

GEORGIA - PROMISING MARKET FOR INVESTMENTS



MINISTRY OF ECONOMY AND SUSTAINABLE
DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



GEORGIA IS A WINNING COMBINATION



MINISTRY OF ECONOMY AND SUSTAINABLE
DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



Strategically located at the crossroad of Europe and Asia



Modern and fast-developing infrastructure



Free Trade Agreements with 2.3 bln market (EU, China (Including Hong Kong), Turkey, CIS, EFTA)



Skilled and competitively priced labor force



flat-rate, low taxes - No corporate profit tax on reinvested profit



Stable, effective and well-developed banking sector



Recognized as one of the easiest places to do business in the world

RAPIDLY IMPROVING GOVERNANCE



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Doing Business

N 9

Up from #112 in 2005

4th among the countries
in Europe and Central
Asia



Economic Freedom

N 16

Up from #99 in 2005

9th among the countries in
Central Europe and Asia



Corruption Perception

N 46

Up from #130 in 2005

24th among the
countries in
Europe and Central Asia



STRONG SUSTAINED ECONOMIC GROWTH



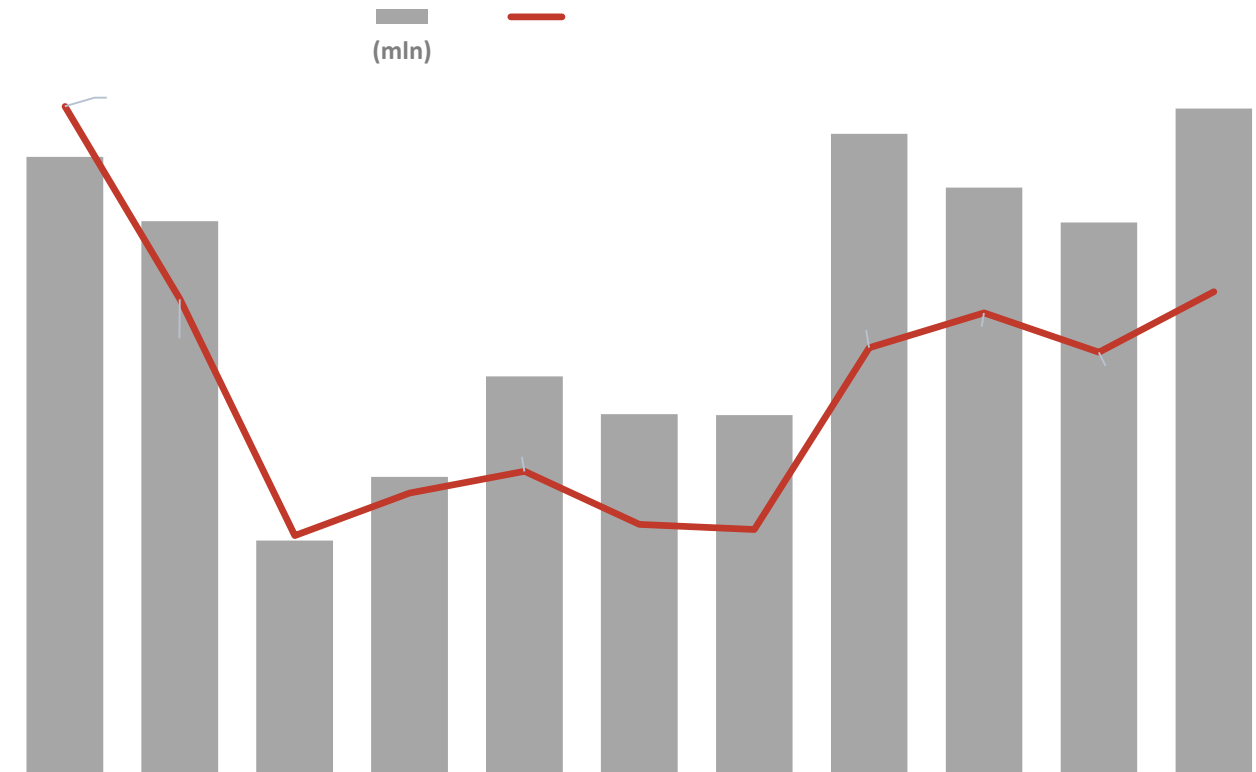
Key Economic Indicators	2015	2016	2017
Nom. GDP, USD mn	13,988	14,377	15,164
Nom. GDP per capita, USD	3,767	3,865	4078
Real GDP growth, %	2.9%	2.8%	5%
Import (CIF), USD mn	7,300	7,295	7,982
Export (FOB), USD mn	2,204	2,113	2,728

