



INVEST IN ADJARA



2007



Invest in Adjara

Batumi, Adjara
2007





www.adjara.gov.ge



Chairman of the Government of Autonomous
Republic of Adjara
Levan Varshalomidze

Dear Investor,

The Autonomous Republic of Adjara is an important Black Sea region of Georgia both in terms of its geopolitical location and dynamic economic growth.

Positive reforms taking place in the country's economy, as well as, restructuring public sector and employing qualified civil servants, adopting liberal Tax and Customs Code, also rapid infrastructural developments, establishing transparent and equal conditions for businesses lead to commissioning of new enterprises and creating of new jobs.

Adjara's annual GDP growth rate equals to 8-10 per cent. The Region offers advantageous preconditions for development of services, tourism, industry and agriculture. The privatization process is underway and private sector is rapidly developing. During the last 3 years up to 300 small and large enterprises were privatized, the total revenues reached 40 million EUR. For that period some 30 million EUR worth investments were inputted in privatized enterprises. It is expected to

implement approximately 180 million EUR investments next three years, whereas, investment potential of the Region is several billions of EUR. It should be mentioned that both Georgian and foreign capitals are involved into the privatization process in the Region.

Unique location of Adjara gives easy access to local and international markets. Mild climate, rich natural resources, highly qualified labor and developed transportation infrastructure is a key to your success.

We express our readiness to initiate real business relationships. We believe that information offered to you in present leaflet covering vast potential and possibilities of our region will impress you.

We shall make your visit successful!

Welcome to Adjara!

A handwritten signature in black ink, appearing to read 'L. Varshalomidze', with a long, sweeping horizontal line extending to the right.





ADJARA IS AN AUTONOMOUS REPUBLIC WITHIN GEORGIA.

- Administrative centre: Batumi
- Adjara is situated to the south-west of Georgia;
- Total area: 3 thousand sq. km (4.2 per cent of total area of Georgia);
- Population: over 400 thousand people (82 per cent Georgians);
- Borders with Turkey to the South;
- Total border length: 270 km including 67 km marine;
- Administrative division: 1 administrative centre – Batumi, and 5 administrative regions (Khulo, Shuakhevi, Keda, Khelvachauri, Kobuleti), also 7 town type settlements;
- Urban population: 48 per cent;

Adjara is an Autonomous Republic within Georgia. It borders with Guria to the North, Samtskhe - to the South, and Shavsheti (an-

cient historic and ethnographic part of Georgia nowadays being on the territory of Turkey) to the East.

Present Adjara consists of five regions: Kobuleti, Khelvachauri, Shuakhevi, Khulo, and Keda. According to the 2002 census of enumeration data the population of the Region consists of 400 thousand people.

Adjara historically and geographically used to belong Highland Kartli, particularly Meskheti Princedom. Ancient historical scripts mention Adjara as “Land of Adjara”, “Adjara George”, “Adjara Valley”. It used to divide into two parts, Highland Adjara, and Lowland Adjara. The central part was called Shuakhevi. The central part of Highland Adjara used to be Didadjara, then Khikhani in the Middle Ages, and later - Khulo.

The first Adjaran settlements are found in the Paleolithic Age. Early forms of manufacturing are developed in the Neolith Age (VII-VI cc



BC) there. The settlement turns into a metallogenic province creating the well-known Colchetic Bronze Culture in the Bronze Ages (V-II cc BC). The first cradle of Georgian statehood, Diaochi and Colcha kingdoms, was rocked at the Chorokhi River basin in II c BC. Early Georgian kingdoms had close relationships with such ancient civilizations as Shumeri, Asureti, Kheta, Urartu, Greek and Roman empires. Those relations are preserved in mythological legends, ancient architecture, toponimic sources, and the Georgian language. Such Greek myths as about Prometheus, Argonauts, and motives by Homer's Odyssey are associated with the Region. Adjara used to be the early centre of bronze and steel manufacturing in the ancient world. The Region had close trade and manufacturing relations with ancient centers of Greece and Rome. Most of land, marine, and river routes, including Trans-Caucasian Route, passed through Adjara. The routes connected powerful and wealthy Kartli Kingdom through the Ponto Sea, the River Phazisi, the River Mtkvari, the Caspian Sea, and Middle Asia further to Persia, India, and China.

According to notes dated back to III-II cc BC by Leonti Mroveli, Odzrikhi Princedom included Adjara. The Princedom itself was part of the Kartli Kingdom reigned by King Parnavaz.



The most significant part of Adjara's history is the Late Ancient Age (I-IX cc AD). According to Byzantine historian Procopius Caesarian (VI c AD) Gonio-Apsaros became a rather developed city settlement having its own theatre and hippodrome during that period.

Pursuant to historical notes, Adjara was the first Georgian region where Christianity was spread by Apostle Andrew the First Called, Apostle Simon of Cannes, and Apostle Mathias in I c AD. According to historic scripts dated back to IV c AD by Sophrone, Apostle Andrew preached Christianity through Greater Sebastopol, i.e. Tskhumi, also in Apsaros Fortress, current Gonio, and along the River Phazisi. Sophrone writes about St. Mathias, "He preached the New Testament to the Second Ethiopia, i.e. Colcheti, where Apsaros Fortress stands. St. Mathias died and was buried there." According to the Kartli Chronicles, Apostle Andrew the First Called together with Apostle Simon from Cannes visited Trabzon, and then "a land of Didadjara".

Adjara used to be a developed region during the Feudal Age. It was a highly developed cultural region at the time. There was developed architecture, literature, carpentry, handicraft, leather processing and manufacturing, etc. The region involved into the process of creation of the unitary Georgian Kingdom of Kartli during I-VI cc AD.

Petra-Tsikhisdziri became an important town and significant landmark of Egrisi Principedom during Byzantine-Persian War in VI c AD. Adjara was a Georgian Principedom in VII c. It became a part of the Kingdom of Georgia under reign of the Bagrationis from VIII c. From the middle of XI c Highland Adjara, together with Klarjeti and Shavsheti, was part of the Abuserisdzes Principedom. It became a part of Samtskhe-Saatabago Principedom from XIII c. A famous philosopher, writer, and scientist Tbel Abuserisdze lived and created in Highland Adjara during that period. Tbel Abuserisdze drew most of new astronomic calendar 350 years earlier than Pop Gregory XII that made it necessary to change the calendar in XVI c.

From the second half of XVI c Adjara was invaded by Ottomans. They separated Adjara into Highland Sanjak and Lowland Sanjak and joined to Akhaltsikhe Vilayet. Islam was spread in Adjara from the end of XVII c. Despite Islam, the local population preserved national traditions, customs and habits, and the native Georgian language.

After the Russian-Turkish War, 1877 - 1878, Adjara was rejoined to Georgia. There was begun development of local industry and economy there. The Black Sea shore and developed marine routs together with the worldwide important Batumi Sea Port supported to turning the region into a highly developed area.

From the early XX c. Batumi District was involved into great political and public activities. Troubles resulted in ceasing their activities by most of foreign companies that negatively influenced on the city's development. Adjara turned into a battle arena for alien states during the World War I.

In July 1920, Adjara together with other territories of the south-western Georgia was again within the borders of the Democratic Republic of Georgia.

Since the 6th May 2004 Rose Revolution Adjara is free from long-term feudal and anti state rules and stands on the way of democratic reforms.

ADJARA COASTLINE

The Adjara Coastline is 67km long and is stretched from the South (the Georgian - Turkish frontier) to the North up to the river Choloki (Guria-Adjara administrative border). Adjaran coastline is rapidly developed, both in terms of its speed and scale. Adjara has sought to diversify and revive itself initially as a tourism destination. Since infrastructure development is vital, the Government of Adjara is currently reconstructing and building coastline highways to facilitate easy access to different cities of the region. The littoral development is based on high skill and experience share. Still there is need in project management and financing, expertizing in order to diversify the investment base. Developers and investors are looking to expanding their activities on Adjaran coastline.

MOUNTAINOUS REGION DEVELOPMENT

The Adjaran mountainous regions are at a short proximity from the coastline. The priority is to promote this particular territories through the development of upmarket residential and entertainment centres, hotel resorts, notably in the upper zone of the whole coastline. According to our master planning the Cultural villages can be developed in mountainous regions that





will be distinctive from neighbouring coastline development projects. Cultural Village will celebrate Adjara's own heritage as well as modern international culture. To this end, the development will include restaurants and cafes, amphitheatres for live performance and cultural festivals, places for panoramic view from the villages to the sea. Also investors could use the reach potential of the uninhabited landscape in order to develop a diverse range of property including mixed-use properties, industrial parks, mega malls and business parks. It is recommended to construct a cable ways on the slopes of mountains in the upper regions.

AVERAGE ANNUAL TEMPERATURE C°

Zones	Spring	Summer	Autumn	Winter
Coastline	12.7-13.1	22.9-23.0	16.3-16.7	5.6-6.2
Mountainous	9.5-10.4	18.0-18.4	12.6-12.9	2.1-2.4
High Mountainous	1.3	11.7	5.8	-5.8

AVERAGE ANNUAL PRECIPITATION mm

Zones	Spring	Summer	Autumn	Winter
Coastline	318.8-412.8	205.5-246.7	948.5-1066.2	823-954.4
Mountainous	263.5-322	186.2-236.2	337.6-405.2	476.7-482.2
High Mountainous	201.1	167	199.3	191.4



BATUMI - BLACK SEA PEARL

Batumi is first mentioned by Aristotle in his written scripts dated back to IVc. Ancient Batumi, a settlement within the Kingdom of Colchida was situated on the bank of the River Korolistskali. The town developed southward in XVII-XIX cc that mainly was due to advantageous geographic position and deep bay making it available to serve greater vessels. Xenophonte and Apolonius of Rhodes claim this city to be well-known in the Ancient World and one of the significant sea-ports. Ancient Greek scripts and the legend about the Argonauts prove importance of Batumi for East and Aegean cultures. Ancient legends tell us about the Colchic tribes discovering iron and steel, also making jewellery and pottery.

Local population passed through great many troubles and disasters caused by nature, bloody battles, and three-century Ottoman yoke. On 25 August 1878 Batumi like the whole Adjara was rejoined to motherland Georgia. And from XIX c Batumi turns into town of trade and manufacture.

In 1883 Batumi is connected to Tbilisi and Baku through the railway. The city got status of "Porto Franco" and Sea Port reconstruction was completed by 1885. Lots of important plants and factories were built at that time. Advantageous geographic position and naturally deep bay resulted in turning Batumi into the world's one of the most important sea ports of XIX c. It became a large

centre of oil export and industry.
In 1888 Batumi got status of a city.

Nowadays, Batumi covers 1775.9h area. Its population is about 138 thousand people. Batumi is the administrative centre of Adjara.

Advantageous climate conditions are harmonized with amazing nature and unique cultural sightseeing. Its marvellous landscape with mountains along the sea littoral touches every single visitor claiming it to be one of the most beautiful sites of the world. The city is decorated with magnolias and agaves, colourful flowers and evergreen palms. The uniqueness of the city is also shown by the fact that it is built according to the Roman style. Once you visit Batumi you will always keep its amazing memories. With the help of the parallel streets it is clearly divided into squares which make orientation easy. And as the numeration of the city begins from the sea, it is actually impossible to get lost in the city.

