

ENTERPRISE GEORGIA

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Enterprise Georgia Striving for Excellence

Enterprise Georgia has big news. The Agency recently joined the list of world known companies such as Robert Bosch, BMW, VW, Xerox, Ricoh, Grundfos, and Philips who boast to have a European Foundation for Quality Management (EFQM) degree.

Over the past 25 years, the EFQM has guided 100 organizations, from both the public and private sectors, to improve productivity and efficiency and to develop their human capital; hence, Enterprise Georgia, under the Ministry of Economy and Sustainable Development, aimed at gaining access to above mentioned benefits through the introduction of the Excellence Model with the financial support of German Corporation for International Cooperation (GIZ).

The Agency, with the help of GIZ, invited a German expert who helped to train staff members regarding the necessary mechanisms and procedures for granting the EFQM degree, at the same time, Enterprise Georgia elaborated development plans and fulfilled its actions fruitfully.

For Enterprise Georgia international recognition like EFQM is crucial, since the Agency focuses on establishing effective cooperation with private and public sector representatives within the country and abroad. EFQM ensures that the high standard management practices are rooted in Enterprise Georgia operations and it also enhances the Agency's image in the international arena.

The EFQM Excellence Model is a framework that has been used to drive sustainable organizational development for over 20 years, based on observation and learning from leading organizations on what has made them successful and

what they need to do to remain competitive in future.

The organization, European Foundation for Quality Management (EFQM), has operated on the European market since October 1989 when the CEO/Presidents of 67 European companies subscribed to the Policy Document and declared their commitment to achieving

the EFQM mission and vision. The Foundation set up a team of experts, from industry and academia, to develop the EFQM Excellence Model, a holistic framework than can be applied to any organization, regardless of size or sector. This was first used to support the assessment of organizations in the European Quality Award in 1992.

EFQM

Committed to Excellence 1 star

Awarded to:

**LEPL
Entrepreneurship
Development Agency**

October 2015

This certificate remains valid for 2 years.

[Signature]

Marc Amblard
CEO, EFQM



EFQM

Committed to Excellence
1 star - 2015

Georgian Company "Zearis" among Finalists of World Beverage Innovation Awards 2015

Georgian spirits producer company "Zearis" recently celebrated significant international recognition at the World Beverage Innovation Awards 2015, held in Germany. The participation of the company was made possible thanks to the Enterprise Georgia initiative of bringing several Georgian producers to the international contest.

The company was selected among three finalists in the category- "Best Packaging Design or Label" and surprised the jury with its handmade glassware. The "Zearis' Chacha" (alcoholic beverage) vessel features inner glassware in the form of grapes filled with red wine, ensuring the product packaging is outstanding and memorable. It is important that "Zearis" was allowed to include a brief note of this international achievement on its packaging, so that consumers are also informed.

The conclusive part of the event and award ceremony was conducted on November 11, in Nürnberg, Germany. "Zearis" representatives were awarded in a festive atmosphere along with their already well known and successful rivals. Participating for the very first time, Enterprise Georgia considers this to be a significant success, promoting Georgian production at the international level, thus creating a proper platform towards establishing business ties.

In the scope of the international contest, 360 nominees from 40 countries in 26 various categories competed for the Award. With the efforts of Enterprise



Georgia, the Georgian side involvement at the World Beverage Innovation Awards 2015 was unprecedented. Enterprise Georgia presented five companies in different categories, in particular, "Khiliani" for the "Best Sparkling Beverage"; "Bioproduct" for the "Best Corporate Social Responsibility Initiative"; "Zearis" and Helaty Water INC for the "Best Packaging Design or Label" and "Campa" for the "Best juice or juice drink".

NOTE: Enterprise Georgia is constantly promoting national products internationally on targeted markets via international exhibitions, inbound and outbound trade missions, leading product competitions and more. What's more, the Agency creates the appropriate platform for establishing new connections together with making Georgian products more accessible to interested parties and increases export potential, which in itself means a big step forward to the improvement of the overall economic environment.