Source: National Statistics Office

- ⚙️ Georgia's economy has experienced economic growth at a **CAGR of 4.1% (2012-2017)**
- ⚙️ Europe and Central Asia region experienced economic growth at **a CAGR of 1.6% (2012-2017)**
- ⚙️ In 2012-2017 the strongest growth occurred in:
 - **Financial services (11.2%),**
 - **Hotels/Restaurants (8.8%)**
 - **Construction (8%), etc.**

Each growing at a CAGR of 8%

FOREIGN DIRECT INVESTMENT



⚙ Share of reinvestments in total FDI was 34.9% in 2017 - highest figure during last 5 years

⚙ Top FDI sectors:

- **Transport and Communications**

- **Financial Sector**

- **Construction**

- **Energy**

- **Real Estate**

- **Manufacturing**

- **Hotels**

⚙ Azerbaijan is largest investor in Georgia, followed by Netherlands and Turkey

TAX INCENTIVES

- ⚙️ **Just six flat taxes**
- ⚙️ **8th Least Tax Burden Country in the World**
- ⚙️ **No Corporate Profit tax on retained profit**
- ⚙️ **Personal Income taxes for interest, dividends and royalties are reduced to just 5%**
- ⚙️ **Double Taxation avoidance with 54 countries**
- ⚙️ **No social security, capital gains, wealth or inheritance tax**
- ⚙️ **No restrictions on currency conversion or capital/profit repatriation**