<http://batumicity.org>

BATUMI SEASIDE PARK

5 km long Batumi Boulevard was built in 1884. The Seaside Park is one of the charms of the city. Batumi dwellers call it "Boulevard". It stretches along the seashore to the north-west of Batumi like a green line.

The territory used to be a garbage place at the beginning of 20th century. Time has passed and a magic hand erected a beautiful garden on this garbage place. The original project of the Seaside Park was created by Reseller, a famous German gardener. He could not live so long as to carry out the project and his work was carried on by an equally prominent French gardener D'Alphonse.

<http://www.batumipark.com>

YOUTH'S PARK

Upon decision by Major General Smekalov, Batumi District Governor, there began development of the beautiful Youth's Park launched by Reseller, gardener from German, in 1881. Nowadays, the Park area covers 16h. Marvellous Nurigeli Lake circumference is 1.5km. It is pro-



jected to mantle and place following entertaining and attracting facilities: a decorative pool, fountain, different attractions, pier at Nurigeli Lake, zoo, etc.

BOTANICAL GARDENS

The Batumi Botanical Gardens are marvellous sight on 114h. The Botanical Gardens were founded in 1912. The place of location is called "Mtsvane Kontskhi" (the Green Cape). The Gardens are inseparably connected with the name of Andrey Krasnov, one of the acknowledged classics in botanical and physical geography.

The wealth of the Gardens is represented by nine departments. These are departments of East Asia, North America, New Zealand, South America, the Himalayas, Mexico, Australia, the Mediterranean Sea and Caucasian humid

subtropics. The lower, upper and seaside parks are situated on the main road of the gardens. The garden collection comprises 2037 taxonomic units of ligneous plants. Among them 104 are of Caucasian origin, and the rest are the representatives of foreign flora. The above-mentioned departments with rare and unique plants are situated successively in the Botanical Gardens. The splendid diversity of flora is represented by centenary oaks, North American Veimut Pine, Pama Washingtonia, relict beech as well as Japanese compositions of dwarf plants in miniature gardens.

The Botanical Gardens are also important in the sense that a plot has been created here for the selection of endemic fruit and berry species that are rare or on the verge of extinction.

The sea view from the Botanical Gardens is really impressive. Equally impressive is the view of the gardens from the sea. There is no season without blooming in this Botanical masterpiece. It is especially fascinating in late spring, summer and early autumn, when exotic plants burst into colourful blossoms in turn and wrap the whole cape in passionate aroma.

<http://www.batumibotanical.org>

PETRA FORTRESS

Ruins of the ancient historical city-fortress Petra is located in the village of Tsikhisdziri, Kobuleti Region. It dates back to VI c. AD.

Historically this territory was the settlement place of one of the Iberian tribes – Lazes. The Byzantine Emperor Justinian built a city here because of its unique military-strategic and trade-economical location. The city was crossed by the essential road connecting Western Georgia, Byzantine provinces, Iran and Armenia. Navigation was also well-developed there. Petra Fortress became so inaccessible by the Middle Ages that it was even called “Kajeti Fortress” (the fortress of the Kajis).

Petra is impressive and thought-provoking. Our ancestors watch us from these proud walls, the ancestors who constantly fought against the enemies and preserved our motherland and dignity to the posterity.

GONIO-APSAROS

Gonio-Apsaros Fortress is located 12km south to Batumi, on the left bank of the River Chorokhi. It is a real paradise for the lovers of historical and cultural antiquities. The Fortress has a distinctive architectural structure. The total length of the walls is 900m, height – 5m, the towers are 7m high. Today the fortress contains 18 towers. It used to have 22 ones. 4 main towers were arranged at the corners of the fence. Earlier the Fortress used to have four entrances but today only the western gate is in function.

Gonio-Apsaros Fortress had a unique strategic significance: it protected the entrances to the Chorokhi and Acharistskali gorges that connected south-western inlands to the Black Sea littoral. It was its location that made Gonio Fortress into one of the citadels of the Roman and then the Byzantine Empires. It was the region where Colchic Bronze culture and first Georgian state unions found their birthplace.

According to the Roman and Byzantine sources Apsaros was formed as a settlement during that period. Its history is closely connected to the myth of the Argonauts. According to the legend this is the site where King Ayet buried his son Apsaros, whose body was dismembered and thrown into the sea by Jason.

The interested traveller can find out that the oldest archaeological layer excavated here belongs to XVIII-XVII cc. BC. Burials of V c BC were found outside the southern wall in Gonio. The revival of urban life had been traced since the Hellenistic Age. A number of historians claim that Gonio fortress used to be the strategic, political, economic and cultural centre of the Eastern Roman frontier. A theatre and hippodrome functioned here in I-III cc. AD.

One of the twelve apostles of Christ St. Mathias is buried in Apsaros. Archaeological excavations began in Apsaros in the 60-es of XIX century. In 1974 an important jewellery hoard belonging to II-III c AD was unexpectedly found. Systematic scientific works have been carried out here since 1994. Gonio-Apsaros fortress is declared the museum-preserve.

LIBERAL ECONOMIC ENVIRONMENT

The economy of Georgia has shown impressive growth rates year by year on the back of favourable conditions on the external export markets, balanced state budgets and hence controlled inflation, expansionary fiscal and monetary policies, growing capital investments by domestic and foreign investors and significant growth in domestic consumption.

The country is well positioned to remain one of the fastest growing economies in post soviet countries due to highly qualified labour force and unique business opportunities, and thus represents an attractive destination for investments. One of the chief goals of the economic policy of the Georgian Government is to promote the development of private entrepreneurship by creating a favorable business climate.

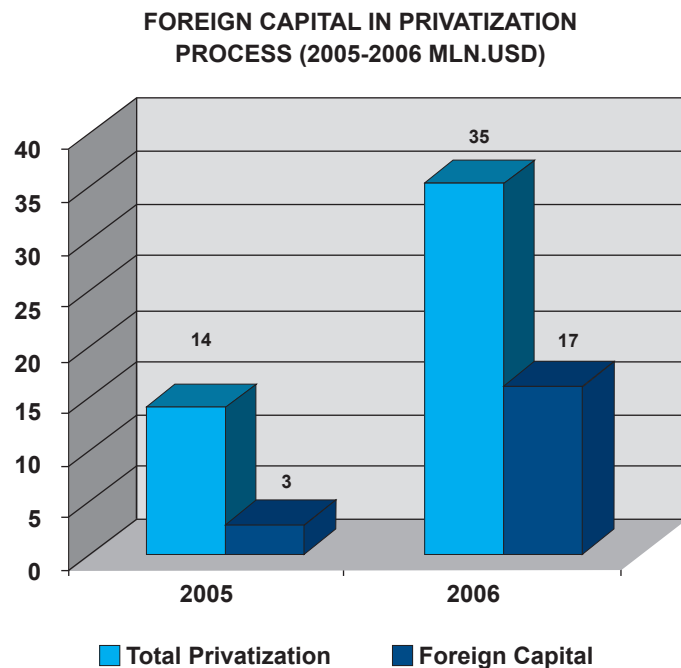
Economic reforms are aimed to ensure economic and private sector development. To this end, the Government has made a number of important steps: lower tax, fewer licenses, improved technical regulation system, less interruption by the state, customs reform, lower import duties from 2006 and no import duties in 2008, aggressive policy of privatization, etc.

PRIVATIZATION OF THE STATE PROPERTY

Privatization is one of the most dynamic processes being underway in the post-revolutionary Georgia. The process is aimed to attract private capital to public owned assets in order to introduce efficient management, increase investment and boost economic growth and create jobs. The privatization process considers attraction of local and international private capital, proficient usage of all resources available in Georgia, sustainable economic growth, flexibility, i.e. utilization of various sales methods (for promoting an efficient privatization process the Government of Georgia utilizes

various methods to privatize state-owned property such as tender, auction, lease and redemption, and direct sale), fairness-equal opportunities for all potential buyers.

High interest of foreign investors in privatization process should also be noted. It is perfectly seen from the big share of foreign investments in the total amount of privatized state and local objects.



SUSTAINABLE ECONOMIC GROWTH

Economy on Adjara is boosting, the demand for new opportunities has been increased, and more foreigners visit the Region. Accordingly, there has developed growing demand for hotel catering and tourism business in Batumi.

The city has experienced dramatic infrastructural developments in recent years. It became the centre of political, economic, and cultural events for the Caucasus region.

The Autonomous Republic of Adjara like the whole country has experienced following changes:

- Level of foreign direct investment increased and the trend is obviously upwards.
- Number of foreign visitors and average level of income per capita recovered, resulting in increased demand for higher quality services.
- While from total visitors on average, 48 per cent choose hotels as their lodging place, the number of visitors in Adjara rose 30 times from 2004 to 2006 and this upward trend is projected to be continued.
- Finally the frequency of visits to Adjara is growing approximately 50-60 per cent. And in 2010 it is expected to reach 1 000 000 visitors annually.

BUSINESS AND TRADE REGULATIONS

Preferential Tariffs with the USA, Canada, Switzerland and Japan

Georgia stands to benefit significantly as the country is already member of WTO, in addition to MFN tariffs with other WTO members, Georgia also benefits from a Generalized System of Preferences (GSP) when trading with the USA, Canada, Switzerland and Japan. Accordingly, lower tariffs are applied on goods exported from Georgia to those countries.

VISA REGIME

List of the countries whose citizens do not need a visa to enter and stay on the territory of Georgia for 90 days:

- All countries of the European Union • United States of America • Canada • Japan • Switzerland • Lichtenstein • Norway • Israel • the Holy See • Principality of Andorra • San-Marino • Republic of Iceland • United Arab Emirates • State of Kuwait • South Korea • State of Qatar • Kingdom of Bahrain • Oman

CURRENCY

The Georgian “Lari” is in circulation in the following notes: 200; 100; 50; 20; 10; 5; 2; 1. Coins – “lari” 1; 2; “tetri”: 1; 2; 5; 10; 20; 50.
100 tetris = 1 Lari

There are numerous exchange boxes in the Region. Exchange of currency is also available at banks.

ONE OF ONLY TWO COUNTRIES IN CIS ENJOYING GSP PLUS WITH EU AND TURKEY

In July 2005, Georgia became one of the only two beneficiaries (besides Moldova) of a new EU GSP Plus scheme in the entire CIS and one of the 15 beneficiaries in the world. This is an important factor in terms of facilitating export from Georgia.

Under the old scheme Georgia was allowed to import only 3300 nomination of products to the EU market without any customs duty and 6900 nomination of products under certain preferences. After being granted the GSP Plus beneficiary status, Georgia can import 7200 nomination of products to the EU market duty free.

From 1 January 2006, Georgia enjoys GSP Plus beneficiary status with Turkey as well.

