

ENTERPRISE GEORGIA

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GEORGE TSIKOLIA APPOINTED EXTRAORDINARY AND PLENIPOTENTIARY ENVOY



The CEO of Enterprise Georgia, George Tsikolia, has been appointed Extraordinary and Plenipotentiary Envoy to the United States of America.

The work experience of the former CEO of Enterprise Georgia concludes different activities in economic directions: From April 5, 2014 to date Tsikolia headed Enterprise Georgia, facilitating the enactment of policies and assisting in the easy start-up and long-term solvency of local enterprises along with support mechanisms that enables better access to information, finance and education for local enterprises growing, diversifying and sustaining export of goods and services produced in Georgia.

Additionally, Tsikolia worked at the Ministry of Economy and Sustainable Development of Georgia on Investment and Export issues during the years. He was also the first Deputy Head of the National Investment Agency of Georgia and held leading positions at various private organizations, both in Georgia and Canada.

Mr. Tsikolia graduated from the British Columbia Institute of Technology with a degree in Business Administration (Vancouver, Canada). He also holds a bachelor degree of the Moscow State Open University in International Economy (Moscow, Russia) that lead successfully towards promotion of entrepreneurship development.

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA) DELEGATION VISITS RACHA AND KAKHETI

On July 28-31, 2015, within the framework of the Regional Development Program, the members of a delegation from the Japan International Cooperation Agency (JICA), along with representatives from Enterprise Georgia, conducted meetings with the residents of Racha and Kakheti regions, organized by JICA, Enterprise Georgia, and Hokkaido Intellect Tank (HIT).

Considering the significance of regional development issues, Enterprise Georgia, in close cooperation with JICA, is implementing a Regional Development Program with the purpose of experience sharing of Japanese to Georgian producers through meetings that aimed to inform of existing problems and regional potential. At the same time the working meetings promote the defining of necessary actions for further cooperation and the establishment of business ties.

In the frames of the regional visits, workshops on

Japanese methodology and entrepreneurship, agriculture promotion and Japanese winery were held. During the visits, the views of local government were emphasized, as well as those of international organizations. The topics of organic farms, brands, export-oriented products and methods of goods producing were also discussed. Representatives of the delegation also visited a variety of production units, in particular, honey farms, hotels and winery in Racha, Kakheti wine Gildia, and Twins Winery in Napareuli.

Enterprise Georgia promoted the Japanese expert delegation, in terms of technical and logistic issues of communication, to the local entrepreneurs. Moreover, the Head of the Entrepreneurship Development Department, Otari Antia, presented the audience with the works of the Agency as well as the existing mechanism towards small and medium business promotion, paying attention to the future plans of the Agency.



GOVERNMENT REPRESENTATIVES MEET DELEGATION OF JICA

On July 31, 2015 a working meeting between the representatives of various government agencies of Georgia and the delegation of Japan International Cooperation Agency (JICA) was conducted, organized by Enterprise Georgia under the Ministry of Economy and Sustainable Development of Georgia.

Presentation of the first phase of the Regional Development Program was the main goal of the meeting, organized by Enterprise Georgia in cooperation with JICA, presenting to public sector representatives and discussing the outcomes of the program. Also attending were the CEO of Enterprise Georgia, Anna Kvaratskhelia, the Head of the

Research, Monitoring and Analysis Department at Enterprise Georgia, David Shiolaishvili; the Chief Analyst of Research, Monitoring and Analysis Department at Enterprise Georgia, Rati Anjapharidze, as well as representatives from departments of Investment and Export, Investment and Export Policy at the Ministry of Economy and Sustainable Development of Georgia; Ministry of Agriculture of Georgia, Tourism National Administration, Wine Association of Georgia.

The delegation of JICA comprised 12 Japan experts and businessmen from various organizations and business sectors (JICA, Hokkaido Intel-

lect Tank, Hokkaido Food Industry Promotion Organization, Hokkaido Government, Yotei Green Business Co., Ltd, Bake de Arles Co., Ltd, Takizawa Winery, and Niseko Town). The key purpose of the visit was to review the establishment of the "One Village One Product" program and the sharing of experience in that direction. Representatives from the private sector are interested in establishing firm business connections with SMEs in Georgia as well as with leading companies in the wine industry.