Taxation System



REGIONAL HUB FOR DOING BUSINESS

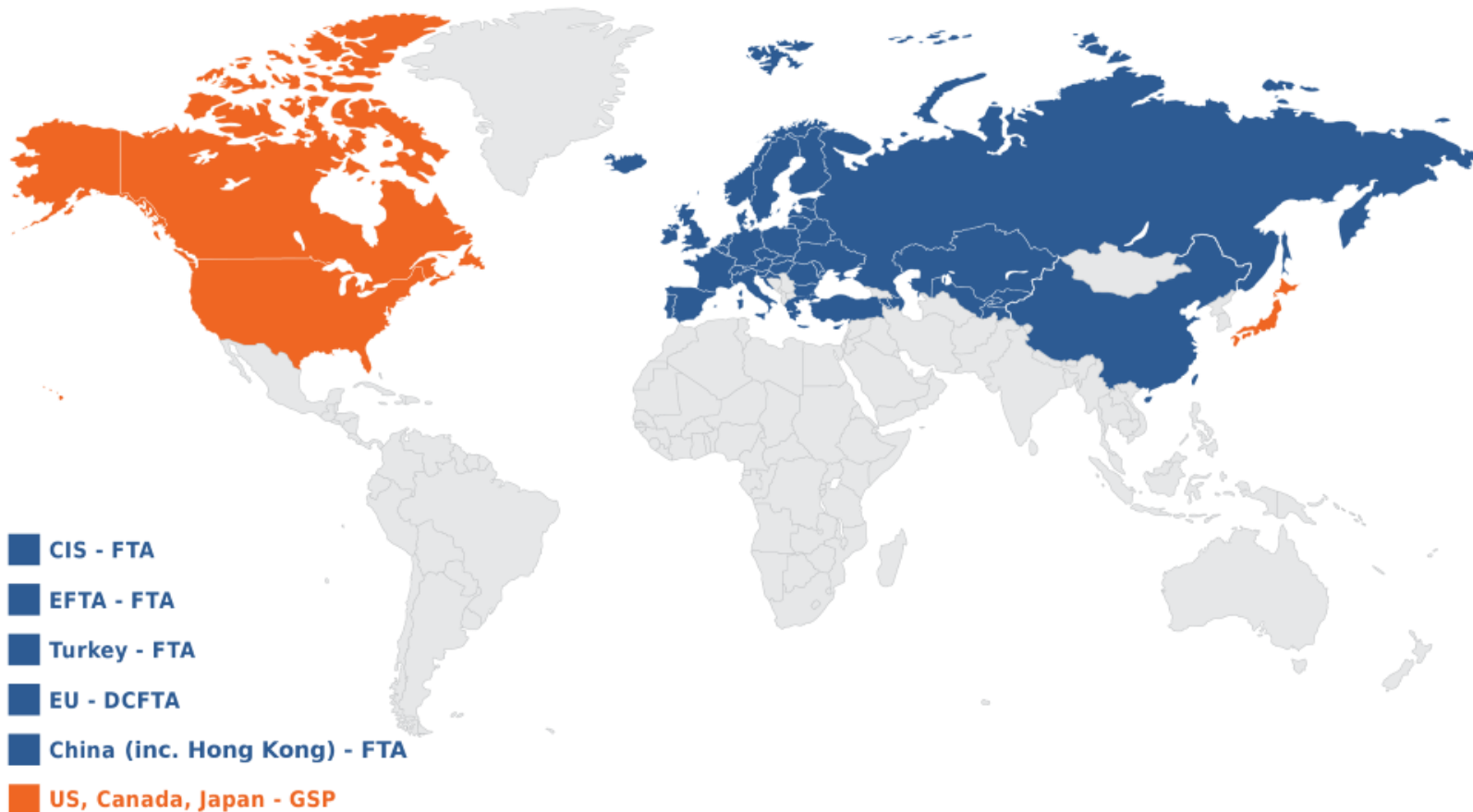


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FREE TRADE AGREEMENTS WITH 2.3 BLN MARKET



- ⚙️ Very simple and service oriented customs policy and administration
- ⚙️ No quantitative restrictions or tariff barriers
- ⚙️ 80% of good free from import tariff



*Most Favored Nation (MFN)
since 2000*

MANUFACTURING SECTOR IN GEORGIA



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International Companies Presented in Georgia



- ⊗ Average monthly salary amounts to USD 370
- ⊗ Free Trade Agreements with 2.3 billion market
- ⊗ 1 kWh is ~6-7 USD cents for 35-110 kV high voltage electricity
- ⊗ 4 Free Industrial Zones - No taxes except Personal Income Tax (20%)
- ⊗ *“A highly qualified, technology driven workforce and strong manufacturing capabilities are attracting high-tech businesses to Georgia” - Elbit Systems, manufacturing of aircraft composites*
- ⊗ *“HeidelbergCement invests in Georgia because of its transparent and simple tax system, stable macro-economic environment and favorable geographic location” - HeidelbergCement*
- ⊗ *“Georgia has transparent business climate, growing economy, acceptable labor cost and simple legislation” - Henkel*

APPAREL AND FOOTWEAR SECTOR OVERVIEW

- ⊗ Georgia has a rich history of manufacturing apparel, textile and footwear, dating back to Soviet times
- ⊗ In 2004, Turkish investors began investing heavily in apparel sector of Georgia
- ⊗ Footwear and bags manufacturing sector has emerged recently as local manufacturers started to export their products to different international markets
- ⊗ Leather production is also developing in Georgia and currently Georgian leather is exported to Italy and Turkey



Factories in Georgia produce apparel for international brands such as Moncler, Nike, Adidas, Mexx, Zara, Puma, Tommy Hilfiger, M&S etc.