Enterprise Georgia - A New Member to EEN

Enterprise Georgia and Georgia's Innovation and Technology Agency (GITA) have good news, as by joining forces, the agencies have formed a consortium and officially become members of the Enterprise Europe Network (EEN).

With over 600 partner organizations located in more than 50 countries, EEN is the largest network of contact points providing information and support for SMEs in the fields of international business cooperation, innovation, knowledge

and technology transfer.

Enterprise Georgia, the leader of the consortium, is responsible for management of the Network in Georgia and business matching activities, while GITA will manage the innovation and technology transfer activities.

During December 2015, it is planned to organize the launch event, to introduce the future services of the EEN network in Georgia as well as opportunities which it will offer the Georgian private sector, especially for small and medium sized companies.



Business Support on Your Doorstep

The Enterprise Europe Network and their Business Cooperation Centers will serve as a gateway to:

- Access a vibrant market with over 500 million consumers;
- Exchange technologies required to make products or production facilities more competitive on international markets
- Identify suitable European business partners
- Find research partners to participate in Europe's research framework programs

- Channel investment ventures to Europe better and more effectively

As a final point, the cooperation with EEN definitely responds to the needs of Enterprise Georgia and creates various capabilities to enhance the efficiency of SMEs as well as promote the interoperability with international standards. Furthermore, the cooperation with the world's leading network, offering real added-value to their clients, is one step forward on route to the improvement of the entrepreneurship environment.

Success Stories

Sezanne to Become the Packaging Supplier for Fast Food Companies in Georgia

Sezanne Ltd. is one of the leading typographical factories in the Caucasus region equipped with the latest polygraphic machinery. The company goal is to create high quality printed polygraphic products.

In 2014 Sezanne got involved in the government program "Produce in Georgia" and with the assistance of Enterprise Georgia initiated a successful expansion of its business. The Agency will be co-financing the company's loan by 10% for the first two years. In total Sezanne will be investing 1 300 300 USD in order to upgrade its polygraphic factory.

Sezanne produces Kraft paper bags, paper cups, plastic lids and other materials used in the fast food industry. Until now this full range of products has not been produced in Georgia and all local companies were dependent on imports.

Sezanne is located in Tbilisi and employs 95 people. The company is focused on introducing modern technologies and standards, and has put in place ISO 9001:2008 quality management system.

Georgia Today met with Tamaz Chikhradze, the director of Sezanne.

HOW DID SEZANNE BECOME AN OUTSTANDINGLY SUCCESSFUL COMPANY?

Our company was founded in 1989. It was a little polygraphic firm which expanded over time with our own investments. We had absolutely no other investor or donor before. We became involved in the "Produce in Georgia" program in December 2014 and recently started production in September 2015.

Bringing and installing the needed equipment lasted several months, with our suppliers offering special trainings to our staff members, to become more efficient and productive. Our equipment included eight processing machines for different sized paper cups, printing and box making machinery, etc.

WHO ARE YOUR MAIN CUSTOMERS? DOES SEZANNE HAVE CONCRETE EXPORT PLANS?

Our target is the local market, mostly Tbilisi. We produce paper cups and bags and supply fast food companies such as McDonalds, KFC, Dunkin Donuts, Entrée and those who use such paper cups. We are also working to access the market for paper bags.

Of course we are considering exports, however, at this stage market research is being done and later the company will decide on the target countries. Some initial steps have been taken to export to our neighbouring countries and we are waiting for the results.

WHO IS YOUR COMPETITOR AND WHAT ADVANTAGES DO YOU HAVE?

Ax for the domestic market, companies from Turkey offering their products are

seen by Sezanne as main competitors; it is a challenge for us to obtain a bigger market share, however, the company has the right strategy and is actively working with local producers to offer its service and contribute to the country's economy.