RATIFICATION OF OECD TECHNICAL REGULATION IN TRADE

Georgia has ratified technical regulations of European Council, Organization for Economic Cooperation and Development (OECD), and its main trading partner countries and permitted their comparable activities, which will consequently promote the development of business environment and the reduction of technical obstacles in trading.

TAX REFORMS

The government made some changes to the new 2004 Tax Code in order to promote business development in Georgia, particularly,

- VAT reduced by 2%, from 20 to 18.
- Social and income tax shifted into a common tax (income tax 25%).
- Payroll tax reduced approximately by 10% and became fixed 12%.
- Some local taxes were cancelled: manufacturing, advertising, hotel's taxes.

Tax rates reduction is not the only advantage of the new Tax Code...

COUNTRIES	VAT	INCOME	PROFIT	SOCIAL	NUMBER OF DUTIES
Georgia	18%	12%	10-20%	20%	7
Azerbaijan	18%	0-35%	25%	20-25%	10
Armenia	20%	10-20%	5-20%	25%	7
Ukraine	20%	1-26%	25%	37-50%	9
Russia	0-20%	13-30%	35%	35%	8
Lithuania	18%	15-33%	0-15%	34%	16

MACROECONOMIC OVERVIEW

The amount of Region's GDP in 2006 was about 423mln USD. Most of the added values were produced in transportation, storehouse, and communication and also in trade and technical services. GDP growth was mainly due to development of industry (31% growth), transportation, storehouse, and communication (25% growth) and tourism (23%

growth) sectors; It is forecasted that region's economy will continue growing and in 2007 regional GDP is expected to reach 487mln USD.

According to existed data, production in the Autonomous Republic of Adjara increased by 17% and reached 423mln USD in 2006. Considering existing resources in Adjara, it is expected that the economy continues growing on average 7-10% in 2007-2010.

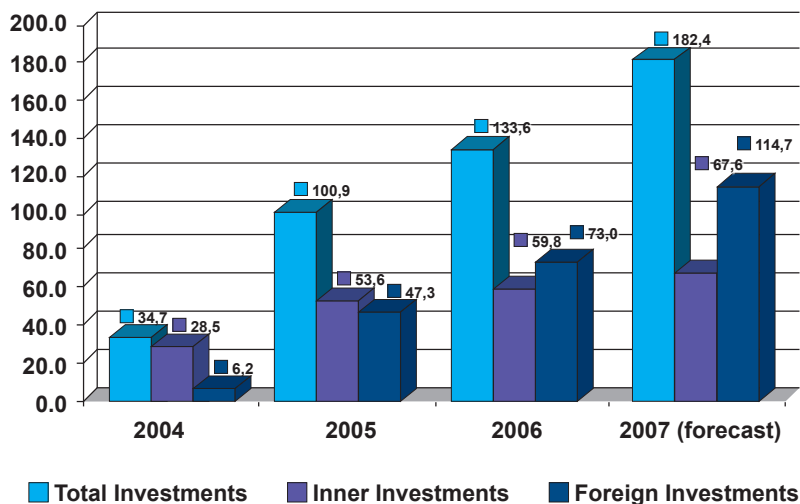
GDP STRUCTURE IN 2006-2007

	2006 (mln USD)	2007 forecast (mln USD)	Percent of total GDP 2007	GDP growth compared to the previous year (forecast)
GDP	423,5	487,1	100	115,0
Agriculture, hunting, forestry. fishery	39,6	45,9	9,4	116,0
Production by Households	24,1	19,7	4,0	81,7
Industry	24,3	31,8	6,5	131,0
Constructing	22,8	27,1	5,6	118,6
Trade and technical service	71,5	85,3	17,5	119,3
Transportation, storehouse, communication	72,9	91,7	18,8	125,7
Tourism	17,6	21,8	4,5	123,3
Public Administration	18,5	20,4	4,2	109,8
Education	20,4	22,9	4,7	112,4
Health and Social Work	22,9	23,9	4,9	104,1
Different branches of service	39,0	42,2	8,7	108,1
Net taxes on products and imports	49,8	54,4	11,2	109,4

INVESTMENTS

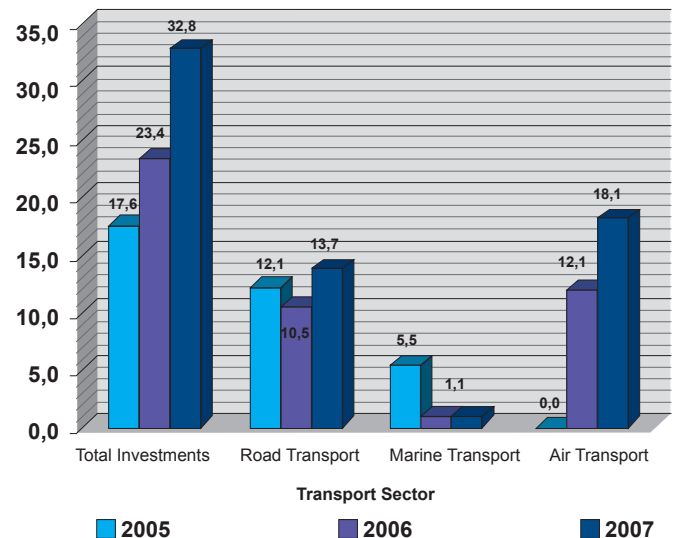
Investment activity has really been high for last years. More and more solid investors are interested in investing their capital in different economic branches of Adjara: infrastructure, tourism, industry, construction, agriculture, etc. Such well-known brands as Radisson, Sheraton, Hilton, Hotel Belle Vue, Sea Shore Hotel are expected to be built here by 2009. Projects of \$200mln USD worth are under way in the Region. They include dwelling, tourism, leisure and office buildings, boutique style restaurants and coffee shops and yacht clubs. All is due to objective and target economical and political reforms occurred in the Region. Geostrategic location of Adjara, it's strong and highly developed infrastructure and financial sectors, lower barriers and risks to make business in the region are also main attracting factor.

INVESTMENT ACTIVITY IN ADJARA (2004-2007 MLN.USD)



Economic development results in activating of investment flows in to the high rated economic sectors such as: tourism, construction, refinery and reprocessing industry and transport infrastructure. Serious political changes challenged Georgia to be attractive for investments. In 2006-2007, among the most important and meaningful projects implemented in Adjara we should mention Batumi International Airport, first segment of the Batumi-Kobuleti motorway tunnel, international motorway surface reconstruction, several fruit and citrus processing factories, textile and sewing factories.

INVESTMENTS IN INFRASTRUCTURE AND TRANSPORTATION (2005-2007 MLN.USD)



FINANCIAL SECTOR

Banking Sector is the mostly developed sector in Adjara as well as Georgia. Banks operating here offer a wide range of modern services to their local and foreign clients. All services are conveyed according to accepted international banking practice.

According to 2006 data 97.1mln USD loans were given, including

- Short-term loans - 40.5 million USD;
- Long-term loans – 56.6 million USD;

• FINANCIAL INSTITUTIONS

There are 11 commercial banks and 3 micro financing credit institutions here.

Georgia has become less risky country and two of the leading Georgian banks TBC Bank and Pro-Credit Bank were awarded B ratings by Fitch Rating – indicating the risk reduction in the country.

On 6th December 2005, Standard & Poor's Rating Service (S&P) awarded Georgia first ever long-term sovereign credit rating B+. Rate change forecast – Positive.

According to the S&P press release, sovereign credit rating of Georgia is "Supported by the government's strong political commitment to prudent financial policies and market-oriented

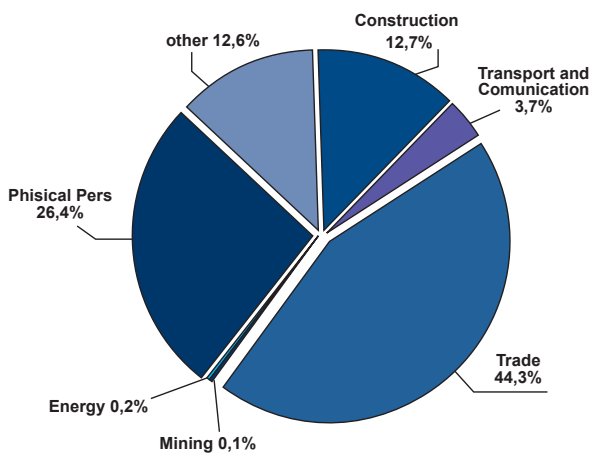
structural changes, including tax reforms and the recent acceleration of privatization process”.

•RETIREMENT FUNDS AND INSURANCE SERVICES

There are some large companies offering big variety of insurance and retirement funds services.

the given loans have the following structure:

Structure of Credit Portfolio in 2006



INFRASTRUCTURE

Considering Georgia as gateway to the Black Sea, Mediterranean and Caspian countries, Adjara is one of the largest transportation hubs in Georgia.

ROADS

- The Region has over 1328 km long motorways covered with hard surface, including 46km of international importance. In 2005 there was opened Kobuleti-Batumi international motorway tunnel.

RAILROAD

- The main domestic and international cargo and passengers are carried by railway. 72.4per cent of transported cargo is transit, 15.5per cent is local, 66.8per

cent is imported and 5.3per cent is exported.

In 2006 there were built new railway stations in Batumi and Kobuleti.

BATUMI PORT

Passing Azeri and Kazakh oil via Batumi Port further to Europe and Asia turns Georgia into the Eurasian transport corridor.

Batumi Sea Port - Natural, deep and well protected bay

Used since ancient times

Port o Franco since 1878

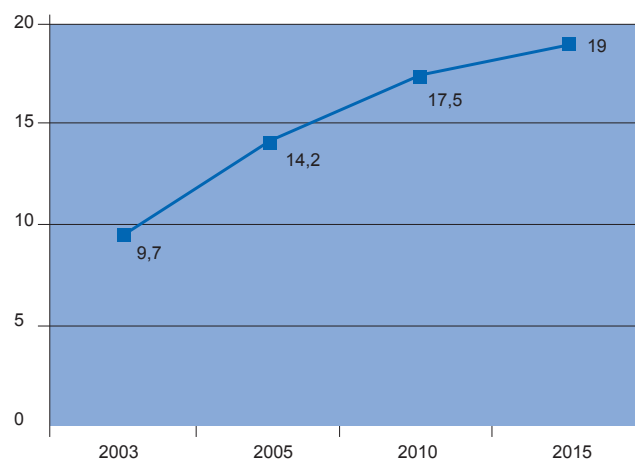
Offers access to railway and international motorway

Member of Association of Mediterranean Cruise Ports – MEDCRUISE.

www.batumiport.com

Batumi Port Cargo Turnover (2003-2015 mln. Tons)

CAPACITY OF PORT OF BATUMI



AIR

In 2007 there was opened new International Airport in Batumi. The Airport serves flights to Turkey and Ukraine. Turkish Airlines, Euroline and Airzena offer flights Batumi-Istanbul, Batumi-Kiev, and Batumi-Kharkov.