During the meeting the visitors had an opportunity to gain information on Japanese methodologies of entrepreneurship development in the regions.

The seminar was focused on Japanese approaches to following areas:

- Regional Development and Hokkaido Examples;
- "One Village One Product" Scheme overview;
- Eco-Tourism promotion;
- Food Industry promotion;
- Entrepreneurship promotion and examples.

In the frames of the JICA delegation visit, considering the significance of regional development issues, Enterprise Georgia, in close cooperation with JICA, is implementing a Regional Development Program with the purpose of Japanese experience sharing with Georgian producers.

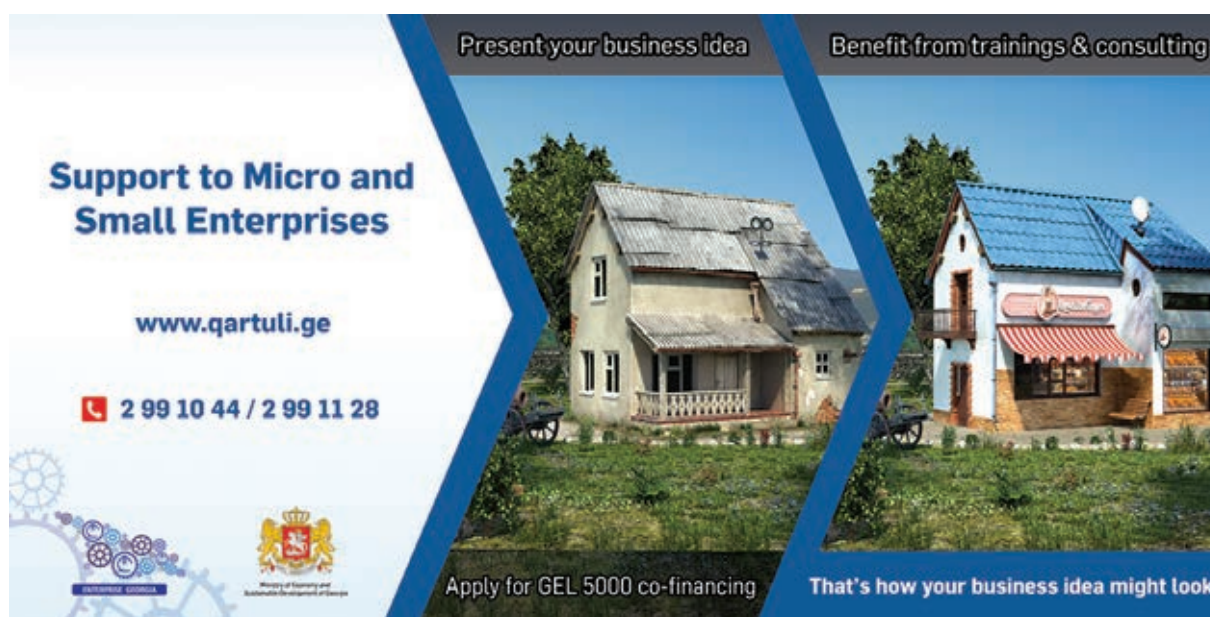


FIRST PHASE OF SMES BUSINESS IDEAS CONTEST OVER

Within the framework of the government initiated program "Produce in Georgia," the first phase of the business ideas contest of small and medium enterprises (SMEs) promotion completed. The project was run throughout Adjara, Guria, Samegrelo-Zemo Svaneti, Kakheti, Mtsketa-Mtianeti and Shida Kartli, while in Imereti, Racha-Lechkhumi, Kvemo Kartli as well as Samtskhe –Javakheti, the second phase of business plans submission has now begun.

Based on statistics, the total number of received applications is 4424 (in Adjara, Guria, Samegrelo-Zemo Svaneti-1937; Kakheti, Mtsketa-Mtianeti and Shida Kartli-2487) the number of applicants equals 7336. The business plans preparation training course for participants in Imereti, Racha-Lechkhumi, Kvemo Kartli, Kvemo Svaneti and Samtskhe –Javakheti also finalized and was attended by 827 participants.