The good news is that a new law will come into force from January 2016, according to which all kinds of products made in Georgia should have a Georgian inscription. This will place us in fair competition with the Turkish producers, since their products don't have Georgian inscription at present and placing it would be an extra cost for our main competitor, therefore this gives us some kind of advantage.

When it comes to Print, I would say that Sezanne does not face any serious competition, as it is considered to be the best on the Georgian Market.

We can make 4000 cups an hour. McDonalds, for example, needs over 10 million cups a year. To date our main clients have been importing their cups from Turkey and Ukraine, therefore, we do hope that very soon Sezanne will be able to meet the local market demand and offer products at really competitive prices.

Our advantage is that we are the only company as yet which offers complex services: producing, as well as printing. I doubt there will be any other such company in this field, though we will still have an advantage of experience of so many years in polygraphy. We have enough resources to handle this job.

WHAT WAS THE ROLE OF PRODUCE IN GEORGIA IN YOUR SUCCESS?

We made a 1 300 000 USD investment. If not for this program it would have been very difficult to find such funds. Nobody would invest 1 300 000 USD in it and think of taking a bank loan and paying the interest rate, which of course is quite a burden for a business, especially in the first two years. "Produce in Georgia" really makes life easier for business people and offers sound financial assistance. You simply apply to the bank for a loan and if it fits in the program criteria and bank approves the business plan, your company automatically falls under "Produce in Georgia". After this, the Government co-finances the interest rate with 10% and first two years all you have to pay is from 0-3%.

For more information on Sezanne, please visit the official facebook page: https://www.facebook.com/Cezanne-Printing-House-544601862300848/info/?tab=page_info



Geocap LTD to Launch Plastics Production Factory



Last year, in the framework of the Government Program "Produce in Georgia" and under the infrastructural support component, Geocap LTD was given a non-agricultural, 15,0032 sq. meters land plot in Orkhevi for a nominal value of 1 GEL, however the market value of the land was estimated at 437 000 Lari. In return, the company was obliged to invest at least 2 622 000 GEL and create a plastic materials producing factory within two years and employ 45 people. Geocap LTD has also received assistance from Enterprise Georgia, which co-financed 10% of the bank loan interest rate for the first two years.

Georgia Today met the company manager, Enrico Mosulishvili, and discussed the company background and its future plans.

COULD YOU BRIEFLY DESCRIBE THE FACTORY PROFILE?

The new factory is established to bottle mineral water and carbonated soft drinks, therefore at the initial phase we have purchased all the needed machinery and employ 15 people, however, along with expanding our operations, the employment capacity will also increase.

So far we have invested 4 000 000 GEL into the Company and of course this would not be possible without government support. The "Produce in Georgia" program gave us access to two main directions; we got both infrastructural support and access to finance. Therefore, participating in the program gave us the opportunity to be competitive in terms of quality and logistics. And the provided

financial assistance enabled us to take the first step towards purchasing machinery and equipment.

DO YOU ALSO PLAN TO EXPORT YOUR PRODUCTS IN FUTURE?

The current capacity of the factory output is responding to the needs of the local market, however, export is part of our longer-term strategy and we have already started exploring the neighboring markets.

IN WHAT DO YOU SEE YOUR COMPETITIVE ADVANTAGE?

First of all, I would name our quality as one of the most significant advantages. Secondly, Geocap LTD is proud to have a truly flexible delivery timeline, always meeting its deadlines.

Hemoline to Produce High Quality Products from Blood Components

Hemoline Ltd. produces donor blood components which are processed with the help of Italian partner Kedrion. Hemoline applies international standards for laboratory research and the preservation of blood. The manufacturing process is monitored by the regulations of the Ministry of Health, recommendations issued by the Council of Europe and requirements of Kedrion.

Most of the final products will be distributed in all regions of Georgia. The main consumers are stationary medical institutions and pharmaceutical networks. The company will continue to expand and open branches in Kutaisi and Batumi.

Georgia Today met with director and founder of Hemoline, Temur Azikuri.

WHAT IS THE STORY BEHIND HEMOLINE?