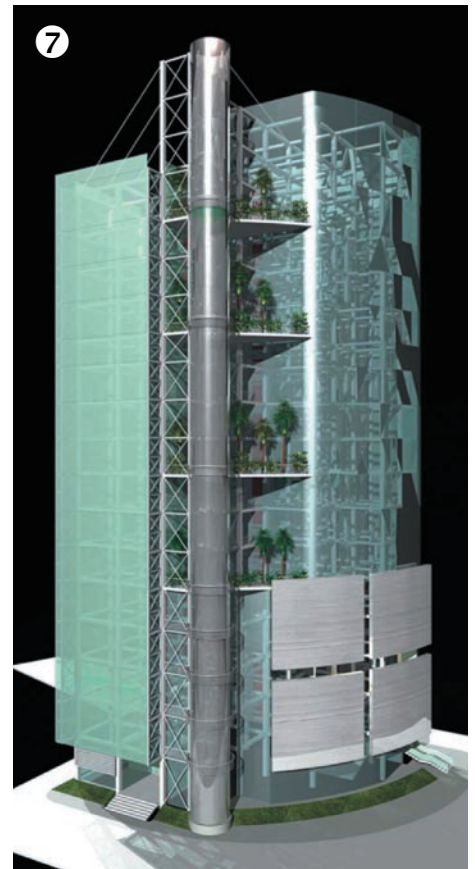
NEW PROJECTS IN ADJARA





1. Hotel Complex designed by Sheraton
2. Hotel Complex designed by Chipperfield and De Lucchi
3. Sea Shore Hotel
4. Hotel Complex Belle Vue
5. Hotel Complex designed by Arci





- 6. Batumi Plaza
- 7. Elit Electronics
- 8. Hotel Complex designed by Center Point
- 9. Dolphinarium





TOURISM DEVELOPMENT

- Improving Tourism Infrastructure
 - Varieties of Tourism
- Investment Opportunities



Tourism is one of those products that Georgia has and can use as an export material for the future.

The Government of the Autonomous Republic of Adjara aims to establish status of the Region as international tourism centre. The objective is to develop the tourism infrastructure, establish high quality travel services, initiate new hotel resorts constructions, increase the volume of new tourist trends and travel operators.

Currently the Government is working on the project “Entrance Tourism” and is making active promotions via media and international contacts of those parts of Georgia, which can be attractive for tourists.

The Department of Tourism is currently opening several market centres abroad offering relevant information about places to visit for tourists.

IMPROVING TOURISM INFRASTRUCTURE

Construction and reconstruction of motorways is underway. The main goal is to make easy access to tourism sites, save traveling time and reduce transportation fee. The Government greatly supports any business activities related to construction of tourist objects that is directly linked to the significant increase of tourists number. Such projects provide high quality



service and create new jobs in the Region.

Tourism infrastructure development has high priority in Adjara. Care and heritage of historical and cultural monuments has been undertaken and a list of tourist memorials created.

The Department of Tourism and Resorts of Autonomous Republic of Adjara organizes staff training as well as actions related to the tourism communication and popularization.

VARIETIES OF TOURISM IN ADJARA

ECOTOURISM

Wild nature preserves remains of ancient architecture here in Adjara. Fortresses, churches, monasteries erected on hills and cliffs, ancient settlements, caves, millennium-old archaeological layers all have become inseparable precious parts of the Caucasus. Every single stone or rock gently cherishes mystic pages of human history, adventures of mythological and Biblical heroes, lives of Christian saints. And Georgian rural culture, with its rich traditional architecture, lifestyle and agricultural eco-production, is represented in beautiful and fascinating landscape.

Adjara highlands still preserve old-fashioned wooden houses hand-built by old masters. They are constructed with high-quality wood. Such houses rose interest in two respects – ethnographic-cultural and material ones. These hand-made houses are undoubtedly our ethnographic



and cultural treasure, some architectural details of which are even masterpieces of traditional wood cut. Adjara rural culture attracts professional interest for representatives of various spheres, including historians, archaeologists, naturalists, psychologists, homoeopaths, lovers of polyphonic songs, sportsmen, lovers of cookery, hunters, etc.

HUNTING AND FISHING TOURISM

Georgia has originally been famous for hunting. Rich fauna, good hunting places and natural-climatic resources create good conditions for hunting tourism in Adjara.

You can hunt wild animals as well as migrating or water birds here. Photo hunting and hunting with trained birds is also allowed. Fishing is also gaining great popularity which preconditioned by closeness to the sea and rich hydro-resources.

Water-abundant rivers in Adjara are rich in trout, salmon, barbell, herring, while coastal pools are rich in grey mullet, carp, crucian carp, etc.

HIKING-CLIMBING-MOUNTAINEERING

It has always been acclaimed that Adjara climatic conditions improve health. Vast majority of local population used to go to mountain re-



sorts in summer. Families used to stay in special summer cottages on Mount Chirukhi, Jinaly, Goderdzi Pass, Mount Gomi, Mount Sasadilo, Sarichai and Koslitavi. One of real prides of Adjara mountain resorts is Beshumi, situated in the Alpine zone.

HORSE-RIDING TOURISM

This type of tourism has become especially popular among those who are lured by inimitable mountain scenery, flora and fauna, wild and ecologically clean environment.

Horse-riding routes in Kintrishi and Skhalta gorges are especially fascinating. Besides various plants and animals you can also see historical buildings and monuments of inorganic nature (rocky columns, towers).

RELIGIOUS TOURISM

Pilgrimage or religious tourism is one of the most important directions of cultural tourism. Great interest towards religious tourism is natural for Adjara as its territory is rich in religious monuments and relics. You can still find churches confirming the fact that Christianity was spread on the territory since ancient times. Due to Ottoman reign Islam also found its way here.



At present representatives of various denominations and religions co-exist in perfect harmony in this region. All of them offer their places of guidebook for religious tourism.

SEA TOURISM

Winter is warm and summer is hot in Adjara. The sea tirelessly warms Adjara with its monotonous breathing and adds colour and plenitude to its greenery. The sea itself is the owner of rich underwater world. Reefs along the whole Adjara littoral are of exceptional beauty.

Adjara Black Sea littoral resorts are recommended for treating cardiovascular, central nervous system, functional, joint and gynaecological diseases.

INVESTMENT OPPORTUNITIES HOTEL COMPLEXES AND RESORTS.

Suggestions for investments:

- Luxury hotel and resorts development
- Restaurants and cafes
- Casinos
- Residential, commercial and retail zones

SEA TOURISM

- Yachts-club (Kvariati, Batumi)
- Demonstration-science aquarium

ECOTOURISM

- Development of tourist routes Khino-Chvana-Nakrdzali, Khikhadziri-Tkhilvana-Goderdzi Pars and marking other routes, arrangement of camping and picnic places, dividing into horse riding parts, special places for horse-riding course, fishing, maximal utilization of parks and protected

territories within the routes. It is possible to organize the special science tour in high mountainous Adjara because of unique flora, Ispani preserve and other marvelous sites (e.g. herbariums or other information for scientists).

- Beshumi (mountainous resort), Khikhani, the ruins of old fortresses.

- Green Lake – summer mountainous resort; forest and fauna, Alpine valleys, wild ecosystem; organization of infrastructure: cottages, boats.

- Chkhutuneti (Machakhela Gorge) seaside village – tourist eco-village, ethnographic museum, waterfall, arched bridges, ruins of Chkhutuneti Fortress, fishing. Way of income: promotional materials, guest houses, cafes, excursion, museums, other entertaining events.

- Makhuntseti (tourist centre) – some buildings are available to make guest houses and restaurants. The area can join arched bridge and waterfall. There is a tunnel, where can be made the museum of Georgia of Soviet Period. Advantageous of Makhuntseti is the closeness to Batumi.

- Mtis Ubani – tourist eco-village (ethnographic museum, ruins of church, natural freezer, wild ecosystem, Khikhani Fortress, lakes and underground waters). Way of income: promotional materials, guest houses, cafes, tours, museums, other entertaining events.

ARRANGEMENT OF SPORT-HEALTHY CENTERS

- Golf Club

Investor can plan to build a Golf Club in Adjara. A Black Sea style Adjaran Golf Club can include a concierge service to assist with travel, entertainment, private dining room, signature restaurant, members' trophy gallery, library, meeting room and equipment repair services.

- The Golf Courses topography will incorporate Adjaran landscape's natural features. The courses can include several holes along the shore and overlooking it, making a top level golf facility truly unforgettable.



URBAN INFRASTRUCTURE DEVELOPMENT

- The City of Batumi
- Booming construction&sustainable consumption
- Investment opportunities



THE CITY OF BATUMI

GEOGRAPHIC LOCATION

Batumi is the administrative center of the Autonomous Republic of Adjara. It is situated on the shore of the Black Sea, on the lowland of Khakhaberi, 2-3 meters above the sea level and has a shape of the half-moon. The territory of the city is 19sq.km. The littoral part of Adjara is mainly plain-lowland, characterized with mild subtropical climate. Batumi is the land and marine gateway to Georgia with its largest sea port, railway chain and international airport.

HISTORY

Plynius, Xenofonte and Apoloniush of Rodes give us the first notes about a town built on the site of Batumi. They claim it to be one of significant sea-ports well-known in the ancient world. The name is originated from Greek. In early times it was

mentioned with its Greek name “Batiush Liman”, i.e. “Deep Bay”. Scholars believe that it was here that two ancient cultures Antique and Colchic used to merge.

During the Ottoman yoke the geopolitical importance of Batumi was diminished. As a result, information about medieval Batumi preserved in historical sources is rather poor. At the end of XIX c. Batumi became the regional center of Adjara and accordingly, it took the central place in its economic, political and cultural life. In 1990’s it became a large center of oil export and industry as well as an important sea-port. The period, when the city was announced “Porto-Franco”, is of great importance as well. The turnover of Batumi Sea Port had largely increased by that time. Batumi Port became the biggest transit knot for transporting oil from Baku.

During the Soviet period Batumi still kept a status of an important industrial and tourist town.

SIGHTS

The sights of modern Batumi and its outskirts are the oldest historic-architectural monuments, parks and squares decorated with exotic plants, dolphinarium, aquarium, museums, art galleries, recreational, cultural and rest zones.

Yet at the beginning of XX century Batumi was considered as the most tolerant and multinational town of the Russian Empire. That is why Ortho-

dox, Catholic and Gregorian churches, Mosque and Synagogue stand side by side in Batumi.