The financing scheme for the selected entrepreneur of the business ideas



contest of SMEs means that 5000 GEL will be granted to an individual entrepreneur, groups of two entrepreneurs will receive 10,000 Gel and groups of

three entrepreneurs will receive 15,000 GEL. The opportunity to take part in this competition was available to any fixed taxpayer as well as SME entre-

preneurs, although all participants were required to meet concrete requirements: in particular, to be citizens of Georgia, 18 years of age or over, not working in

the Civil Service sector, and having no outstanding overdue tax debt. 20 million GEL was allocated from the central budget to implement the program for a period of 26 months.

The project is designed solely for the regions of Georgia and envisages increased competitiveness of regional businesses, increased spending of revenues in the region, diversification of regional products and services, an increase of awareness of contemporary business practices in the region, and mitigation of the economic imbalance between the capital city and regions.

The goals of the program are the development of entrepreneurship in Georgia, the establishment of new enterprises and expansion or upgrade of existing ones alongside the increase of competitiveness of private sector and export potential through simplification of access to real property and modern technologies as well as provision of consultations.

POSITIVE CAMPAIGN CONTINUES: FOREIGN GUESTS RECEIVE GIFTS



The Georgian Government came up with an original way of sending the "season's greetings and welcome" to international guests arriving in Georgia.

As a new tradition, all foreign citizens arriving in any of Georgia's three



international airports (Batumi, Kutaisi and Tbilisi) will receive a bottle of Georgian Saperavi wine as a gift.

The campaign was initiated by Enterprise Georgia, a state Agency created in 2014 with the aim of spurring the growth of business.



A bottle of dry red Saperavi wine from the vintage 2012 collection, with unique features and information of Georgian wine-making traditions, are offered to each foreign visitor immediately after the passed through passport control.



The positive campaign organized by Enterprise Georgia promotes awareness-raising of foreign citizens regarding the EU-Georgia Association Agreement, including its integral part the Deep and Comprehensive Free Trade Area (DCFTA) as well as



increasing the export potential and contributing towards the popularization of Georgia.

It should be underscored that the campaign has already gained popularity in social media and overall feedback has been highly positive.

ADJARA FASHION WEEK HELD FOR THE FIRST TIME

At the end of the July, 2015, Adjara Fashion Week was held for the first time, organized by the Georgian Fashion and Design Association in cooperation with FASHION GROUP Company.

In the scope of the Adjara Fashion Week, the creative works of 16 designers from various countries were presented along with a sales exhibition of the works and a number of cultural events. The main goal of the project envisages assistance in terms of the development of cultural tourism in Adjara region and throughout Georgia, promotion of Georgian designers and the strengthening of cooperation between representatives from the fashion agencies and the business-sector. Moreover, Fashion Week is a very important platform for showcasing the production of local factories and helping them establish links with potential buyers at the same time opening up vast opportunities for local manufac-

turers to get international orders and work with world renowned brands.

Within the framework of the event various high-ranked guests, included buyers, bloggers, journalists, editors from popular publishing houses and designers were hosted by Batumi, capital of the Adjara region.

In scope of the Adjara Fashion Week, with the initiative and financial support of Enterprise Georgia, buyers from Kazakhstan and Azerbaijan visited the Adjara Fashion Week.

Enterprise Georgia strives to boost local production and puts in place many programs to help SMEs get easier access to the finance and knowledge they need to operate a successful business. Development of apparel manufacturing is among the main priorities of the Agencies, therefore Enterprise Georgia is introducing different measures to support entrepreneurs.



POLAND – A PROMISING MARKET FOR GEORGIAN WINE EXPORT

OVERVIEW OF WINE EXPORT FROM GEORGIA

Wine is one of the major Georgian export products, totaling over USD 180.7 in 2014 - with a more than 43% increase from the 2013 data. Overall, throughout the five year period of 2010-2014, wine exports from Georgia increased by an average annual rate of 43.7% - almost twice as much as the five year average annual growth rate (AAGR) of other processed agriculture products (23.4%). As a result, the share of wine in Georgia's processed agriculture product export structure increased from 23% in 2010 to over 37% in 2014. Wine Export has also dominated the structure of beverage export from Georgia - from 27% in 2010 to up to 41% in 2014. Figures 1 and 2, as well as Table 1, represent data of wine exports from Georgia:

Figure 1: Georgia's Wine Export Overview



Figure 2: Georgia's Wine Share in Exports of Beverages and Processed Agriproducts