Our company was founded in August 2014 with the assistance of "Produce in Georgia" program. Hemoline is based on our main "Express Diagnostic" company which was established in 2003. Before this, we had valuable experience



in medical diagnostics and used to import laboratory equipment. We supplied many clinics and diagnostic centers in Georgia, also taking part in various government programs such as the 2010-2011 Safe Blood program. The Safe Blood program involved donor blood research management and aimed at controlling blood banks.

Our plan for expansion and founding Hemoline dates back to several years and finally the "Produce in Georgia" program offered a solution and enabled us to apply for a bank loan, in the frames of which the government will pay 10% out of 12% loan interest rate for two

years. We took a loan of 850 000 USD and added our funds of 600 000 USD, therefore, with total investment of up to 1.5 million USD, we founded a really successful company employing 20 people. I am honestly thankful to the above-mentioned program since it would be challenging to find funds, as companies like ours tend to generate income only after 1.5-2 years.

WHAT IS THE COMPANY'S PROFILE?

"Since our establishment we have accumulated solid experience and knowledge, therefore creating a plan on how to

improve the blood bank service in Georgia. With the help of “Hemoline,” blood donors, like many people in European countries, will be able not only to donate blood but plasma as well. Since nowadays only blood donation is a common practice in Georgia, we are losing a highly valuable source of pharmaceuticals, which is plasma, used as a raw material to produce medicines.

Azikuri explains that plasma is made after recycling blood and can be used in post-surgery, in case of severe poisoning, emergencies and accidents. “In European countries like Austria and Germany, only 25% of plasma is used as a therapeutic tool, while the rest is frozen and later recycled in biotechnological factories in order to get albumin, immunoglobulin and coagulation factors VIII and XIX used for the treatment of patients with hemophilia,” he continued.

“Hemoline” blood bank will definitely respond to the needs of patients diagnosed with Hemophilia, as currently the

number of registered cases exceeds 300. These people are supported by the government and each year 5 mln GEL is spent on medication, however, this is not enough and barely meets demand. Via plasma collection, proper storage and cooperation with partners abroad, “Hemoline” hopes to significantly improve the situation and provide Georgian the market with respective pharmaceutical products.

These medicines are prepared from donor blood in transfusiology centers. We created a transfusiology center where donors can donate blood and plasma. After collecting 4-5 thousand liters of plasma we send it to the Kedrion factory in Italy. Kedrion is one of the 5 leading biopharmaceutical medicine manufacturers.

They send processed products back which include blood coagulation medicine, albumin, and immunoglobulins which are made of our blood materials. Immunoglobulin in particular is an expensive product and it is much more



effective when prepared from materials taken in our area in terms of immunology.

WHAT EQUIPMENT AND ACTIVITIES DO YOU HAVE?

We have plasmapheresis and other equipment, also various types of refrigerators from German company Frezenius Kabi.

Donors are checked for viral infections in the first instance, then blood group and rhesus and hemoglobin are determined. These tests are free.

We are working to promote blood donation and have spent quite a lot of money. We are making a three part educational film right now about blood donation with graphics and animation.

After installing the equipment, Frezenius Kabi’s representative trained our staff and after a month evaluated the readiness of our personnel regarding technological service, and issued certificates. We also control the quality of our plasma and blood.

We’d love to export our products of

the Kedrion brand- we could sell it anywhere in the world. These products are in demand globally. We can export to Azerbaijan, Central Asia and Russia.

WHAT IS THE ADVANTAGE OF THE COMPANY?

The current blood banks in Georgia fail to collect blood plasma due to lack of technology. We are the first in the post-soviet area to have such high quality technologies and ability. We have introduced a German model and conduct high quality laboratory research.

Georgia produces 12000 liters of plasma. Hospitals don’t need so much plasma, which is a raw material; they need plasma products. So 7-8 thousand liters of plasma is wasted and yet one liter plasma product is worth \$300-400. This happens because there is a low quality of donor selection, laboratory testing and storing. This is not European standard and Europe won’t receive this kind of plasma. We have a 10 year agreement with Kedrion because we meet the quality standards.