URBAN REGENERATION

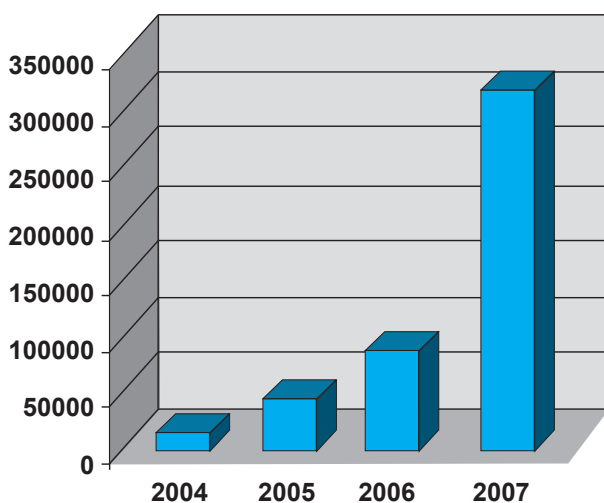
High profile large scale urban regeneration is a subject to city planners and the private sector. The Municipality of Batumi manages the urban regeneration project and invites private investors to participate in redevelopment of the City of Batumi. Construction of commercial and office buildings by private entrepreneurs committed to purchase land plots or objects in the city. The Municipality and the land development companies are expected to design a master plan, and organize architectural competitions on each plot. The challenge is to help the public authorities to make a good and durable development.

BOOMING CONSTRUCTION & SUSTAINABLE CONSUMPTION

Nowadays Batumi area within the administrative borders occupies 1937h, more than 1300h of this area are developed. Currently, a process of joining prior territories for the city development is being carried out resulting in doubling the territories of Batumi.

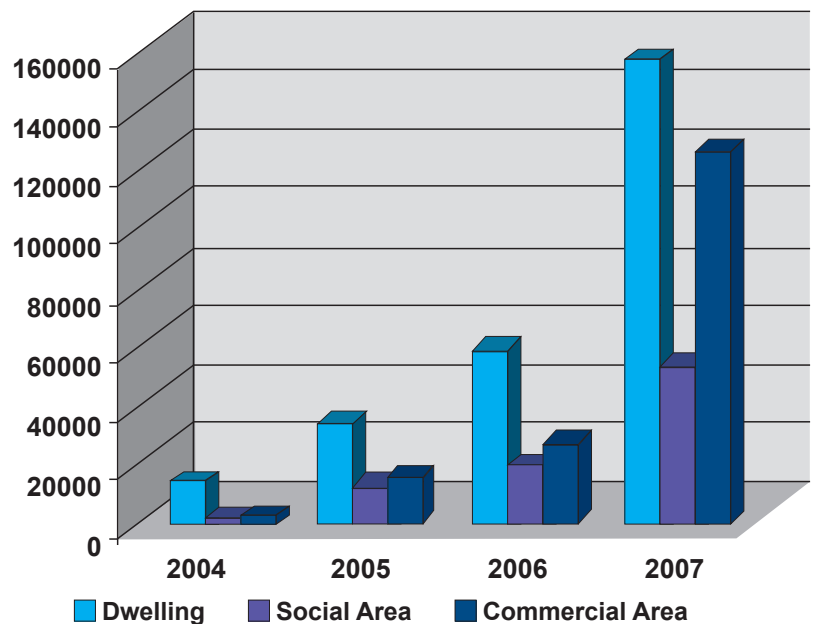
All these support attraction of new developing investments and creation of new dwelling, industrial and business areas. The above mentioned issue has become actual since starting booming constructions.

Building Development in Batumi (2004-2007 sq.m)



Significant growth of building activities has been exercised since 2004; building areas increased seven times. Most part is occupied with dwelling space, hotels and hotel-type dwelling houses. Demand on trade and commercial areas has greatly increased that proves development of small and medium business here.

Dynamics According to Premise Areas (2004-2007 sq.m)



Several city-planning projects, detailed planning of areas, designing of new transportation arteries and rehabilitation and widening of old streets have been implemented lately. Special attention is focused on further development and improvement of landscape architecture monuments of green area of park and recreational sites stretched along the littoral. "Regulations for Developing Areas and Exploitation of Territories of Batumi" drafted by Batumi City Council is ready to be adopted in order to encourage and promote building activities and further liberalization of building policy. It will create a clear and transparent legal basis for all the parties concerned (investors, developers etc.).



INVESTMENT OPPORTUNITIES

MIDDLE GROUND

Focusing on the provision of top of the range luxury homes developers are neglecting the middle class of the Adjara. As the middle classes comprise 70% of any society - a large proportion of the population, investors can cater for the middle income groups without any compromise on quality and can adopt a strategy to ensure that its developments will be differentiated in terms of price. Cost will be minimized by selecting the latest construction and design technologies, prices can be 25%-35% lower than the competition. The development program can begin around the city of Batumi in uninhabited zones.

LUXURY RESIDENTIAL PROPERTY

Developing residential areas of Batumi shall include 10-18-storey towers, shopping centres, offices and shopping malls, commercial centres, villas and luxury apartments.

BATUMI CITY – TOURISM CENTRE AND BUSINESS DESTINATION

- Seaside resorts
- Mixed-use apartments
- Leisure and tourist destinations
- Residential and commercial projects of different standards meeting all social strata
- Utilization of vacant land plots lying between the old town and the new district of Batumi, the project can be implemented on mixed use development including dwelling space, hotels, retailing and community uses
- Shopping centres
- Business centres
- Refurbishing office and dwelling buildings



ENERGY SECTOR

- Adjara Hydro-Potential
- Distribution Network and Capacity
- Investment Opportunities

INDUSTRY

- Industry Development
 - Variety of Industries
- Investment Opportunities



HYDRO POTENTIAL OF ADJARA

Hydro resources comprise significant part of natural resources of Adjara. Rivers are fed by melted snow and underground water flowing to the Black Sea basin. Adjara is the richest Georgian region in rivers (total number 26 060, total length 58957km). Average annual flowing of rivers along littoral is 40-45 l/sec per 1 sq.km area, at inward plateau flowing – 25-30 l/sec, on foothills of Shavsheti's mountain-range – 60-65 l/sec, by large flowing

– 80-90 l/sec is characterized foothills of Meskheti's mountain-range.

Adjara is rich in hydro-energy potential and annual distribution of rivers flow is quite multiform (the rivers have one-spade, two-spades and almost equal hydrographs) thus, making it favorable for construction small hydro power stations directly on the flows of rivers. It should be considered that geologic and ecologic conditions do not allow construction of water-reservoirs in Adjara. In 1924-1937 there was built first HPS "Atshesi" with initial capacity of 16Mgwt. The HPS was built exactly on the river flow according to "The GOERLO" plan. During 30's of last century there was decided to develop a derivation type HPS. Nowadays only three of them are functioning, i.e. "Machakelashes HPS" with initial capacity – 1.43Mgwt, "Kinkishahes HPS" – 0.8Mgwt and "Achihes" – 1.0Mgwt.

Considering hydro resources and their potential, construction of small HPS has not alternative in solving power cut in the region.

DISTRIBUTION NETWORK AND CAPACITY

Adjara's major autonomous power source is presented by "Adjaris Tsklis" HPS and "Chirukhsanalia" HPS, producing electricity of 50-100mln kwt/h.

Adjara has developed infrastructure of wiring networks and transformer's substations. Generally power distribution and transformation is processing by 35 substations with capacity of 220kwt. At the same time 0.4-10kwt transformer units and 0.4-6-10-35-220kwt wirings are operating here.

INVESTMENT OPPORTUNITIES

According to specialist conclusions and market demand, the advantage should be given to the following HPS investment projects:

1. Maglakonihs - 10mgwt power
2. Chirukhi-Tbetihs – 8.3mgwt
3. Tbetihs – 3.5mgwt
4. Tkhilnari-Tkhilnarihs – 1.6mgwt
5. Khevahes (Shuakhevi Region) – 2mgwt
6. Diakonidzeebihs (Khulo Region) – 0.5mgwt

KHULO REGION

Ghorjomihes HPS

Initial capacity-220kwt

Serves villages: Ghorjomi, Mkheidzebi, Vanadzebi. Gorgadzebi, Merchkheta – 410 families

Excess road to HPS, high voltage line, transformer is in use.

SHUAKHEVI REGION

Dolabihes HPS

Initial capacity -500kwt

Serves villages: Oladauri, Matskvala, Karapeti, Kviakhidzebi, Goginauri, Lomanauri, Dgvani- 560 families

Operated equipments moved of Chirukhi-Sanalihes HPS

Excess road to HPS, high voltage lines needs to be installed (1km).

KEDA REGION

Tsoniarishes HPS

Initial capacity - 200kwt

Serves villages: Varjnisi, Djaimela, Sasadilokheli – 260 families

Excess road to HPS, high voltage lines and transformer are in use.

KHELVACHAURI REGION

Khorolistskalihs HPS

Initial capacity - 200kwt

Serves villages: Korolistavi, Ortabatumi – 220 families

Excess road (1.5km) to HPS needs to be repaired; 1km high voltage line needs to be stretched.

KOBULETI REGION

Chakvihes HPS

Initial capacity -200 kwt

Serves villages: Chakvistiskali Valley – 300 families

Excess road to HPS, 1.5 km high voltage line needs to be stretched.

INDUSTRY**INDUSTRY DEVELOPMENT POTENTIAL IN ADJARA**

Industry sector develops rapidly that mainly depends on increasing refinery and power supply and distribution branches. In 2006 there was produced goods worth of over 45 million USD. Industry GDP share was 24.3 million USD (growth rate 31%). There were employed 6470 people in the sector.

HIGH DEVELOPED BRANCHES:

- Textile;
- Food;
- Producing of constructing materials;
- Pharmaceuticals;
- Scrape metals reprocessing;

VARIETY OF INDUSTRIES**TEXTILE**

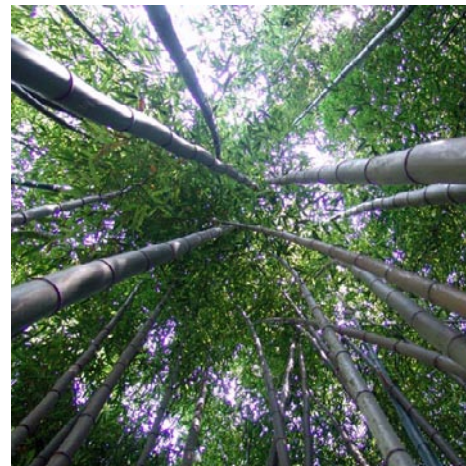
There are 4 textile factories in the Autonomous Republic of Adjara:

- “Batumi Tex LTD” – Danish company Greenoak Textiles Ltd. invest about 3 million USD



to Batumi Textile Factory. There are employed over 1200 people there. Factory produces clothes for “Marks & Spencer’s” company (sold to USA and Western Europe).

- “Kartu Tex Ltd.” – Turkish businessmen invested about 250 000USD in textile factory (Akhalisofeli, Khelvachauri Region) employing about 220 people. When privatization process is finished, there will be invested another 100 000USD, and total number of employers reaches 350 people.



- Khulo Textile Factory – “Perrie LTD”, there is invested over 400 000USD, but this is not final figures. After reconstruction “Perrie LTD” employs 600 people. The company intends to supply its textile production to 10 different trade partners and centers, such as: Tesco Stores, Bon Marcher, Primark, Penney’s, Peacocks, Dunne’s Stores and TK Maxx, also to Group Andre (France), Vroom and Dressman (Holland), Stockmann, Halonen and Anttila (Scandinavian countries).

