt Tetnaldi (4974 meters), Mt Kazbek (5033 meters), Mt Shkhara (5068 metres) offer full-on challenges to the world's top climbers.

Continued on p. 4

## Spend Your Vacations in Georgia!

Continued from p. 3

Below them are numerous glaciers and excellent rock-climbs for every skill level. The lower ridges are also becoming increasingly popular with paragliders. Running down the valleys are swift-flowing rivers, ideal for rafting and kayaking, full of a wide variety of difficult rapids. Some melt-water goes on to carve deep fissures in the rock, making excellent venues for canyoning. Even further down, the glacial water races underground to form giant caves. The Caucasus has numerous caving opportunities, with many yet to be discovered. In addition, those interested can take up trekking, horse riding, mountain biking, off-road tours, fishing, hunting, as well as skiing and heli-skiing.

Apart from active tourism, Georgia blooms with opportunities for peaceful recreation at national parks and nature reserves. Nature walks, botanic tours, bird and wildlife watching are

available for all visitors as the development of eco-tourism is assessed as a priority for the government. Georgia's natural environment is one of the most unique and varied in the world. Remarkable for its landscape diversity, from mountains to desert, from snow to palm trees, Georgia ranks among the world's wonderlands. To protect this natural resource, 31 protected areas have been established and conservation measures enacted.

Sun and beach-lovers are welcome to a subtropical zone surrounded by citrus and tea plantations. Georgia's premier beach resort is Batumi, located on the Black Sea, with incredible beaches and a rollicking nightlife. There are also a number of spas available: Tbilisi was built around natural sulfur baths. Providing welcome respite to the travelers of the Silk Road for two thousand years - the warm springs of our country historically set the tone for Georgia's traveler-friendly

culture; the vacation home of the Tsar – Borjomi – is the source of the first-rate mineral water now exported around the world. The mountain landscape is dotted with thousands of natural springs that pour out mineral waters of every kind. Georgia's spa-culture has developed this rich resource to a fine art, building several resorts around the many types of warm, mineral or naturally carbonated waters each with its own specialized health benefits. Though no research has been performed in recent years, each variety of water is known to have its own curative powers for a large variety of diseases and ailments.

Apart from working to develop an appealing infrastructure, the Georgian government is set to facilitate incoming tourism through the simplification of rules. Presently, no entry visa is required for citizens of Israel, Japan, Canada, the USA, European Union and CIS countries except for the

Russian Federation and Turkmenistan. All listed citizens are allowed to stay for 90 days.

Reaching Georgia is most convenient by air or by car. There are direct flights from the European airports of Paris, Amsterdam, Frankfurt, Cologne, Vienna, Prague, Munich, London, Moscow, Istanbul, Yerevan, Baku and Kiev to Tbilisi. Currently, Georgian Airways Airzena, Georgian National Airlines, Azal, DBA, AirBaltic, Air Berlin, Austrian Airlines, bmi, Aeroflot, Turkish Airlines and Lufthansa fly to Georgia with flyLAL Lithuanian Airlines, Czech Airlines and Ukrainian AeroSvit will soon enter the market. Entrance by car is possible via Turkey, Russia, Armenia and Azerbaijan.

Thus, if you are thinking about where to spend your vacations, Georgia is the right choice. With its mountains and sea, scenery and landscapes, culture and traditions, hospitality and flavor, Georgia is awaiting you.

## Did You Know...

- ◆ Tourism investment has grown substantially to over \$1 billion in 2007.
- ◆ Major hotel projects are under construction, including such international brands as the Kempinski, Park Hyatt, Inter-Continental, Meridien, Radisson, and Marriott Executive Suites.
- ◆ Additional extensive hotel development is being planned and underway throughout Georgia by businesses such as the Silk Road Group/Development Solutions, GMT Group, M Group, Rakeen Group, and the Center Point Group.
- ◆ New airports opened in Tbilisi and Batumi.
- ◆ Tourism arrivals reached over 1 million in 2007, the first time there have over a million arrivals since the 1980s.
- ◆ In 2006, 124 new hotels opened, representing double the number compared with 2005.
- ◆ Eight hundred 4 and 5 star international brand hotel rooms were under construction as of early 2008.
- ◆ Tourism export earnings more than doubled from US\$126 million in 2003 to US\$312.6 million in 2006, which is almost 10% of total exports.

## Georgia Preserves High Investor Confidence in Q1 2008

Investment directory updated

News

Despite the present-day conditions in the global financial markets, investor confidence in Georgia remains high, the preliminary results of the first quarter of 2008. During the period, cross-border transactional activity has been at the highest level in the recent history, with quarterly private capital inflows exceeding USD 500 million.