LARGE TURKISH INVESTORS IN APPAREL SECTOR OF GEORGIA

Adjara Textile

- * Production range: sports & leisure wear, sweaters, shorts, underwear, t-shirts
- * End buyers: Puma, Adidas, Nike
- * Number of employees: 3500
- * Parent Company: **Aceka Holding**

BTM Textile

- * Production range: women's coats, blouse, skirts, trousers, shirts, knitted shirts, children's clothes
- * End buyers: Tommy Hilfiger, Marks & Spencer, Zara, George
- * Number of employees: 500
- * Parent Company: **ATK Textile**

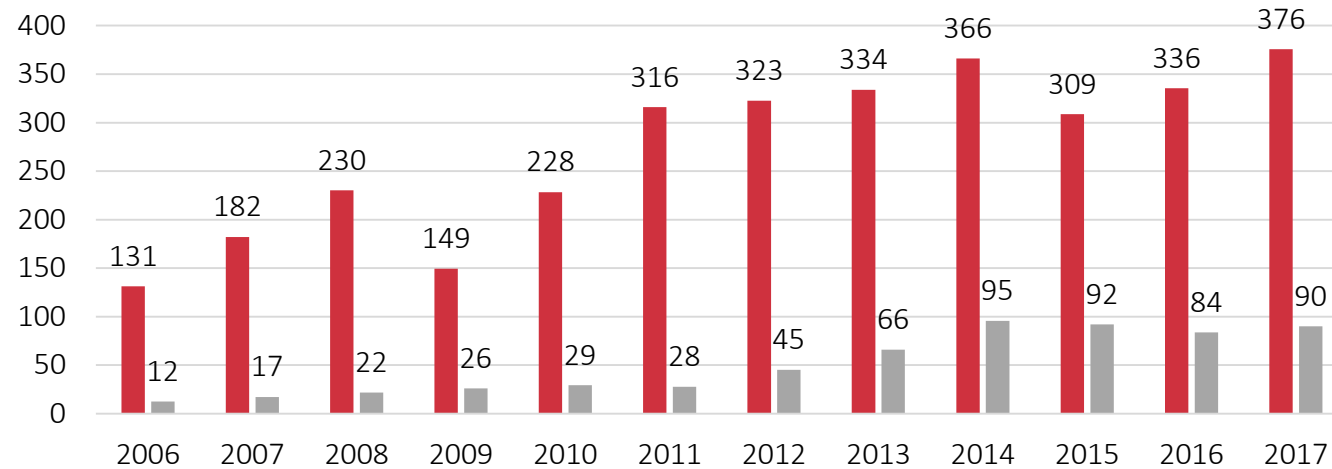
Batumi Tex

- * Production range: shirts, sweaters, shorts, underwear, t-shirts, coats
- * End buyers: Marks & Spencer, Howes & Curtis
- * Number of employees: 500
- * Parent Company: **Low Profile & Greenoak Group**

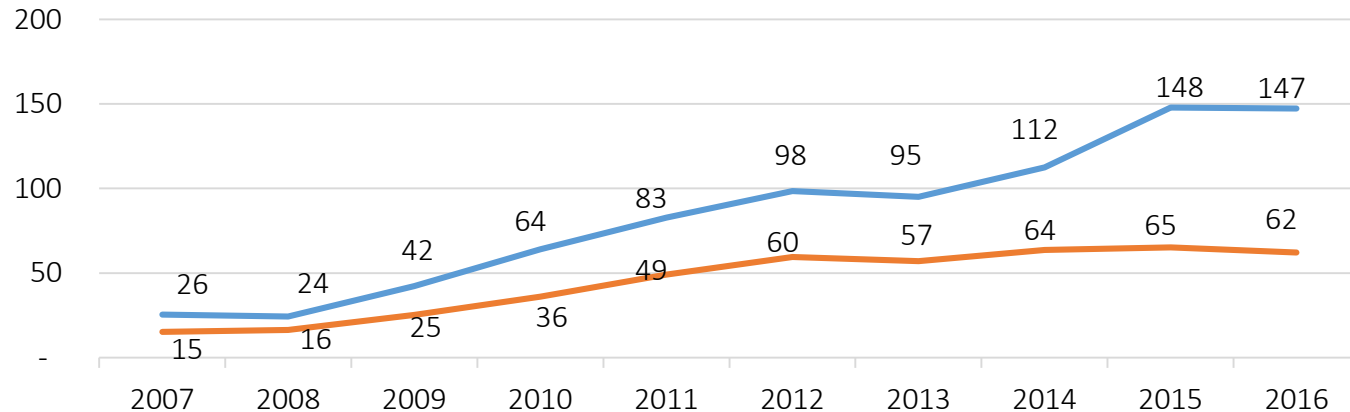
Fast Track Textile

- * Production range: sports & leisure wear, shirts
- * End buyers: Nike, Adidas
- * Number of employees: 700
- * Parent Company: **Imteks**