- LTD Georgian Kaz-Sa (Turkey) – invested over 1.5 million USD in Makhindjauri textile factory. There are employed about 300 people there.

Another Turkish company is expected to open new textile factory in Khelvachauri Region in near future. Total sum of investments is expected to be over 2 million USD and intended to employ about 900 people.

FOOD INDUSTRY

Several large bread bakeries were opened during last years. Total number of employed staff is 200 people.

In 2006-2007 there were opened two large fruit and citrus reprocessing factories in Kobuleti and Khelvachauri regions. Their average producing capacity is 20-25 tons per hour. Sum of investments is about 15.6 million USD.

PHARMACEUTICAL INDUSTRY

In March 2007 there was reopened Batumi Chemical and Pharmaceutical Factory being closed for many years. Implemented investments were 5 million USD. The factory will produce over 20 different kinds of drugs, and pills of local natural raw materials. The factory employs 200 people.

INVESTMENT OPPORTUNITIES

The industry sector in Adjara offers different opportunities for a potential investor. The sector is evidently growing. Infrastructure for a wide variety of branches of industry, as well as skilled labour, including professional engineers, is at your disposal. Many enterprises are unique in the region. Despite growing tendency, the potential of local industrial enterprises is far from being fully utilized. Both import and export market conditions are favorable. The liberal privatization policy will attract foreign direct investments. As a consequence, expected development of the sector, in combination with the advantageous location of the country and the structure demand in the regional market, shall turn Georgia into an ideal platform for production and export within the region.

• TEXTILE

Rapidly growing demand on textile raises interest in textile industry. It is expected to continue and open more new textile factories in nearest future.

• FOOD

Agricultural and natural recourses of Adjara give wide potential for investment opportunities. Most attractive sectors are: citrus and tea refinery, producing of tobacco, milk and beverage goods.

• PRODUCING CONSTRUCTION MATERIALS

Adjara is very rich in its mineral and natural recourses giving opportunities to develop such sectors as: producing of decorating stones, bricks and blocks, construction mixed materials, etc.



AGRICULTURAL SECTOR DEVELOPMENT

- Agricultural Potential
- Local Agricultural Processing Enterprises
- Farming Development & Generic Improvement
 - Investment Opportunities

NATURAL RESOURCES

- Variety of Natural Resources
- Potential Use of Natural Resources



AGRICULTURAL POTENTIAL IN ADJARA

Local landscape consists of 5 per cent of lowlands, 80 per cent of highlands, and 15 per cent of farming hills. Land for agricultural purpose covers 2.9 thousand sq. km area, that is 25.1 per cent (i.e. 72 862 h), including cultivated area – 10 309 h, perennial plants area – 15 899 h, mowing area – 7 159 h, fields – 37 759 h, pasture – 1 736 h and the rest – 1 234 h.

Perennial plants area includes 5 200 h for citrus, 5700 h for tea, 4 340 h for fruits, 54 h for subtropical persimmon, 80 h bay-leaf and the rest 525 h. Cultivated plots are mainly used for corn, beans, soy bean, there are 115 000 cattle, 50 000 poultry and 10 000 bee units. Agricultural sector employs 25 per cent of total local labour. There are grown and produced 9 450 t of grain-crops, 35 050 t vegetables, 9 500 t fruit, 35 000 t citrus, 2 371 t meat, 48 500 t milk and milk products and 4 000 t fish.

LOCAL AGRICULTURAL PROCESSING ENTERPRISES

Till 90's of last century Adjara's food and processing industries' main fields were tea, tobacco, wine, beer and alcohol free drinks, confectionary, bread-making, fish and vegetables, canning. There were produced over 180 kinds of products, and were employed over 3 500 people. There were produced over 25 000 kinds of goods of 200 mln



worth. At the beginning of XX century most part of branch became out of date and uncompetitive.

Recently implemented reforms resulted in privatization and conversion process created several new and modern enterprises. Currently there are 104 manufacturing and refining companies in Adjara, which provide high quality and ecologically pure juices, fruit and vegetable tins, wine, beer and alcohol free drinks, tobacco, tea, milk products, confectionary, mushroom, fish, mollusk food.

There were opened and operated two canny companies, "Fruit Company Narinji" Ltd. and "Georgian Product" Ltd., five mills factories, over 20 bakeries, two fruit-packing factories, two tea processing factories, a mushroom factory, milk and ice-cream factory for last two years.

FARMING DEVELOPMENT & GENERIC IMPROVEMENT

Today you can list 70 000 small farms in Adjara, which mainly cover one hectare. According to the concept of the development of agriculture there is expected unification of small farms into small and medium farms, cooperation and associations in the near future. Such farms will be provided with all modern facilities and technology. Unemployment reduction and income increase is expected accordingly.

INVESTMENT OPPORTUNITIES

1. Hothouse;
2. Seedling;
3. Live-stock;
4. Poultry;
5. Fishing;
6. Meat and meat-product, milk and milk product, fish product and fruit and vegetable processing.

NATURAL RESOURCES

VARIETY OF NATURAL RESOURCES

Richness of Adjara in natural resources is obvious. Its geographic location, geological composition, sea and high mountains, together with the warm and humid climate have preconditioned presence of diverse landscapes. 66 per cent of the territory of Adjara is forestry with stabilizing soil, water and climate regulating and great aesthetic and recreational values. Currently there are 3 protected areas aiming to conservation of unique Colchic forest and its sustainable use. The dominant landscape types include lowland and mountainous humid Colchic forest, mountain coniferous forest and high mountain grassland and shrubs.

Adjara is rich in mineral resources. Number of ore deposits has been explored and being exploited, including “native” and “noble” metals, construction materials, clays, ornamental stones, gems. Hydro mineral resources are available as in the coastal, as well as in the mountainous parts. The various compounds of mineral water include hydro carbonate – sulphate, sodium-magnesium, hydrocarbonate, chloride, iron-aluminum, sodium-calcium and sulphate-hydrocarbonate types. These springs

have been used historically as drinking and healing (healthy) waters by local population. Currently up to 50 springs have been identified.

POTENTIAL UTILISATION OF NATURAL RESOURCES OF ADJARA

One of the main priorities of the national policy on natural resources management is to support of development of business through introducing sustainable resource utilisation practices. Natural resources utilisation is regulated by the Law on Licenses and Permits in Georgia. The new law has introduced significant novelties, including the principle of “One window shopping” that simplifies and makes transparent the administrative procedures associated with licensing/permitting, many of which have been abolished.

The inventory of explored natural resources of Adjara, which are subject to licensing, includes over 100 objects, which can be grouped into the following categories (for the detailed information please refer to the website of Directorate for Environment and Natural Resources of Adjara A.R. at www.denr-adjara.ge):

Nº	GROUP OF LICENSING OBJECTS	NUMBER OF OBJECTS	LICENSE ISSUANT AUTHORITY
1	Mineral and healthy waters	43	National
2	Noble metals: Copper, led, zinc, gold, silver	33	National
3	Aluminum	3	National
4	Construction industry: finishing rocks	9	National
5	Construction gravel and rock	7	Local
6	Brick clay	4	Local
7	Chemical industry: pyrite	3	National
8	Chemical industry: laterite and ochre	2	National
9	Underground fresh-water	2	Local
10	Ornamental stones and gems	5	National

INVESTMENT OPPORTUNITIES

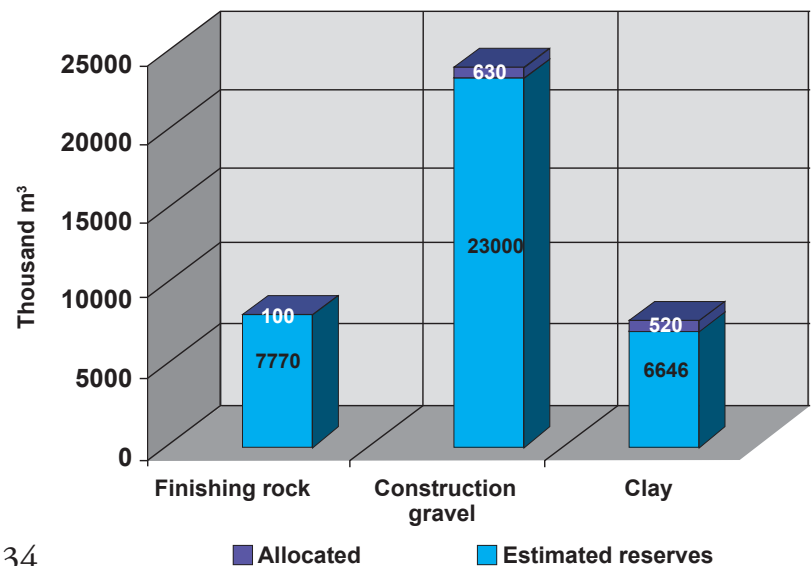
CONSTRUCTION MATERIALS

Adjara currently undergoes a period of construction boom that in its turn calls for large amount of construction material. In the nearest past there used to be only one quarry, which was the riverbed of R.Chorokhi. However due to the deficit of river sediments and associated problems of coastal erosion, it was decided first to reduce and since 2007 to close the R.Chorokhi quarry.

In order to facilitate the development of construction industry and production of construction materials, the Adjara Directorate of Environment and Natural Resources was delegated the authority to perform licensing on construction materials and clay extraction. Although the demand is high, current production of construction gravel from the rock quarries is limited due to the high costs associated with their exploitation. Main demand is coming from the civil and road construction.

Simultaneously, the DENRA has initiated the program for opening of rock quarries in order to cope with existing demand and provide the construction market with necessary material. Since May 2006 the Directorate has organised over a dozen auctions with total 730 000m3 of gravel disposed from 7 different quarries. Besides, over 500 000m3 of brick clay were allocated through auctions from 3 quarries.