"I wish to congratulate all Georgian companies and their foreign investors and partners that have been transactionally active in the first quarter of 2008. We are pleased to observe the very high level of investor interest and transactional activity, which demonstrates that international investors and lenders are well aware of the attractive opportunities Georgia has to offer," stated Lado Gurgenidze, the Prime Minister of Georgia. According to him, the continuing capital-raising success of local companies demonstrates, among other things, the importance of maintaining sound fiscal and monetary policies and the reform momentum.

Several scaled developments have taken place in the analyzed period. On 10 January, Bank of Georgia (LSE: BGEO), the largest universal bank of the country, announced that it had successfully placed a USD 65 million senior loan facility through Merrill Lynch. In addition, in February, Bank of Georgia announced that it had raised USD 100 million through a rights issue of GDRs, with ING Bank acting

as the sole bookrunner and UniCredit and Galt & Taggart Securities (GTS) participating in the syndicate.

Several other Georgian banks have raised debt in the first quarter of this year, including a USD 10 million subordinated loan placed by TBC Bank, while in March the Bank also announced the signing of a USD 30 million Multisource Framework Agreement with French giant BNP Paribas.

In the period under review, several new banking licenses were issued, with Halyk Bank, a group of European and Georgian investors and Dhabi Group each obtaining a banking license. In March this year, Dhabi Group announced that Kor Bank, its wholly-owned newly-established Georgian bank, acquired a 100% equity interest in Standard Bank, a top 10 Georgian bank, for the consideration of GEL 70 million.

In January 2008, Georgian Reconstruction and Development Company (GRDC), a leading real estate developer in the country, announced that it had successfully closed a USD 105 million equity private placement with several institutional investors. Simultaneously, in February this year Caucasus Energy & Infrastructure (GSE: NRGY), the permanent-capital vehicle investing in energy and infrastructure assets, announced that it had placed USD 50 million of new equity and was admitted to trading on the Georgian Stock Exchange.

Among other significant announcements made in the

first quarter of 2008, is the purchase of the Batumi oil terminal assets and long-term lease of the Batumi port assets by KazMunaiGas; acquisition of a 100% equity interest in Natakhtari Brewery, the largest brewery in Georgia by EFES Breweries International acquired; raising of GEL 5 million by Populi, the leading supermarket chain, via a rights issue fully subscribed to by its institutional shareholders.

Privatization has seen some large deals concluded as well. The total committed proceeds exceeding USD 200 million were completed or announced in the period under review, those including sale of Arsenal real estate property near downtown Tbilisi for USD 38 million; sale of a landmark office building in Tbilisi for USD 9 million; sale of the Skhmeri manganese deposit mining license for GEL 16 million; sale of JSC Sakhydromsheni, an engineering and construction company, for USD 7 million; closing of the sale of a landmark building in downtown Tbilisi, which is being developed as a Kempinski hotel, with the last payment tranche of USD 18 million; and signing of the sale for USD 167 million of a 353Ha land plot adjacent to the Lisi Lake in Tbilisi.

The representatives of the American Chamber of Commerce in Georgia (AmCham) and the EU-Georgia Business Council (EUGBC) made a presentation of the updated Online Investment Guide to Georgia ([www.investinguide.ge](http://www.investinguide.ge)). The website allows users to get comprehensive and up-to-date information about the country's investment climate and business opportunities.

This guide responds to the need for a credible source of timely relevant information on the business and investment climate in Georgia in order to meet the heightened interest by potential investors worldwide.

In order to make the guide as useful and credible as possible to potential investors, consultations were held with AmCham Georgia and EUGBC members and a broad range of public and private stakeholders to identify just what a guide like this should include and to help build and edit the content.

The project was highly supported by government institutions of Georgia including the Georgian National Investment Agency (Ministry of Economic Development), Ministry of Finance and the Department of Statistics.

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## Groundbreaking Sovereign Bond Offering for Georgia

**INVESTMENT  
OPPORTUNITY**



Government of Georgia  
Press Release

Georgia, acting through the Ministry of Finance of Georgia, has successfully completed its first international sovereign bond offering and has become the only CIS country to date to have its Eurobonds listed on the London Stock Exchange. The offering of the US Dollar-denominated Eurobonds in the principal amount of US\$500 million and with a five year maturity was three times oversubscribed. The Eurobonds were issued at 100% and offer a yield of 7.5%. The offering was made to institutional investors outside of the United States.

Commenting on the success of the debut Eurobond offering, Lado Gurgenidze, Prime Minister of Georgia, said: "We are immensely pleased that the offering of Georgia's sovereign bonds received such a significant level of interest from a broad range of investors across Europe. This demonstration of confidence in and support of the fiscal, monetary and economic reforms implemented in Georgia over the past several years is extremely rewarding". The joint lead managers for the deal were JPMorgan and UBS Investment Bank.