Opportunities to Export Bottled Water to Poland

BRIEF ECONOMIC OUTLOOK

Real GDP growth in Poland reached 3% in 2014, compared to 2% or less in 2013 and 2012. After a few years of sluggish growth, the Polish economy is thus seeing faster development. Poland is expected to see real GDP growth of 3% on average per annum over the forecast period. Economic growth will be supported by low interest rates and the inflow of EU structural funds, which will directly boost Poland’s infrastructure development.

Despite the negative effect of the Ukrainian crisis and a Russian embargo on Polish food products, economic growth is being fuelled by growing investment spending and the rebuilding of stockpiles by companies. In 2014 annual inflation meanwhile declined to its lowest level in modern Polish history, dropping close to zero. In some months of summer 2014, Poland saw deflation. Unemployment levels meanwhile decreased in September to below 12%, reaching the lowest level since 2011.

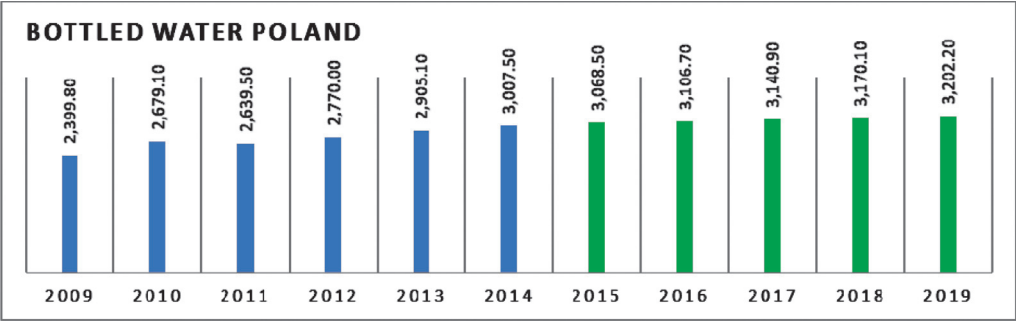
SOFT DRINKS MARKET OVERVIEW

Despite the above-mentioned economic factors, Polish consumers remain cautious in their spending patterns. Poles typically wait to react to positive economic changes due to the country experiencing decades of economic uncertainty, with most thus being reluctant to dramatically increase consumption. As a consequence, in soft drinks, consumers are still looking for cheaper products and price promotions. In 2014, many product areas thus continued to see current value unit price decline or only slight growth. This is also due to an ongoing price war between Polish retailers, with this particularly impacting some product categories in carbonates and energy drinks.

Off-trade sales of overall soft drinks saw a growth of 2% in volume and 2% in current value terms in 2014 over the previous year. Growth was especially good for bottled water thanks to an unusually hot summer in Poland that year. Average temperatures in July 2014 were the fourth highest in since records began.

As the bar chart displays below, the market size of bottled water in Poland has been growing since 2009 and in 2014 import rating reached the highest amount of liters.

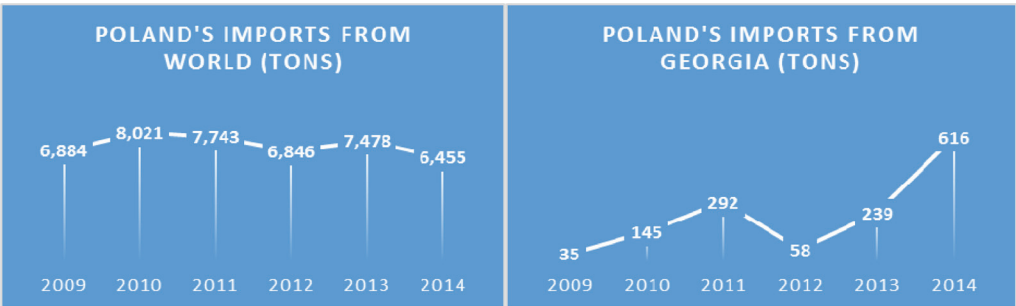
Figure 1: Bottled Water Market Size in Poland, mln liters



As indicated, the forecasted off-trade sales of bottled water by the end of 2015 are at over 3,068.50 million liters (3.4 % growth from 2009). The positive tendency is expected to continue and reach over 3,202.20 million liters in 2019 (10 % growth).