Below is a table indicating current state of explored/estimated, allocated through auctions and exploited construction materials (thousand m3):

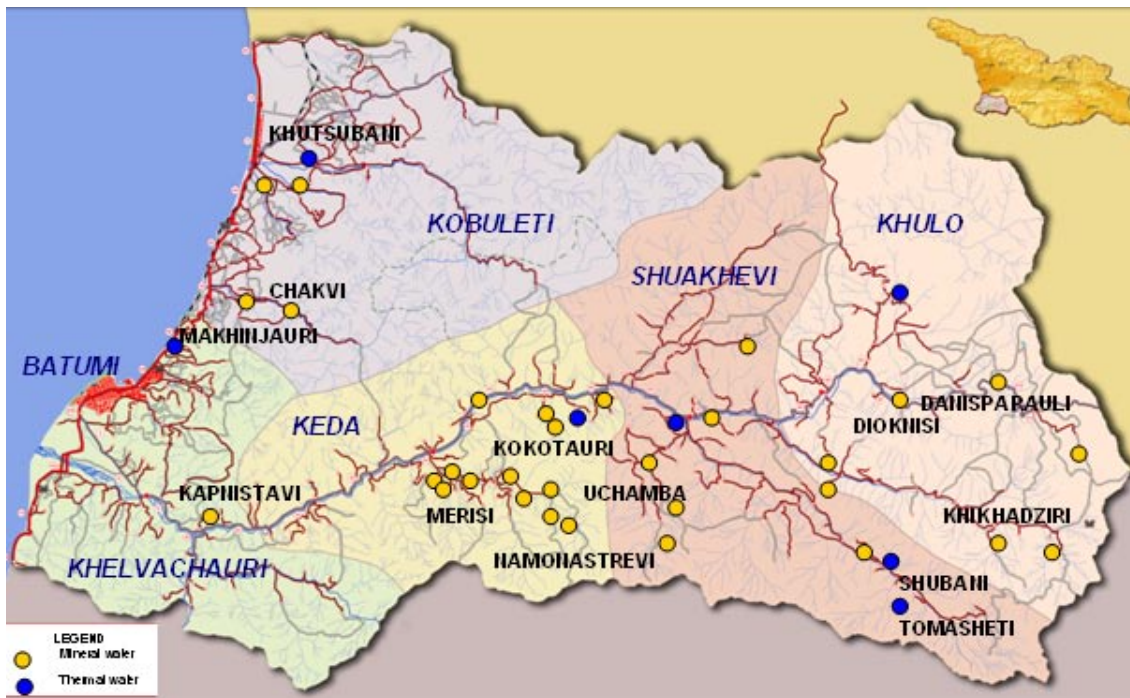


HYDRO-MINERAL RESOURCES

Adjara is rich in hydro-mineral resources. The mineral water outputs are available as in litoral as well as in mountainous parts.

Mineral springs in the mountainous highlands of Adjara are rich in hydro-carbonate sulphate-chloride and ammonium-potassium waters. Temperature varies between 6-15 °C. Such springs are in the Danisparauli, Dioknisi, Khikhadziri, Kokotauri, Uchamba, Namonastrevi, Begauri, Merisi, Kapnistavi areas.

The temperature of thermal water springs varies between 25-30C°. Hydrosulphide thermal waters in the coastal municipalities (vil. Makhinjauri, Chakvi, Khutsubani) have healing qualities and are historically used by local population. Thermal water outputs are also explored in mountainous Adjara (Vil. Boghauri, Shubani, Tomasheti). According to their chemical composition they belong to the hydrocarbonate-sulphate-chloride-iron group characterized with relatively low temperature, mineralization varies between 0.25-1.5 g/l, and capacity 3500-10000 litre/24-hour.



Map: Hydro-mineral springs of Adjara.

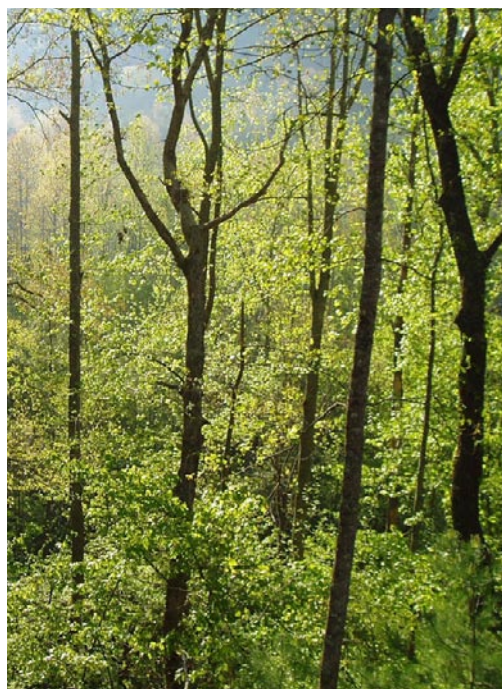
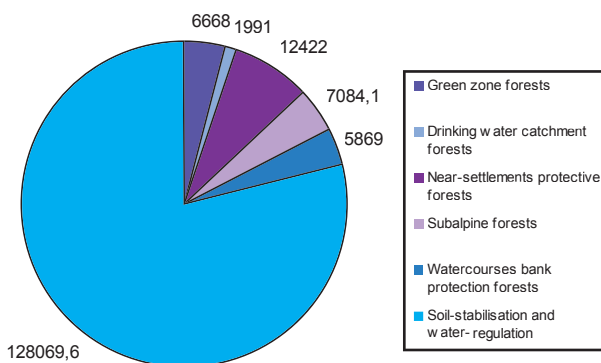
The balneal-therapist qualities of mineral waters have been researched. They have proven to be useful in many conditions. Recommendations for treatment include joints, bones, muscle, nervous system, skin, cordial and reproductive diseases. Despite of such richness and diversity, only few mineral resources are being utilised commercially.

Types of resource utilization in the forestry as determined by the law include: logging, medical plants collection, seed collection, wild fruit collection, haying, grazing in the allocated graze fields, extraction of mineral resources, recreational use, scientific-research and education activities.

FORESTRY

Total area of Adjara A.R. is 290 000 ha, out of which 191 603.7 ha is forestry (i.e. 66.07 per cent of the total area). 29500 ha of forest territories fall into two protected areas.

Below there is given a table indicating percentage distribution of various categories of forests:



OBJECTS FOR SALE



1. FORMER ADMINISTRATIVE BUILDING OF MINISTRY OF POST AND COMMUNICATION
Address: 33, M. Abashidze Str, Batumi.
Land area: 1960 sq.m
Usable area: 3447 sq.m
Property of Autonomous Republic of Adjara



2. FORMER BUILDING OF MINISTRY OF HEALTH
Address: 34, M. Abashidze Str, Batumi.
Land area: 1200 sq.m
Usable area: 1342 sq.m (197 sq.m private)
Property of Autonomous Republic of Adjara



3. FORMER BUILDING OF "BIG BANK"
Address: 17, Baratashvili Str, Batumi.
Land area: 1560 sq.m
Usable area: 1615,42 sq.m
Property of Autonomous Republic of Adjara



4. FORMER BUILDING OF SUPERIOR COURT
Address: 2, Dumbadze Str, Batumi
Usable area: 750 sq.m
State Property



5. FORMER BUILDING OF PROVIDENT BANK
Built in: 1890 - 1900
Address: 12, Gamsakhurdia Str, Batumi.
Land area: 375,4 sq.m (partly).
Total area: 847,9 sq.m (partly).
Municipal Property



6. A UNDER CONSTRUCTION BUILDING OF RAILWAY STATION
Address: Tamar Mepe Highway, Batumi.
Land area: 20 000 sq.m
State Property

MAP OF BATUMI







7. SJC "HEALTH-RESORT POLYCLINIC OF BATUMI"
 Built in: 1985
 Address: Seaside Park, Batumi
 Land area: 700 sq.m
 Usable area: 1037 sq.m
 State Property



8. BUILDING OF A NEWSPAPER "ADJARIA"
 Built in: 30's of XX century
 Address: corner of M. Abashidze and I. Tavdadebuli Str, Batumi
 Land area: 350 sq.m
 Total area: 835 sq.m



9. COMMISSARIAT BUILDING
 Address: 20, Rustaveli Str, Batumi
 Land area: 1020.8 sq.m
 Usable area: 1158.29 sq.m



TEACHERS TRAINING CENTER AND HOSTEL BUILDING
 Built in: 1969-78
 Address: 29, L. Asatiani Str, Batumi
 Land area: 810 sq.m
 Usable area: 1213 sq.m



11. FORMER BUILDING OF RESTAURANT "GEMO"
 Built in: XX century
 Address: 42, Z. Gamsaxurdia Str, Batumi.
 Land area: 500 sq.m
 Total usable area: 822.41 sq.m



12. FORMER BUILDING OF MATERNITY HOSPITAL
 Built in: 70's of XIX century
 Address: 39, Rustaveli Str, Batumi.
 Land area: 4130 sq.m
 Total usable area: 3565 sq.m (basement - 675 sq.m)

TERRITORIES FOR SALE



1. Free Land Plot – 4.2 ha
Khelvachauri Region, vil. Gonio



2. Free Land Plot – 40 ha
Khelvachauri Region, vil. Gonio



3. Free Land Plot – 300 ha
Khelvachauri Region, vil. Gonio



4. Free Land Plot – 80 ha
Khelvachauri Region, vil. Adlia



5. Free Land Plot – 22.3 ha
Khelvachauri Region, vil. Adlia



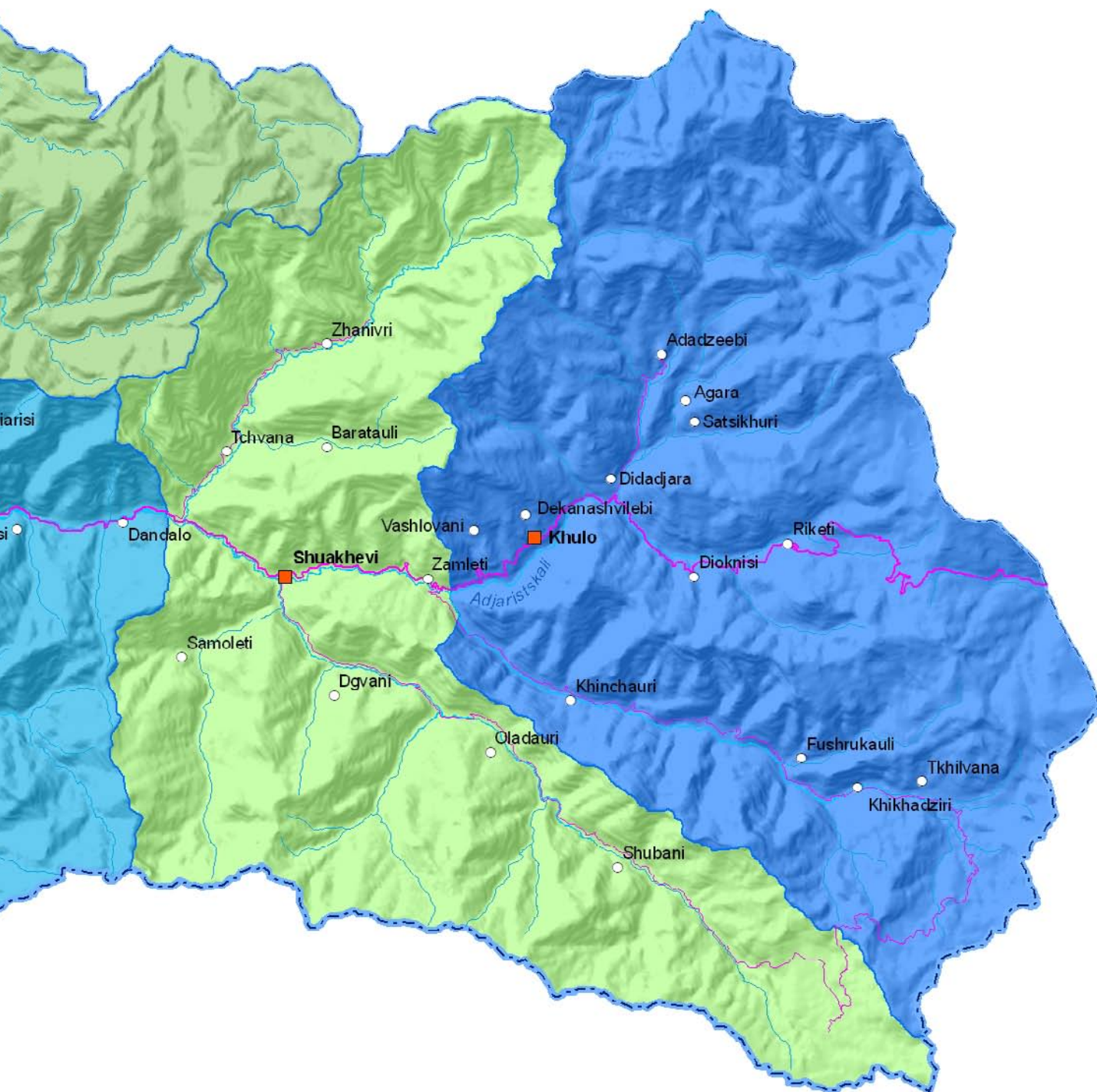
6. Land Plot – 9.5 ha
1, Mtsvane Str, Batumi

MAP OF ADJARA

Black
Sea



Scale 1 : 230 000
1 cm. = 2,3 km.





