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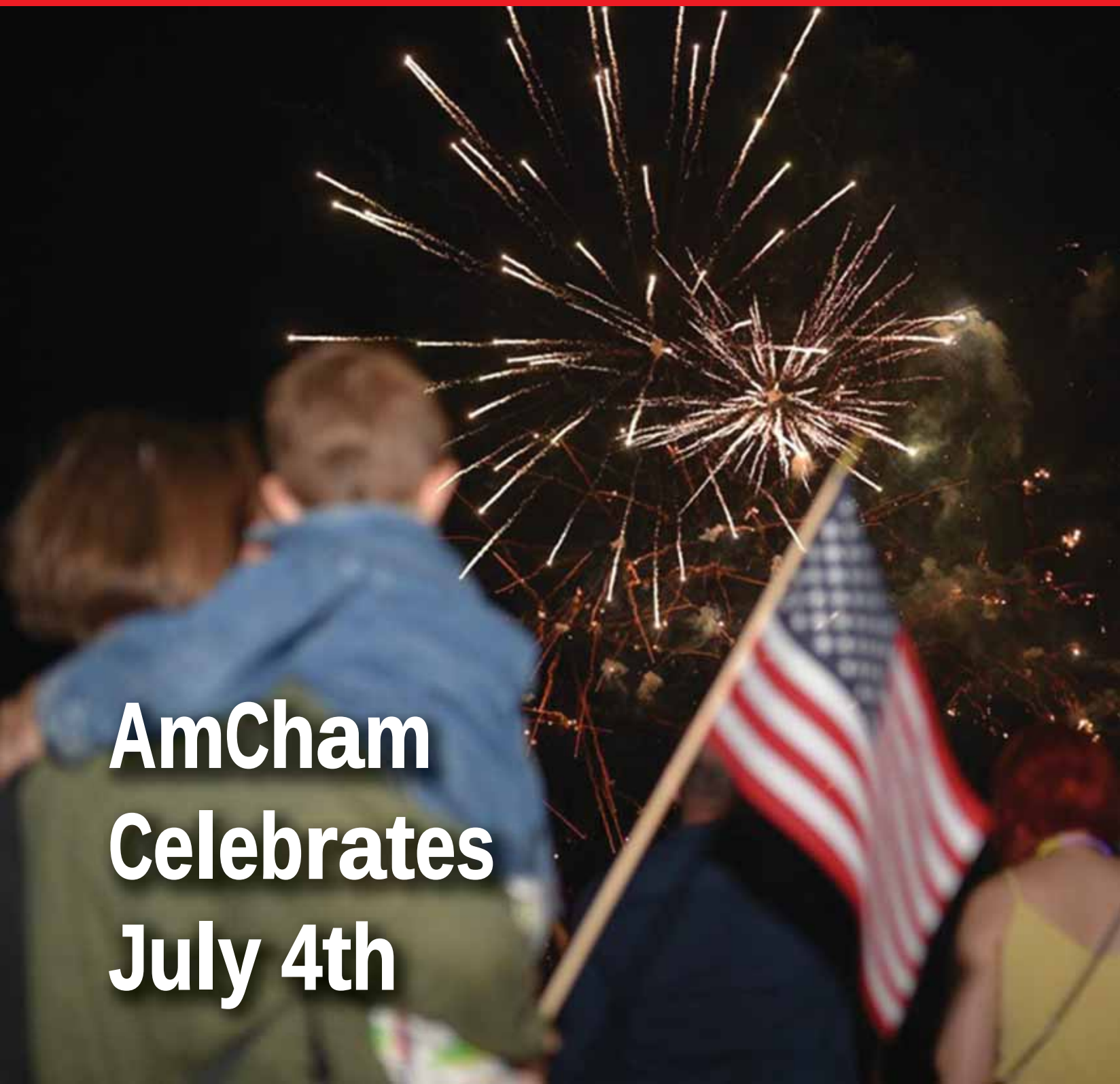

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INVESTMENT NEWS

INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT.