Bottled water is anticipated to see off-trade value decline at constant 2014 prices of below 1% in the forecast period. This is lower in comparison to the growth seen over the review period, which saw 3% CAGR. Value sales decline in the forecast period will partly be due to maturity and a considerably higher sales base, resulting in off-trade volume growth slowing to 1% CAGR from a review period CAGR of 5%. However, value decline will also be linked to strong price competition and the rise of private labels.

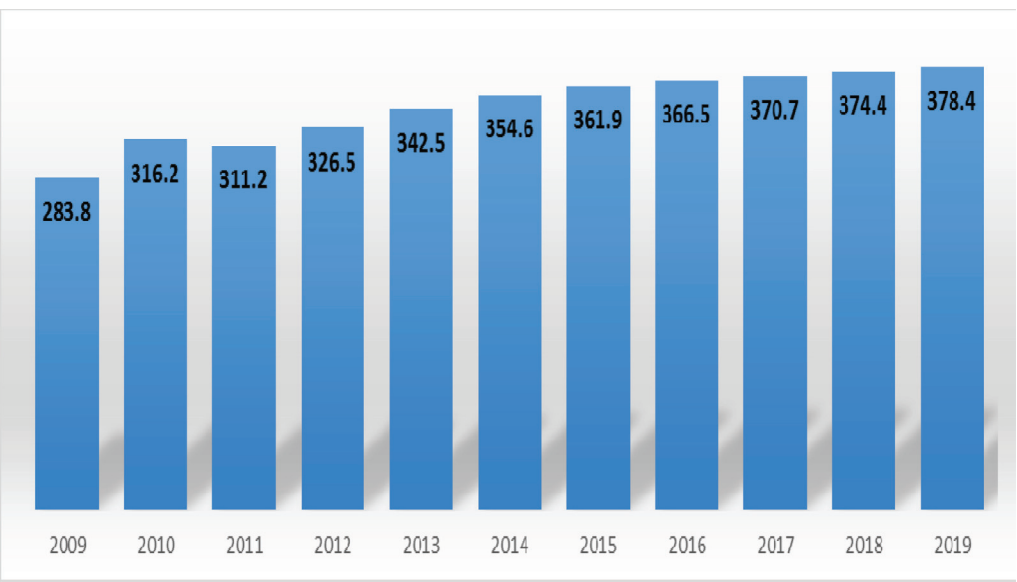
Figure 2: Total imported bottled water, Poland 2009 – 2014 and Poland’s import of bottled water from Georgia 2010 - 2014



In 2009 Poland imported 6,884 tons of bottled water and by the end of 2013 7,478 tons, this being the highest indicator for the given period (22.2 % growth of imported bottled waters from 2009 to 2013); however, in 2014 the amount decreased slightly and amounted to 6,455 tons; displaying a 2.4% drop of import compared to the previous year.