7. Free Land Plots
1. 1.6 ha (long term lease offer)
2. 1.3 ha H,
3. 1.2 ha
Khimshiashvili Str, Batumi



8. Free Land Plot – 12.2 ha
Plot in front of 13, Tbelabuseridze Str, Batumi



9. Free Land Plot 2.3 ha
Pirosmani Str, Batumi



10. Free Land Plot – 16 ha
Plot between General Abashidze and David Asgmashenebeli streets



11. Free Land Plot
15, Leonidze Str, Batumi



12. "Batumi Electromechanical Plant" and surroundings total – 16.3 ha
15, Leonidze Str, Batumi

TERRITORIES FOR SALE



13. Free Land Plot – 4.9 ha
Coastline territory, Batumi



14. Free Land Plot – 8.4 ha
Gogol Str, Batumi



15. Free Land Plot – 3.1 ha
Bartskhana area, near the bridge, Batumi



16. Free Land Plot – 4.4 ha
Territory in front of railway passing, Batumi



17. Free Land Plot – 1.6 ha
Batumi Coastline, near Batumi Oil Refinery



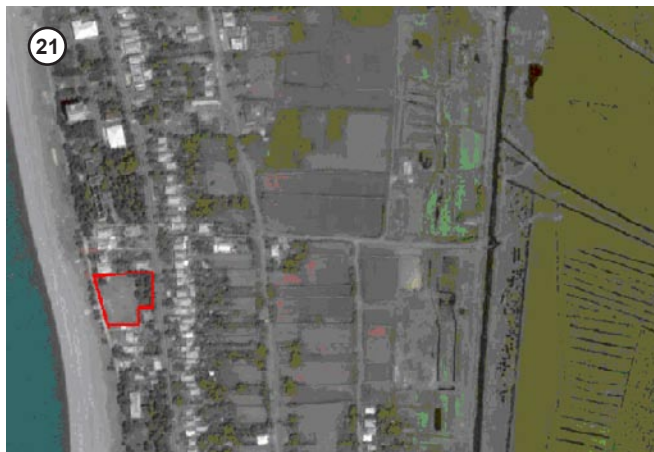
18. Free Land Plot – 5.6 ha
Batumi Coastline, near Batumi Oil Refinery



19. Free Land Plot 4.2 ha
Kobuleti Administrative Region, Vil. Chakvi



20. Buildings and land plots 4.3 ha
389, David Agmashenebeli Str, Kobuleti Administrative Region



21. Free Land Plot – 7.5 ha
383, David Agmashenebeli Str, Kobuleti Administrative Region



22. Free Land Plot 1.9 ha
40, Megobroba Str, Kobuleti Administrative Region



23. Buildings and land plots 1.9 ha
42-44, Megobroba Str, Kobuleti Administrative Region

USEFUL LINKS/FAQ

USEFUL LINKS:

President of Georgia: www.president.gov.ge

Parliament of Georgia: www.parliament.ge

Ministry of Foreign Affairs of Georgia:
www.mfa.gov.ge

Ministry of Economic Development of Georgia:
www.economy.gov.ge

Ministry of Finance of Georgia: www.mof.ge

Ministry of Justice of Georgia: www.justice.gov.ge

National Agency of Public Registry: www.napr.gov.ge

Georgian National Investment Agency:
www.investinggeorgia.org

Georgian Stock Exchange: www.gse.ge

Information about Privatization in Georgia:
www.privatization.ge

Government of Autonomous Republic of Adjara:
www.adjara.gov.ge

Easy Way to Invest in Adjara: www.adjarainvest.ge

Ministry of Finance and Economy of Adjara:
www.mofea.ge

Batumi City Hall: www.batumi.ge

The Batumi Botanical Garden:
www.batumibotanical.org

FREQUENTLY ASKED QUESTIONS

I. MACROECONOMIC ENVIRONMENT:

1. What is Georgia's GDP per capita?

GDP per capita reached \$1,760 USD in 2006.

2. What was GDP growth rate for last year?

Actual GDP grew 9.4per cent in 2006 as compared with the previous year.

3. What is inflation rate?

Annual inflation rate for 2006 was 8.8 percent.

4. What is the ratio of state debt to GDP?

State debt was 32per cent of GDP in 2006. Foreign debt was 16.9per cent of GDP, and internal debt was

10.9per cent of GDP.

5. What is the ratio of tax revenues to GDP?

Tax revenues were 22.7 percent of GDP in 2006.

6. What percentage of GDP is the budget deficit?

In 2006 the budget deficit was 0.2per cent of GDP.

7. What is the exchange rate of Georgian Lari to U.S. Dollar and Euro?

- The average annual USD / GEL exchange rate was 1.78 in 2006.
- The average annual Euro / GEL exchange rate was 2.22 in 2006.

II STARTING A BUSINESS:

8. How many documents are required to register a business?

In general, the following documents are required:

1. Application
2. Company Charter
3. Signature sample of the director
4. For limited liability companies and joint stock companies, document certifying the appointment of directors and members of the supervisory board
5. Receipt for payment of registration fees.

9. How many days are required to register a business?

After submission of all documents, the Tax Inspection registers the business structure within three

business days. Individual entrepreneurs are registered within one business day.

10. What institutions should be contacted to register a business?

1. Notary
2. Bank (twice: for fees payment and opening a bank account)
3. Tax Department

III. LICENSES AND PERMITS:

11. How many documents are required to obtain a license?

There are three general documents to be presented:

1. Application
2. Extract from Entrepreneurs Registry
3. Receipt for payment of license fee.

Other documents may be required depending on the type of license.

12. How many documents are required to obtain a permit?

There are three general documents to be presented:

1. Application
2. Extract from Entrepreneurs Registry
3. Receipt for payment of license fee

Other documents may be required depending on the type of license.

13. Is there a “one stop shop” principle?

Yes, there is.

IV. REGISTERING IMMOVABLE PROPERTY:

14. What documents are required to register immovable property?

The following documents are required to register ownership rights on immovable property:

1. Application for registration
2. Agreement on the transfer of rights on immovable property
3. Certificate on non-encumbrance
4. Receipt for payment of the registration fee
5. Copy of the identity card of the property owner
6. Cadastral drawing

15. Where is property registered?

Immovable property is registered at the National Agency of Public Registry, which is subordinated to the Ministry of Justice of Georgia.

16. How many days are necessary to register property?

Property registration takes 1, 3, 5, or 10 business days, depending on the turnaround period requested and paid for.

17. What does the registration of a title to immovable property cost?

The registration fee does not depend on the value of the property. It is a fixed amount and depends

on the turnaround period requested.

Fees range from GEL 150 for one-day service to GEL 7 for 10-day service.

18. Can international arbitration be used to resolve disputes over property in Georgia?

Yes, Georgia honors the parties' agreement or contract to rely on international arbitration to resolve disputes concerning property located in Georgia.

V. TAX SYSTEM

19. How many taxes exist?

7 types of taxes: Private Income Tax, Corporate Income Tax, VAT, Excise, Social Tax, Property Tax, and Customs Duty.

20. What are the tax rates?

- Private Income Tax is 12%.
- Corporate Income Tax is 20%.
- VAT is 18%.
- Excise Taxes vary, depending on the product.
- Social Tax is 20%.
- Property Tax rates vary, depending on the type of property.
- Customs Duties fall into 3 brackets: 0%, 5% and 12%. And 90% of goods are in 0% category.

21. What are the rules for treating capital expenditures for corporate income tax calculation purposes?

Tax Code of Georgia provides two options for deducting capi-

FREQUENTLY ASKED QUESTIONS

tal expenditures from taxable income:

1. Deducting of capital expenditures through the depreciation mechanism
2. 100% deduction in the year in which the capital expenditure is incurred without capitalization and further depreciation

VI. FOREIGN TRADE

22. What favorable trade regimes are applicable to Georgia's foreign trade?

- MFN Tariffs with WTO Members
- Preferential Tariffs with the USA, Canada, Switzerland and Japan
- GSP + with the European Union and Turkey
- Free Trade with CIS Countries

23. What goods are subject to import licenses or permits?

- Goods subject to veterinary / phytosanitary control
- Materials of limited circulation
- Arms and ammunition
- Dual-purpose goods
- Therapeutic agents subject to special control

- Endangered species
 - Radioactive substances
 - Means of electronic surveillance
- ### 24. What goods are subject to export licenses and permits?

- Materials of limited circulation
- Arms and ammunition
- Dual-purpose goods
- Therapeutic agents subject to special control
- Endangered species
- Radioactive substances
- Means of electronic surveillance

VII. FOREIGN INVESTMENTS:

25. Does Georgian law treat resident and non-resident investors differently?

The law on "Investment Activities and Guarantees" secures equal treatment and rights to Georgian and foreign investors, except for ownership of agricultural land. Foreign legal and physical persons are allowed to purchase land in Georgia, except for agricultural land.

26. Does Georgia prohibit foreigners from investing in any sectors open to domestic investors?

Foreigners may invest in any sectors open for private investment.

27. Does Georgia have an established securities market?

Yes, there is a securities exchange with a well-developed institutional structure and legal framework. Trading volumes are low but rising.

28. What restrictions will foreign investors face in repatriating capital?

None, Georgia has no restrictions on capital repatriation. Dividends are subject to a 10% withholding tax.

VIII. FINANCIAL INSTITUTIONS:

29. What is the average interest rate?

Interest rates for loans average 15-18%; and for deposits 6-10%.

30. Are foreign financial institutions restricted from opening branches or affiliates in Georgia?

There are no limitations on opening branches and affiliate companies of foreign financial institutions in Georgia. Licensing terms and conditions are the same as those for Georgian residents.

IX. PRICING AND TARIFFS:

31. What types of price controls are in effect in Georgia?

The only price controls are regulated tariffs in the following sectors:

- Communication
- Transport
- Energy
- Communal utilities /services



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