TRADE AND PRODUCTION



- Import of apparel, footwear, bags and accessories, USD millions
- Export of apparel, footwear, bags and accessories, USD millions



- Production of apparel, footwear, bags and accessories, GEL millions
- Production of apparel, footwear, bags and accessories, USD millions

YOUNG, SKILLED AND COMPETITIVELY PRICED LABOR FORCE



COMPETITIVE LABOR COSTS

Average monthly salary in manufacturing of footwear and apparel - USD 230



NO SOCIAL SECURITY TAX

The only tax based on a salary is the Personal Income Tax - 20%



YOUNG LABOR FORCE

Unemployment rate is 13.9% and 53% of the unemployed population is in the 20-40 age category



FAVORABLE LABOR CODE

According to Heritage Foundation, Georgia ranks 17th globally on Labor Freedom Index



FLEXIBLE REGULATIONS

No working permits are required and citizens of 94 countries can stay in Georgia without visa during whole 1 year

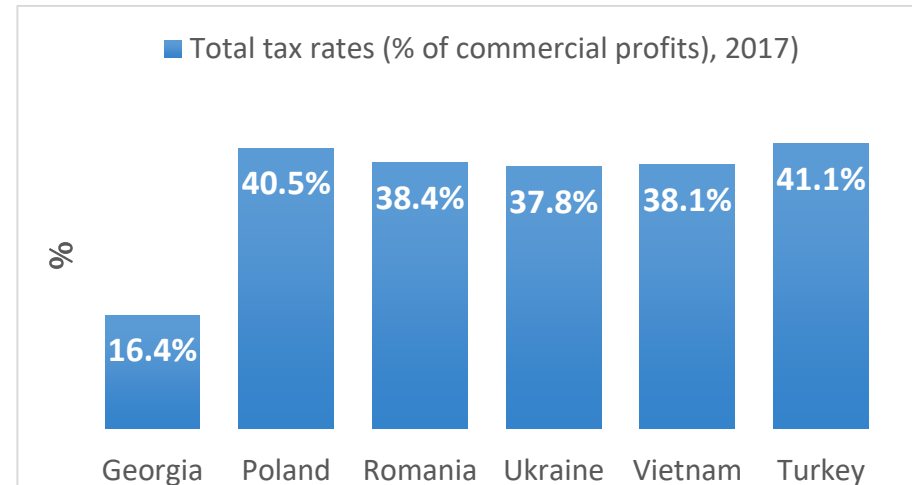
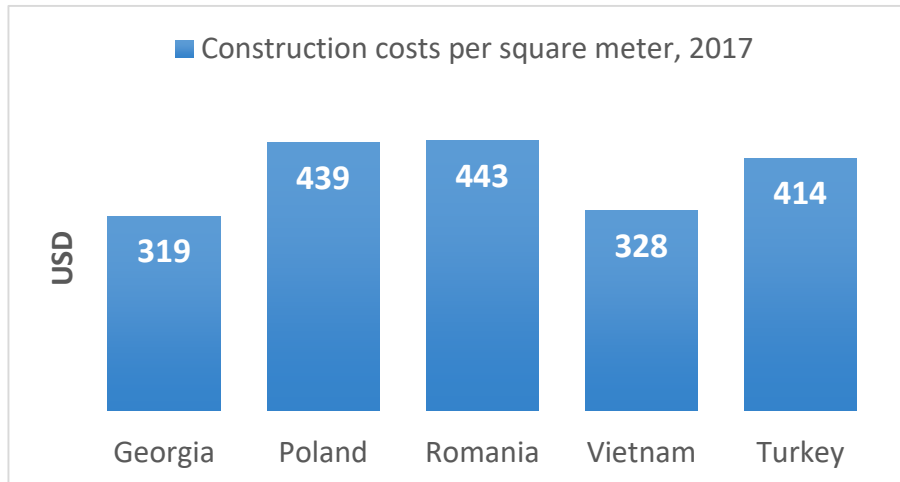
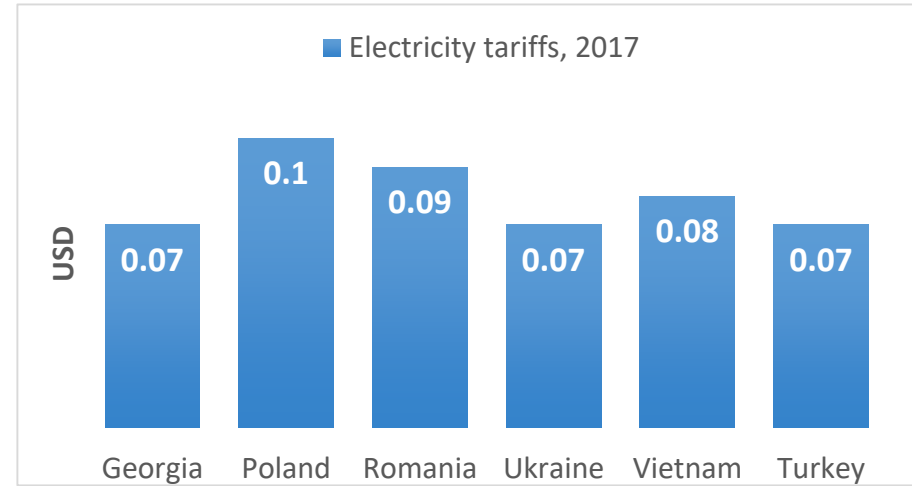
BENCHMARK ANALYSIS OF GEORGIA WITH COMPETITOR COUNTRIES