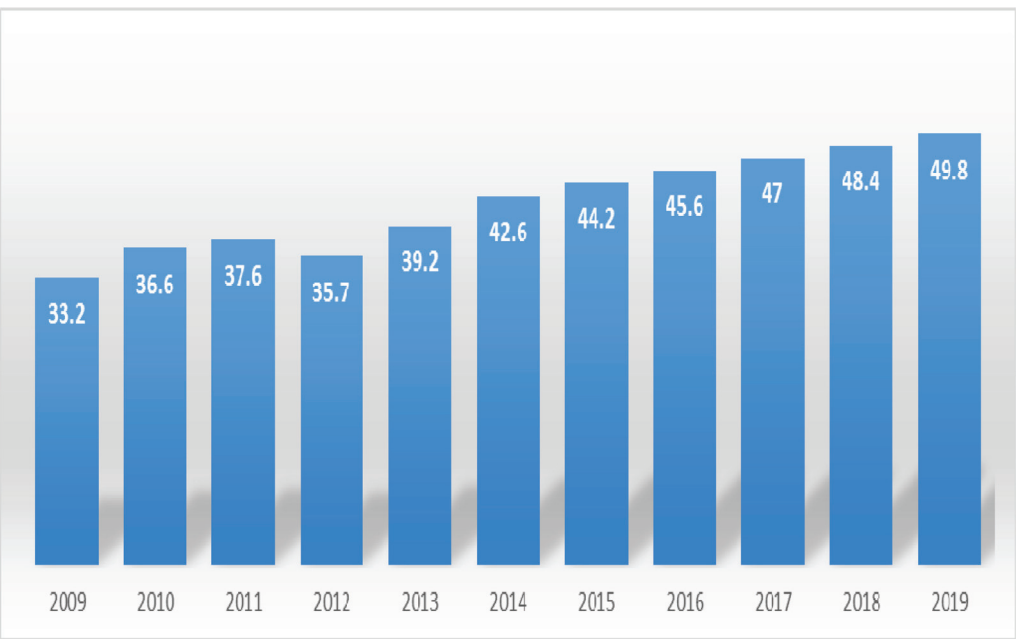
Poland’s import of bottled water from Georgia in 2014 reached 616 tons, with is 42 % higher that it was in 2009.

Figure 3: Consumption of bottled water, liters Per Capita



Consumption tendency of bottled waters has been increasing, highlighted by the presented chart, where the amount of consumed bottled water stood at 283.3 liter per capita in 2009. The highest consumption of 354.6 liters was revealed and a more optimistic prediction is indicated of an almost 3 % increase by the end of 2019 compared to 2009.

Figure 4: Expenditure per capita on bottled water, USD\$



It is expected that the shift toward better quality products will continue in the forecast period. This trend will be encouraged by rising incomes. A constant growth in consumer expenditure on bottled water is observed. It is forecasted that this trend will be observed for the next several years and by 2019 per capita expenditures will have grown by an additional 17% compared to 2014.

Successes of "Ynnovas" Ltd. at International Fair "CPHI Worldwide 2015"

On October, 2015, with the support of Enterprise Georgia under the Ministry of Economy and Sustainable Development of Georgia, Georgian companies took part as exhibitors for the first time at one of the most influential and popular international fairs in the chemical and pharmaceutical world "CPHI Worldwide 2015" that gathered over 36 000 professionals from 153 countries.

Participation at this international fair turned out to be very successful for the "Ynnovas" company, which at the same time is a beneficiary of Government Program "Produce in Georgia". As a result of negotiations, representatives from one of the big Italian companies expressed interest in cooperation regarding the exclusive purchase of pharmaceutical ingredients from the Georgian producer so replacing other importers. Furthermore, during the visit, significant ties were made with Russian, Ukrainian and Kazakhstan companies, who agreed to place trial orders.

It is noteworthy that company "Ynnovas" is distinguished for a spirit and motivation to contribute to the development of the Georgian pharmaceutical sector. The Company signed an MoU with the Tbilisi State Medical University that enables students to have an internship at the new enterprise, which is equipped in compliance with international standards and which regularly invites leading European specialists in the field of pharmacognosy.

Moreover, "Ynnovas" plans to actively work with the followers of traditional medicine, in particular, the Company plans to industrialize their produce.

Besides the promotion of the pharmaceutical industry, the company is distinguished with high social responsibility. "Ynnovas" was one of those companies who expressed solidarity to the Georgian



farmers by, during the grape harvest, purchasing 50 tons of grapes to alleviate the living conditions of the farmers.