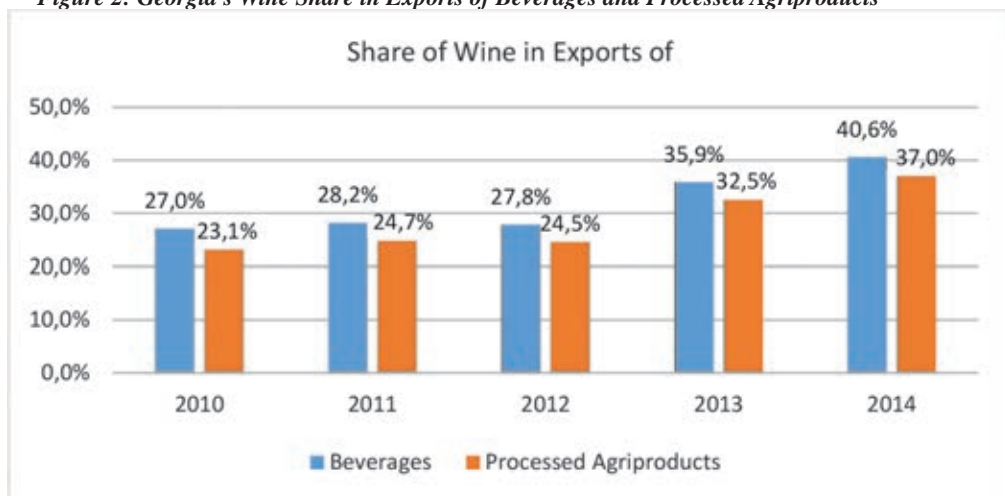


Table 1: Top 10 Export Markets of Georgian Wine

2014		2011	
Top 10 Countries	USD 181 million	Top 10 Countries	USD 23 million
Russia	61.7%	Ukraine	41.7%
Ukraine	11.5%	Kazakhstan	16.3%
Kazakhstan	9.1%	Belarus	10.3%
Belarus	4.0%	Poland	4.1%
China	2.6%	Azerbaijan	3.9%
Poland	2.4%	China	3.6%
Latvia	1.7%	Latvia	3.4%
Netherlands	1.1%	Lithuania	3.1%
Lithuania	1.0%	United States	2.3%
Azerbaijan	0.8%	Moldova	2.2%
Other Countries	4.1%	Other Countries	9.2%
Total # of Countries	46	Total # of Countries	48

Access to the Russian market for Georgian wine in late 2012/early 2013 led to a significant increase in Wine Export. Export of wine to Russia increased from USD 5.5 million in 2011 to USD 22.9 million in 2012, with more consequential impact in 2013 and 2014 - USD 56 million and USD 111 million, respectively. At the same time, arguably negative outcomes emerged from these activities: while the total number of countries which imported Georgian wine remains relatively similar to 2011 and 2014 (albeit with a decrease to 46 in 2014), the structure of wine export from the perspective of value was much more diversified, with 38 countries accounting for over 9% of total wine exports in 2011, versus 36 countries accounting for over 4% in 2014. With a rapidly increasing focus on the Russian market, 82% of all wine export became concentrated in the top three export markets in 2014, as opposed to the same indicator of 68.3% in 2011. As a result, unforeseen volatilities in Russian, Ukrainian and Kazakh markets had a devastating effect on the export of wine in the first four months of 2015.