## Holiday Travel Becomes General Sales Agent of Fly-LAL Lithuanian Airlines in Georgia

**News**

Tour operator Holiday Travel LLC has become the General Sales Agent of flyLAL Lithuanian Airlines, the national carrier of the Republic of Lithuania, in Georgia. From now on the Georgian company will act as the exclusive distributor of e-tickets of flyLAL in Georgia, offering customers direct return flights on the Tbilisi-Vilnius-Tbilisi route to be performed on a regular basis twice a week. flyLAL operates domestic and international scheduled services from Vilnius and Palanga to 20 destinations. A number of code-share partners allows the airline to offer passengers convenient connections between Vilnius and over 200 cities of the world.

The goal of Holiday Travel is to seize the opportunity of increasing its incomes through receiving more incoming tourist groups as a result of the concluded agreement, since the interest of Lithuanian tourists in Georgia presently runs high.

Holiday Travel is a subsidiary of Intertour LLC, the leading tour operator in the Georgian market, which control shareholding (83.64 percent) in its turn belongs to JSC Galt & Taggart Capital the private equity vehicle managed by Galt & Taggart Asset Management, Georgia (GTAM Georgia). Intertour is a member of the International Air Transport Association (IATA).

## International Logistics Conference

**Upcoming event**

An International Logistics Conference will be held by JSC TAM - Tbilisi Aircraft Manufacturing and Georgian National Investment Agency at Sheraton Metechi Palace, Tbilisi, Georgia on May 8, 2008.

The conference will be mainly focused on the establishment of Logistics City Tbilisi. Representatives of the world leading logistics providers are invited. Together with Georgian partners and top government officials participants will discuss the perspectives and capabilities of the logistics sector in Georgia and Caucasus Region. Participants also will have an opportunity to interact with the Government of Georgia and private sector representatives. International Logistics Conference will be welcoming representatives of TransCare AG, Seacon Logistics and other internationally recognized organizations in logistics and transportation sector.

Green Office

JSC Green Office is pleased to present Green Office, 11 floor B+ office Building for Sale. Located within downtown Tbilisi, Green Office is prominently situated in well-established and fast growing corporate area. This site is shared with an impressive selection of companies and organizations that provide excellent amenities for the center. There is an easy access to public transport from the Green Office, with numerous bus routes and metros servicing the area. In immediate locality there is a wide range of bars and restaurants as well as other shops. Facilities in the area are therefore excellent.

Address: 154, Agmashenebeli Ave, Tbilisi, Georgia

Year Built: 1978

Improvements: 1, 5 Million USD improvements has been made through years of 2004-2005

Land Area: 1200 sq. meters

Gross Building Area: 5550 sq. meters

Number of Floors: 11

Floor Size: 1<sup>st</sup> floor 600sq.m, 2<sup>nd</sup> Floor 600sq.m; 3-11 floors-450sq.m

Parking: surface parking for 25 cars and back yard parking for 10 cars

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## Georgian Company Profile

### Fresh Travel – for the Development of the Georgian Tourism

In less than three years of operation, Fresh Travel, established in June 2005, managed to become one of the leading players in the Georgian tourist market. During the past two years, the company has gained a solid reputation and has attracted stable and reliable partners. "Last year, Fresh Travel was named the third best tour operator of Georgia, operating in outgoing tourism, and since the spring of 2007, the company started working on incoming tourism as well," says Paata Kvizhinadze, Director of Fresh Travel.

Presently the company is in the stage of active development. "Our company has great plans for the future. Our energy and ideas will help us fulfill them," the company's website reads. Fresh Travel offers high quality product and service to their partners. We are

sure our cooperation will be successful and comfortable.

Fresh Travel mainly operates on historical and cultural tours that include visiting of historical sights, un-



Paata Kvizhinadze, Director of Fresh Travel

touched nature spots and other places of interest. The company offers tour routes that include Tbilisi, Kakheti, Mtskheta-Mtianeti, Samtskhe-Javakheti and Inner Kartli regions. "There

is a great interest of foreign visitors in the Stalin Museum in Gori, as well as Borjomi-Kharagauli National Park, Vardzia and Uplistsikhe cave towns," Mr. Kvizhinadze

stated. The company enjoys close cooperation with tour operators in nearly all European countries. Fresh Travel's main flow of tourists comes from Israel although

the company intends to develop the Ukrainian and European markets. "I believe that incoming tourism is the most prospective direction in the development of tourism in Georgia as we have a lot of resources in this respect. A number of things needs to be done to develop this direction and conditions for it to bloom, first of all improve infrastructure which currently is in a very poor state," Fresh Travel Director expanded.

Fresh Travel strives to improve and diversify its services. The company plans to introduce a so-called 'wine tour' mainly covering Kakheti, develop ecotourism, fishing and hunting tours. The travel agency pledges to satisfy all the demands of their clients. Check it out for yourself.

For more information please visit [www.fresh-travel.ge](http://www.fresh-travel.ge)

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**fresh travel**

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