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Source: KPMG; World Bank

GOVERNMENT SUPPORT AND INCENTIVES



Free land and/or building

- ⚙️ Government of Georgia can offer a free state owned land with an investment obligation

Financial support

- ⚙️ Program “Produce in Georgia” provides 10% interest rate co-financing for loans received from Georgian banks

Support with training and vocational education

- ⚙️ There are 12 State owned Vocational Educational Institutions around Georgia that provide professional courses in shoemaking, cutting, sewing, technical fashion design and other practical subjects used in the industry
- ⚙️ Most of the fees for courses are financed by the Government of Georgia, and in case of investor’s request, customized training is available for new companies/factories

JSC Partnership Fund

- ⚙️ State-owned investment fund “Partnership Fund” can finance up to 49% of equity in new investment projects



Free Industrial Zones

- ⚙️ Four Free Industrial Zones operate in Georgia. Companies, which produce goods for export markets in Free Industrial Zones, are exempt from all taxes, except Personal Income Tax (flat 20%).

STATE OWNED LANDS FOR FREE OF CHARGE



- There are around 7 pre-selected state owned lands for factories.
- Other state-owned properties can be available upon investor's request.
- All lands are close to main transport infrastructure as well as main cities & regional centers.
- Properties can be transferred to potential investor for free, with an investment obligation.

Description of potential locations

Region	Imereti			Guria		Kvemo Kartli	
Address	Sulkhan-Saba Av. 10; Kutaisi	Griboedovi St. 55A; Samtredia	Kostava St. 15; Samtredia	Muskhishvili St. 15A; Lanchkhuti	Lanchkhuti	Gamarjveba; Gardabani	Gardabani
Property code	03.05.24.891	34.08.47.065	34.08.58.214	27.06.57.190; 27.06.57.020	27.06.52.541; 27.06.52.429; 27.06.52.459	81.07.16.738	81.15.03.218
Size of Land (square meter)	15,632	5,254	15,368	15,295	8,729	5,851	23,672

INVESTMENT PROPOSAL OF MANUFACTURING LEATHER FOOTWEAR



- ⚙️ Georgia has a potential to produce different type of leather footwear for international brands;
- ⚙️ Products can be exported to EU, CIS and middle east.
- ⚙️ It is possible to source part of raw materials locally as well as import it easily from Europe or Asia. There are 5 leather manufacturing companies in Georgia.
- ⚙️ KPMG has done high level calculations and according to the study, leather footwear manufacturing plant with annual capacity of 8.4 million pairs is feasible.