Table 2: Export of Wine to top three countries in 2014-2015

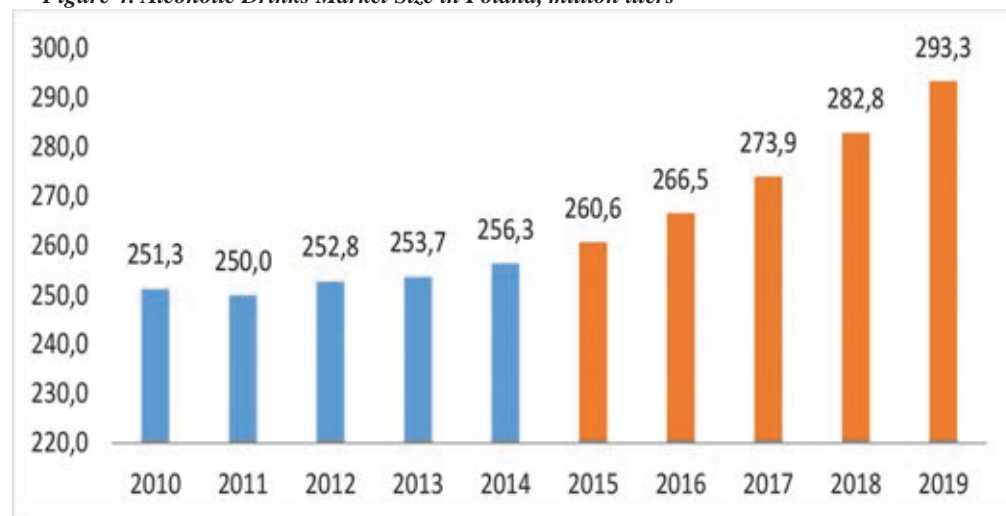
Wine Export, Jan-April	2015	2014	change, % y-o-y
Total	23.1	59.0	-61%
Top three Export Countries	14.7	51.0	-71%
Russia	9.1	40.0	-77.2%
Kazakhstan	3.5	5.1	-31.7%
Ukraine	2.0	5.9	-65.8%
Total Export Change	- USD 36 million		
Total Export Decrease	- USD 38 million		
Export Decrease in top three export destinations	- USD 36.4 million (96% of Total Export Decrease)		

As evident from Table 2, increased dependency on Russia, Kazakhstan and Ukraine caused increased sensitivity of the total wine export from Georgia towards the volatilities in these markets, resulting in the total negative change in the export of wine in January-April 2015, on a year-on-year basis.

POLAND – A PROMISING MARKET FOR GEORGIAN WINE EXPORT

As the official data display clear negative effects of a high dependence of trade structure on a select few export countries, additional markets need to be explored in order to identify opportunities for diversification of Georgian export destinations. Consumers in Poland still remember Georgia as a brand from the USSR period. Poland is a focus for those promoting Georgia as tourist destination, with DCFTA acting as an additional driver for mutual trade. Additionally, Poland is the one of the fastest growing economies in Europe. According to the forecast by the European Commission for 2016, the real growth of GDP will be up to 3.4%. In addition, forecasts by Euromonitor International estimate that the positive tendency of wine sales from 2010 to 2014 will continue for the years following, as evidenced in Figure 3:

Figure 4: Alcoholic Drinks Market Size in Poland, million liters



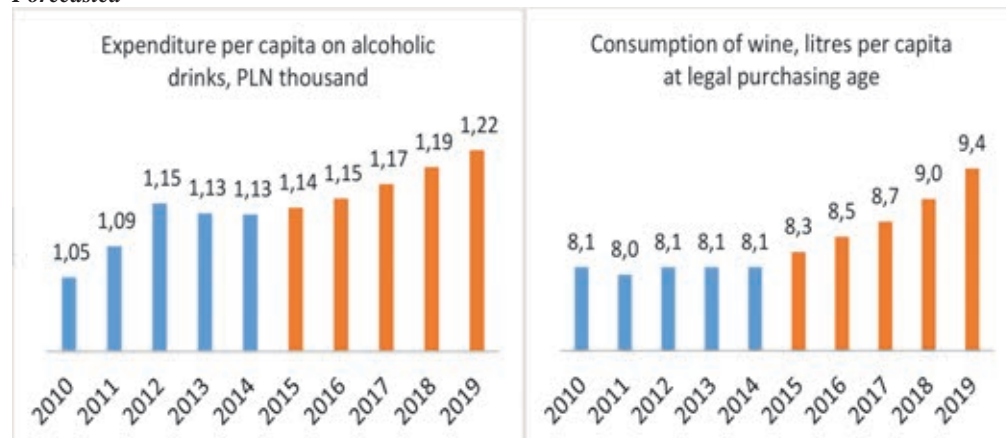
As displayed in Figure 4, the forecasted sales of wine by the end of 2015 are at over 260 million liters (a 3.7% growth from 2010). The positive tendency is expected to continue and reach over 293 million liters in 2019.

Dessert and sparkling wines are the highest growing segments in Poland. The vast majority of Polish consumers choose sweet or semi-sweet wine rather than semi-dry or dry wine. What seems to be interesting is that wine from Georgia saw a surge in popularity over the final years of the review period. This is, to some degree, an effect of political issues and support for Georgia which remains in conflict with Russia.