GEORGIA SEES 18 PERCENT TOURIST SPIKE IN JUNE 2019

Georgia took in some 471,979 tourists in June 2019 – an 18% spike in comparison to the same time period last year. International travelers (non-tourists) also increased by 873,966 (20.2%), the GNTA reports. Most visitors came from Russia, Turkey, Azerbaijan and Armenia, however the number of visitors from Saudi Arabia, Jordan, Kazakhstan, China, Korea and Turkey significantly increased. Among European travelers, increased numbers from Austria, Germany, the UK, Latvia and the Netherlands were also recorded.

GEORGIA GENERATES CLOSE TO $100 MILLION IN WINE SALES IN H1

Georgia exported about 40 million bottles of wine to over 40 countries in H1 of 2019 – a 6% increase in comparison to the same period last year. Moreover, Georgia made $98 million in income from the sale of wine abroad – a 9% increase year on year. Russia, Ukraine, China, Poland and Kazakhstan are the top five destinations for Georgian wine, while exports to France, Lithuania, Mongolia, Belarus and Israel also grew significantly. Georgia also exported 50% more brandy (12.6 million bottles) and 238,000 bottles of chacha (a 34% increase).

EASTERN PARTNERSHIP: GEORGIA IS LEADER IN SME POLICY INDEX

Georgia has been named a leader among the countries of the Eastern Partnership in its small and medium enterprises policy index.

Of 12 indicators, Georgia received the best rating in nine indicators in

a study conducted by the Organisation for Economic Co-operation and Development (OECD). The nine indicators in which Georgia came out on top are: regulatory environment, entrepreneurial environment, support services for SMEs and start-ups, state procurement, access to finances, standards and technical regulations, entrepreneurial skills, innovations, internationalisation of SMEs, agenda.ge reported.

GEORGIAN ECONOMY POSTS 4.7 PERCENT GROWTH IN MAY 2019

The Georgian economy grew 4.7% in May 2019, GeoStat reports. Particular growth was observed in real estate, trade and hospitality, while a decrease was noted in manufacturing and construction.

Q1 2019: GEORGIA'S EXTERNAL DEBT TOTALS $17.8 BILLION

Georgia's external debt amounted to $17.8 billion in Q1 of 2019, the National Bank of Georgia reports. The total amount of gross external debt increased by $10.2 million.

BATUMI INTERNATIONAL AIRPORT SLATED TO UNDERGO RENOVATION

Major renovations are planned for the Batumi International Airport over the next 10 years in order to meet growing demand for tickets to the destination.

Consulting company TH Airport Consulting will help United Airports of Georgia identify key areas to focus on. This will be the first renovation since the airport opened in 2007. United Airports of Georgia reports that Batumi International Airport received 135,939 passengers in the first five months of 2019.

US, GEORGIA SIGN MEMORANDUM OF UNDERSTANDING ON TRADE RELATIONS

The US and Georgia signed a memorandum of understanding to enhance trade ties on June 13. The document calls for bilateral trade relations between the two countries to be strengthened and to ensure Georgia's "tangible, inclusive growth in the coming years."

GEORGIA BRINGS IN MORE THAN $280 MILLION IN FDI IN Q1 OF 2019

$281.1 million in FDIs was brought to Georgia in Q1 of 2019, GeoStat reports – a 6.3 percent decrease in comparison to the same period in 2018.

The top three countries by volume to invest in Georgia were Ireland, the UK and the US.

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Georgian Government Pledges Help For Business Following Russian Flight Ban

THE GEORGIAN GOVERNMENT HAS ANNOUNCED SEVERAL MEASURES TO HELP THE BUSINESSES THAT ARE THE MOST VULNERABLE TO ANY DIP IN THE NUMBER OF RUSSIAN TOURISTS FOLLOWING RUSSIAN PRESIDENT VLADIMIR PUTIN'S DECISION TO BAN FLIGHTS BETWEEN THE TWO COUNTRIES.