NOTE: "YNNOVAS"

The total amount invested in the establishment of a factory in compliance with international standards was USD4 million. The new factory will open in the near future and will be the first contractive producer in the region which will produce active pharmaceutical ingredients. It also should be emphasized that at the first stage of plant operation, the number of staff is 50, which will then increase up to 100, while, relating to the seasons and the gathering of raw materials, 500-600 persons will be employed.

CPHI WORLDWIDE:

CPHI Worldwide is one of the most influential and popular international fairs in the chemical and pharmaceutical world that gathers over 36 000 professionals from 153 countries, including key suppliers from the major pharmaceutical markets, such as China, India and the USA, as well as the emerging markets of Turkey, Russia and Malaysia.

Georgian pharmaceutical products were placed for display by the key players of the Georgian market, namely GM Pharmaceuticals (PSP), Aversi-Rational and Ynnovas. During the Event the broad international audience had a chance to see Georgian produce and interact with the highly qualified representatives of

each company.

The event gathered key players of the pharmaceutical sector among whom were suppliers from the major markets, such as China, India and the USA, as well as the emerging markets of Turkey, Russia and Malaysia. The audience got to see Georgian produce and interact with the highly qualified representatives of the companies, while the Georgian delegation was offered an opportunity to participate in the Pharma Forum, a 'village' for disseminating the event content. For the first time in 25 years, there was an area dedicated exclusively to content and knowledge exchange. This new area housed a number of activities, including informative meetings, three Innovation Galleries (CPHI, CISE and Innopack) showcasing the latest products brought by exhibitors, and additional commercial explorations (non-pharma), with special focus on the top five positions in terms of sustainability during this year's edition.

Since January 2015, over 87 companies have been supported by Enterprise Georgia to participate at 11 food and beverage international fairs. The list of events includes "Gulfood 2015"-UAE, "Taste Georgia"-UK, "Sial China 2015", "Slovak-Georgian Business Forum", "NYC Summer Fancy show"-New York, "Riga Food 2015"-Latvia, "Discover Georgia" and Investment Forum-New York, USA, "Polagra Food 2015"-Poland, Anuga 2015-Germany and "CPHI Worldwide 2015"-Spain.

Cooperation between Enterprise Georgia and JICA



The elaboration of the "Regional Development Program" is one of the outcomes of Georgian-Japanese business matching programme organized by Enterprise Georgia. The above mentioned project implemented by the Agency and Japan International Cooperation Agency (JICA) aims at sharing Japanese practice and methodology for SME sector development in regions on the base of Japanese Business Model "One Product, One Village". The Georgian delegation of public, private and non-governmental sector representatives, led by David Shilashvili, Head of Research, Analysis and Monitoring Department at Enterprise Georgia, attended the training courses in Japan and participated in Action Plan development for adapting and introducing the Japanese methodology in Georgia.

More precisely, taking into consideration the significance of the business environment improvement in the country, Enterprise Georgia, in close cooperation with JICA, is fulfilling the "Regional Development Program" in several stages:

STAGE I

At the first stage, Japanese government

tal, non-governmental and private sector representatives will pay site visits to the regions (Kakheti, Racha, Javakheti) of Georgia together with local business representatives with the aim of studying the situation on the ground and organizing seminars/B2B meetings. The main goal is to establish cooperation with entrepreneurs.

STAGE II

The second phase of the program includes Georgian side participation at the training courses in Japan; in particular, field-visits are planned with local small and medium entrepreneurs regarding tourism, agriculture and agro-tourism issues at Hokkaido Island. Working meetings with Japanese governmental institutions are also scheduled within the framework of the visit. Consequently, the Japanese methodology is expected to be implemented by the Georgian counterparts, the list of which includes Enterprise Georgia, Georgian National Tourism Administration, Ministry of Agriculture, Local Self-Government of Racha Region, members of non-governmental organizations, the Scouts movement of Georgia, together with the Wine Tourism Association and private sector representatives from Kakheti Wine Guild.

87 COMPANIES WERE SUPPORTED AT 10 INTERNATIONAL EVENTS



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