Project details*	
Investment cost	USD 33 743 000
Capacity, units	8 446 000
Construction timeline	1
Annual maintenance CAPEX	USD 1 687 000
Export sales, %	100
Project NPV	USD 8 135 000
IRR	15.2 %
Payback period	9

* Financial calculations are based on KPMG study. For full report, please contact us

SPORTS FOOTWEAR AND FOOTWEAR WITH UPPERS OF TEXTILE

- ⚙️ Georgia has a potential to produce sports footwear for international brands;
- ⚙️ Products can be exported to EU, CIS and middle east.
- ⚙️ Raw materials can be easily imported from Europe or Asia.
- ⚙️ KPMG has done high level calculations and according to the study, sports footwear manufacturing plant with annual capacity of 8.6 million pairs is feasible.

Project details*	
Investment cost	USD 34 618 000
Capacity, units	8 665 000
Construction timeline	1
Annual maintenance CAPEX	USD 1 154 000
Export sales, %	100
Project NPV	USD 8 107 000
IRR	15.9%
Payback period	8.8

* Financial calculations are based on KPMG study. For full report, please contact us

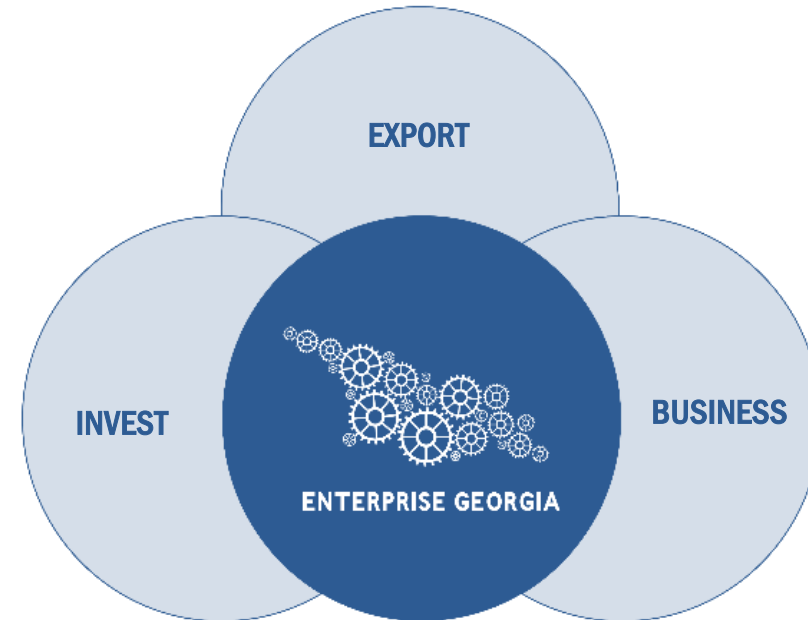
MANUFACTURING OF BAGS (SUITCASES AND TRAVELLING BAGS)

- ⚙️ Georgia has a potential to produce travelling bags for international brands.
- ⚙️ Products can be exported to EU and CIS countries.
- ⚙️ Raw material can be easily imported from Europe or Asia.
- ⚙️ KPMG has done high level calculations and according to the study, travelling bags manufacturing plant with annual capacity of around 6 million units is feasible.

Project details*	
Investment cost	USD 23 918 000
Capacity, units	5 987 000
Construction timeline	1
Annual maintenance CAPEX	USD 1 196 000
Export sales, %	100
Project NPV	USD 9 063 000
IRR	17.1%
Payback period	8.5

* Financial calculations are based on KPMG study. For full report, please contact us

- ⚙️ LEPL “Enterprise Georgia” operates under the Ministry of Economy and Sustainable Development
- ⚙️ “One-stop-shop” for investors to support companies before, during & after investment process
- ⚙️ Moderator between investors, government and local companies



OUR SERVICES



Information

General data, statistics,
sector researches



Communication

Access to Government at all
levels & connection to local
partners



Organization

Organization of site visits and
accompanying of investors



Aftercare

Legal advising &
Supporting services

THANK YOU



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