The Georgian government has estimated that the country could lose as much as $141m in tourism revenues due to a Russian flight ban starting July 8. The country's tourism sector was worth $3.5bn last year, according to the World Travel and Tourism Council (WTTC).

The number of Russian tourists visiting Georgia has climbed over the past few years, part of a larger trend in growing tourism numbers in the country. While not the largest source of visitors – that is neighboring Azerbaijan – the expected drop in visitors from Russia will be felt, especially by small hotels and guests houses in Georgia.

In response, the government has created a multi-pronged response that includes financial help for small hotels.

"We agreed on two important decisions – we will provide the co-financing of the bank loans of the most vulnerable segment in the tourism sector, the small hotels. We also decided to prioritize the tourism and hotel businesses in the credit-guarantee mechanism in order to continue expansion and development of the new projects," Minister of Economy and Sustainable Development, Natia Turnava said following a meeting with the Business Associations of Georgia on July 8. The government will also help new hotel projects secure loans by acting as a guarantor, Georgian Prime Minister Mamuka Bakhtadze said at the same meeting. "We will use this resource when the bank is considering to issue the loan for a new hotel construction or extension of the existing tourism business," Turnava said. "In addition, we will have a very aggressive marketing strategy for strengthening the country's image as a safe destination because this is the most important request of the sector and in general and we will do our best to maintain the traditional markets as well."

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USAID Launches Five-Year Economic Security Program

THE PROGRAM AIMS TO BOLSTER GROWTH IN ECONOMIC SECTORS OUTSIDE OF AGRICULTURE, INCREASE THE NUMBER OF SMALL AND MEDIUM BUSINESSES IN GEORGIA AND SUPPORT THE DIVERSIFICATION OF MORE PRODUCTIVE ECONOMIC ACTIVITIES, INCLUDING TOURISM.

The USAID Economic Security Program will improve lives by attracting investment and bolstering employment across several sectors.

The program will encourage investment and job creation through a grant fund and a partnership fund. Over five years, it aims to create 4000 new jobs and support at least 600 micro, small and medium enterprises in Georgia.

Mission Director Peter Wiebler stated, “We believe that the USAID Economic Security Program will have a profound impact on the livelihoods of Georgia’s citizens and institutions by enhancing prosperity, creating jobs and promoting economic self-reliance.”

There will be four components to the program: (1) Strengthening cooperation in targeted sectors; (2) Supporting micro, small and medium businesses to improve productivity, sales, quality, and develop new products and services; (3) Industry-led workforce development; (4) Building public-private partnerships.

The program was launched in June; it will continue for five years. It aims to increase sales of assisted enterprises by $50 million and leverage $15 million in investment through partnerships.

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Tbilisi's Night Economy Marks First Year

THE CAPITAL'S NIGHT ECONOMY PROGRAM WAS ESTABLISHED TO IMPROVE AND PROMOTE NIGHT-TIME BUSINESS. INVESTOR.GE LOOKED AT WHAT HAS BEEN ACCOMPLISHED.

ELENE TABAGARI

Night buses, new investment, a growing entertainment market. Tbilisi's night mayor program – an innovative effort to encourage the capital's night economy – has made some real achievements in its first year.

NIGHT TIME ECONOMY FORUM

The Tbilisi International Night Time Economy Forum was held on November 30-December 1, 2018. Known as TINTEF, it brought together local and foreign specialists in urban development and night economies.

The forum served as a platform to develop several initiatives, including looking for investors.

It also provided a venue for the neWon Music Festival at the city's newly rehabilitated industrial art hub, ELEKTROWERK.

The event was attended by current and former night mayors from several other cities, including Mirik Milan, Amsterdam's former night mayor, widely known as the world's first night mayor.