It should also be noted that tourists from Poland to Georgia in 2014 amounted to over 46 thousand people, with a 25 growth compared to previous years. Such people, tasting wines in Georgia, will potentially seek to buy these wines in their homelands.

Apart from the overall sales statistics and forecast, in terms of Poland's demand for wine, we are observing a continuous increase of consumption over the last five years. In spite of the forecasted increase in the increase of wine prices, the consumption of wine and expenditures per capita are expected to increase simultaneously over the next 4-5 years.

Figure 4: Expenditures per Capita and Consumption of Alcoholic Drinks in Poland, Historic and Forecasted



Over 70% sales sources are off-trade units such as shopping malls, groceries and supermarkets, however off-trade (catering) will observe strong growth in the long-term and is an interesting demand side for wine producers. The average unit price of wine is predicted to show a slight increase over the forecast period. The further sophistication of Polish consumers' palates will mean more demand for higher priced products. What is more, discounters are expected to increase the share of higher priced products on store shelves over the forecast period.

From the historic perspective of Georgia's export of wine to Poland, the indicator has grown actively in the last years, achieving a five year AAGR of almost 20% and resulting in a USD 4.4 million export in 2014. At the same time, however, the share of Georgian export with Poland as a destination has decreased from 4.1% in 2011 to 2.4% in 2014. Furthermore, in the first four months of 2015, the export of wine to Poland was approximately USD 1.2 million, which is a 9.2% decrease from the same indicator of 2014.

CONCLUSION

As evidenced by the findings and the analysis provided above, Poland is well positioned as a promising market for Georgian wine export.

For the advancement of commercial interest, further data mining and analysis of the market is needed. For acquisition of relevant information, Polish development agencies and chambers could be approached by Enterprise Georgia and/or private wine companies seeking to expand their activities.

A thorough analysis of the market with a 'boots on the ground' approach could be an efficient tool for navigating through the market.

Additionally, business missions (both inward and outward) facilitated and streamlined by Enterprise Georgia and relevant counterpart institutions could serve as an active business interest matching tool for Georgian wine exporters and Polish traders and other relevant partners.

Sources: National Statistics Office of Georgia (GeoStat), The International Trade Center (ITC) (under the WTO and UN), Euromonitor International.

HEMOLINE LTD. OPENS NEW MEDICAL CENTER



Within the frames of the Government program "Produce in Georgia," with the assistance of Enterprise Georgia under the Ministry of Economy and Sustainable Development of Georgia Hemoline Ltd. officially opened a new medical center.

The partners of the company, alongside large investors, were present at the opening ceremony. Also in attendance were the Director of the National Blood Bank of Lithuania, the Manager of the leading company in bio product producing, the Director of Slovakian company Imuna, the Director of the National Center for Disease Control and Public Health; the Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili; the Deputy Minister at the Ministry of Labor, Health and Social Affairs of Georgia, Valeri

Kvaratkheia; the Head of Entrepreneurship Development Department at Enterprise Georgia, Otari Antia, and other representatives from the Agency.

Hemoline Ltd. produces unique pharm products from the blood plasma.

The newly opened enterprise meets international good manufacturing practice (GMP) standards and will process local blood donations for local and international use. The Center will filter blood and separate the various blood components, including plasma, and will process the donated blood with the help of their Italian partners. At the same time, the internal producing process will be under monitoring in accordance with the regulation of the Ministry of Labor, Health and Social Affairs of Georgia, European Council recommendations as well as the requirements of Italian Partners.

A total of 3,375,000 GEL was invested in creating the blood processing Medical Center in the capital city Tbilisi. Looking ahead, the Medical Center has plans to expand and open branches in Kutaisi and Batumi as well as export production to former Soviet countries. The Center currently employs 15 persons.



ABIPHARM LTD. TO UPGRADE EXISTING PHARMACEUTICAL FACTORY



Within the frames of the Government program "Produce in Georgia," and with the support of Enterprise Georgia under the Ministry of Economy and Sustainable Development of Georgia, AbiPharm Ltd. is to upgrade its existing pharmaceutical factory.

AbiPharm Ltd. produces injectable antibiotics. The Company sells its production throughout the territory of Georgia, but in the near future it plans to export production to Ukraine and Kyrgyzstan. Moreover, with the assistance of Enterprise Georgia, AbiPharm Ltd. was able to become certified, which in itself creates the opportunity to export production to the Europe Market. Total investment equals USD \$ 400,000 and

the Company employs 22 persons.