In a welcoming note, Tbilisi Mayor Kakha Kaladze said the forum aimed at "adopting a broad dialogue with the participation of all relevant authorities on the role of urban planning and wise management in the development of a sustainable night-time economy."

He noted that the objective of the forum was to define night time economy and find ways to activate the "hidden spaces in the city" and "encourage growth in the local culture."

Amsterdam Night Mayor Shamiro Van Der Geld attended the forum. He noted that Tbilisi is "on the bridge of becoming a great international nightlife capital."

In a comment posted on the TINEF webpage, he stressed that "before the city gets flooded by international tourists with big wallets, big mouths and demanding needs, it is important for the people and municipality to build on Tbilisi's own past, present and future identity."

BETTER TRANSPORTATION

Providing better, more accessible transportation to Tbilisi's night spots has been a major priority for the Tbilisi night economy program from the very beginning.

The city introduced the night bus, Number 222, in September. The bus travels across the city from midnight to six am, making 14 stops along the way from Tbilisi's Gldani suburb all the way across town to Varketili, covering central locations along the way including Marjanishvili, Galleria on Freedom Square and Europe Square.

"This is a pilot project, and if it proves efficient we will definitely add more routes. The night bus won't just be important for tourists, but also for people who have to work and be on the move at night," Tbilisi Deputy Mayor Sopio Khuntsaria told *Jam News*.

WHAT IS A NIGHT MAYOR?

Tbilisi is one of a growing number of cities to create a special office to develop the night economy. Colloquially known as the night mayor, the post is actually part of the city government.

In Tbilisi, the position is held by Sergi Gvardjaladze, the director of the Night-time Economy Development project at city hall.

Similar positions have be created around the world, from Amsterdam and Berlin to London and Paris.

In Washington, DC, Shawn Townsend – who shuns the title "night mayor" – told citylab.com that his job is to serve as a "bridge builder, a liaison between nightlife businesses and these government agencies that currently exist."

Amy Lamé, who was appointed Night Czar of London in 2016 by Mayor Sadiq Khan, told *Medium* that the job is about protecting and promoting the clubs and night venues that foster creativity – and jobs. The night economy in London is worth an estimated £28 billion and supports one in eight jobs in London, according to Medium.

"These are talent pipelines," Lamé was quoted as saying. "And if we take the creative industries seriously, we need to make sure the spaces thrive."

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Transparent Rules for Construction

TBILISI CITY HALL IS REFORMING THE CONSTRUCTION PERMIT PROCESS AS PART OF THE CAPITAL'S NEW MASTER PLAN, WHICH PRIORITIZES CUTTING BACK ON THE DENSITY OF DEVELOPMENT IN CENTRAL NEIGHBORHOODS. INVESTOR.GE SPOKE WITH DEPUTY MAYOR MAIA BITADZE ABOUT THE REFORMS AND CITY HALL'S FUTURE PLANS.

NINO BAKRADZE

For three years, from 2014 to 2017, construction in Georgia grew by 57 percent—and half of all new construction in Georgia took place in Tbilisi.

While Tbilisi City Hall welcomes development and new buildings, Deputy Mayor Maia Bitadze said the pace and chaotic nature of process was unsustainable and bad for the city.

So when Mayor Kakha Kaladze was elected in 2017, he started to reform the process, starting with how the city granted building permits.

One of his first moves was to cancel the so-called Zonal Council, which allocated special permits for developers or individual landowners. Most of the permits gave property owners the right to construct higher buildings than allowed by law.

After the changes, permit allocation became the purview of the urban department at Tbilisi City Hall. The number of allocated permits immediately dropped.

According to Bitadze, in the last 1.5 year about 200 such permits were issued, compared to 800 in in 2015, 2016 and 2017.

Transparency International's 2019 study of the construction business in Georgia shows that the construction business decreased by 0.3 percent in 2018, apparently due to the drop in the number of permits.

Bitadze said the impact of fewer permits will be felt for a long time, and will benefit the city's development. She noted that the old way of doing things – buildings and investment before public interest and strategy – "made Tbilisi a superdense city, and inappropriate planning caused the price of the property to drop."

In order to get construction permits now, developers should submit additional research on the environment (especially tree growth) and how a new building would impact the flow of traffic in the area. Bitadze says that this data helps city officials make rational decisions about building permits and avoid chaotic construction.

But Bitadze stresses that investment is still a priority for Tbilisi City Hall. "New regulations were discussed and agreed with our investors. There were no complaints from large companies about this process. Honest developers were in a bad situation, too, since new players got bigger coefficients and built higher houses near their buildings," she said.

Today there are still a lot of existing permits that need to be reviewed, she noted. City Hall tries to find new spots for developers who were granted permits to build high buildings in sensitive or overcrowded areas. Bitadze underscores that City Hall respects property owners' constitutional rights to their land. But she added that the city government is working to "convince developers that brownfields should be developed and derelict buildings should be replaced."

"First, we are looking for new spots for developers who have construction permits to build in Vake Park, or near to Turtle Lake, or Tabori Hill [overlooking Old Tbilisi]," she said.

The new master plan calls for developing the city within its current borders, although Bitsadze did not rule out that the city could expand in the future. "Right now we are focusing on the development of the left bank of the river and replacing derelict buildings in Varketili. We will prepare a master plan for this district and invite investors to participate in an open tender," she said.

Bitsadze stressed that the goal of the changes is to make the city a healthy place to live. "We feel that developers support us in this. They live here too and agree that the city is losing its value. It is very important for investors that City Hall has the same attitude toward any construction company and plays by transparent rules. In this way, investors feel that competition works. We will see the result of our new policy when there will be more green spaces."

Companies Bullish on Construction, Although Some See Challenges on Horizon

THE CONSTRUCTION SECTOR OF THE GEORGIAN ECONOMY GREW NEARLY 60 PERCENT FROM 2014 TO 2017, PUSHED BY BUILDING PROJECTS IN THE CAPITAL AND ELSEWHERE. WHILE MANY INDUSTRY SPECIALISTS ANTICIPATE GROWTH TO SLOW DUE TO NEW REGULATIONS, DEVELOPERS ARE STILL BULLISH ON THE MARKET'S POTENTIAL. INVESTOR.GE SPOKE TO ITS MEMBER COMPANIES AND OTHERS INVOLVED IN THE SECTOR ABOUT THE CONSTRUCTION INDUSTRY'S FUTURE IN GEORGIA, THE CHALLENGES IT IS FACING AND THE PROJECTS THEY ARE WORKING ON TODAY.

The single fastest growing sector in Georgia from 2014 to 2017 was construction. It continued to boom in 2018, notwithstanding a small 0.3 percent dip in 2018.

The 2019 figures for the construction sector were strong for the first two quarters of the year, although industry experts warn sales and construction may falter due to more stringent qualifications for mortgages and higher standards to qualify for building permits.

TBILISI'S BOOM

Tbilisi's construction boom appears to be going strong so far. Construction cranes are visible on the horizon in most neighborhoods, as new residential buildings, hotels and commercial space go up.

In Tbilisi, 43 percent of real estate sales are concentrated in Saburtalo and Vake, where 54 percent of ongoing constructions are located, according to a 2019 report by Transparency International.

A recent analysis of the housing market by TBC Bank also found that sales are healthy.

Colliers International in Georgia highlights the growing demand for hotels and other properties.

"We believe that there are healthy demand and supply fundamentals across key sectors and the real estate market is driven by demand," Colliers International said in an email interview with *Investor.ge*.

"The Georgian hotel market is experiencing a growing appetite and diversity of investors. International brands started to show interest in Georgian resorts. Hotels are also trying to create innovative concepts to attract new generation of travellers and follow the trends in ▸▸

Galleria Tbilisi

developed markets," they said.