Enterprise Georgia is the first government institution in Georgia mandated to facilitate the private sector, in particular SME development. It focuses on forming a proper business climate for manufacturers and establishing new enterprises and expanding or upgrading existing ones. It also aims to promote entrepreneurial culture in the country as well as increase the competitiveness of the private sector and export potential.

NEW ENTERPRISE LAUNCHED WITHIN THE FRAMEWORK OF THE STATE PROGRAM "PRODUCE IN GEORGIA"

Within the framework of the State Program "Produce in Georgia" a lemonade factory, "Georgian Lemonade" was opened in Natakhtari village, Mtskheta. The Vice Prime Minister, Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili visited the new enterprise together with the Deputy Minister of Economy and Sustainable Development of Georgia, Ketevan Bochorishvili; Director of LEPL Entrepreneurship Development Agency under the Ministry of Economy and Sustainable Development of Georgia, George Tsikolia, and State Representative - Governor of Mtskheta-Mtianeti, Nugzar Kipiani.

The Georgian Lemonade company was established by Georgian businessmen acting abroad through the support of the State Program - Produce in Georgia. About 10 million GEL has already invested. Currently, 150 people are employed at the factory, which will

begin operating fully from July.

"Today, a new enterprise has been opened that uses local raw material. The majority of employees are internally displaced people (IDPs) who live in the nearby territory. Almost 10 million GEL has already been invested in the enterprise and the company plans to expand further still. The new enterprise is mainly oriented on the local market, while at the same time exporting its produce," Giorgi Kvirikashvili.

According to company representatives, Georgian Lemonade will offer its customers lemonades made using purely Georgian fruit through unique technologies. The enterprise is equipped with modern, European standard technologies and laboratory. Khiliani lemonade is mainly aimed at the Georgian market yet company representatives claim the innovative enterprise and uniqueness of the products makes the fast development of export highly possible.



WORKING MEETING HELD WITH REPRESENTATIVES OF IMPLEMENTING AGENCIES

Within the framework of micro and small business promotion in Georgia, a meeting was conducted between representatives from implementing agencies, organized by the LEPL

Entrepreneurship Development Agency under the Ministry of Economy and Sustainable Development of Georgia.

The meeting was opened by the CEO of Enterprise Georgia, George Tsikolia. During the meeting the Head of the Taxpayer Service Division held a presentation on major aspects of micro

and small businesses and offered information regarding the special tax regime as well as on persons with micro, small and flat tax status.

Within the framework of the meeting, the representatives of implementing organizations, in particular the Regional Development Association (RDA) and Organization of the Scout Movement - SCOUTS, discussed completed stages of the program and shared their experience with the new implementing agencies.



GETONG LTD. SET TO ESTABLISH NEW FACTORY IN ADJARA



Within the framework of the government program "Produce in Georgia," and with the assistance of the LEPL Entrepreneurship Development Agency (Enterprise Georgia) under the Ministry of Economy and Sustainable Development of Georgia,

Getong Ltd. is set to establish a new factory in Adjara Region by the end of 2015.

Getong Ltd. produces lightweight thermal insulation blocks that hold the proper infrastructure and potential for producing and offers customers energy-efficient, light, sound proof products in accordance with ecological requirements.

The total investment for this project equals 544,000 GEL. The Company aims to sell its production throughout Georgia and at the same time to export products across the border and enhance competitiveness.

The Government program "Produce in Georgia" is constantly adjusting to market needs. Since its launch the program has become more accustomed to the requirements of the business. Through the initiative, entrepreneurs have the opportunity to benefit from the co-financing of loan collateral and interest rates, leasing, access to finance, infrastructure and consulting. Additionally, the program is also committed to enhancing the efficiency of SMEs, supporting export diversification and helping Georgian companies become more competitive on both local and global markets.



"RIGA FOOD 2015"
2-5 SEPTEMBER,
LATVIA



"POLAGRA FOOD 2015"
21-24 SEPTEMBER,
POLAND



"ANUGA 2015"
10-14 OCTOBER,
GERMANY



"CPHI WORLDWIDE 2015"
13-15 OCTOBER,
SPAIN