Colliers International sees a slight mismatch in the office space market, where supply "might be outpacing the demand."

The company's specialists believe that there may be higher levels of occupancy in Tbilisi in the next two years.

"The prospects for the Tbilisi office market still look positive as the Georgian government is focused on improving the business environment. Free trade agreements with major economies, significant tax cuts initiative for transnational companies and major infrastructural investments are aimed at transforming Georgia into the regional economic hub. If realized, these initiatives are expected to further increase the demand for office space," Colliers International said.

Shopping areas are also on the rise.

"An expansion of the City Mall Saburtalo is going to enhance the pattern of malls becoming more community-based allowing people to work, live and shop in the same neighbourhood," Colliers International said.

"Both local and international consumers expect more and more service, experience, and entertainment. As shopping centers are attracting more customers in Tbilisi, retail streets need to continue to innovate in addition to a balanced offer of retail, cafes and entertainment."

DEMAND FOR HOTELS, HOUSING, COMMERCIAL SPACE

Many developers are also enthusiastic about Georgia's potential for more residential buildings, more hotels and more commercial space.

"We can see the demand is high… in eight years we are planning to build ten hotels in different regions, one of them has opened already on Kazbegi Avenue, which is occupied all the time," Nino Rukhadze, Deputy CEO and Head of Public Relations at m2 Real Estate told *Investor.ge*.

The company is expanding its reach in all sectors from hotels to residential buildings. New hotel projects range high end to three-star, with new brands (including the first Kempinski Hotel in Georgia) and offers across the country.

"We are trying, as in residential and also in the hospitality direction as well, we want to challenge all the directions and we want to target all the segments that are available on the market," Rukhadze said.

"We are working in different categories, for the different projects we have different offerings."

The company is also planning a new multifunction project that will be announced in the near future.

m2 Real Estate plans to triple its supply in the residential housing market in the next five or six years, Rukhadze said. "Right now we have 3000 families who have bought our apartments…and we are planning on tripling it," she noted.

MAQRO Construction also sees growing potential in Tbilisi's housing market. "At this time, MAQRO Construction is developing unique, unprecedented residential complex in Tbilisi – Green Diamond," the company said.

"The whole design reflects new, contemporary life comfort with an accent on healthy lifestyles. We successfully completed the first stage in May 2018, and the second stage exactly one year later, in May 2019. In total 975 units are already delivered and soon we are going to start 3rd stage."

MAQRO Construction is building a new hotel, the Novotel in Tbilisi, a 4-star hotel in the AccorHotels group. It will be completed in 2020.

Company BLOX has started construction on a four-star Hampton by Hilton Hotel in Tbilisi's historic Avlabari area district. This will be the first Hampton hotel by Hilton in the Caucasus region and the facility will be solely owned and operated by BLOX.

Together with Hampton By Hilton, the company will also build a 23-floor residential complex "Hill Home Residence," with commercial space on the ground floor.

BLOX is also building two new residential projects in Tbilisi's Dighomi neighborhood, scheduled to start in 2019 and 2020.

Simetria is working on a hotel project in Tbilisi (Holiday Inn Express in Avlabari) and (Hotel Four Points by Sheraton) Bakuriani, a well-known resort area in central Georgia. The company

is currently building a premium class residential complex in Okrokana in the capital (Simetria Park) and a residential complex near Lisi Lake in Saburtalo (Simetria Lisi).

Simetria told *Investor.ge* it has several other projects underway, including the full transformation of Shovi Resort in Racha, a wakeboarding park in Bobokvati (in Georgia's western Adjara), and a mixed function building (residential apartments, office center and commercial space) in Tbilisi.

BBC is currently building a medical rehabilitation center and a residential building, the company told *Investor.ge*.

It is in negotiations for a large project in Rustavi, as well. CMC is also working on a number of new projects in Tbilisi and other cities under a number of different roles, from project management and supervision to construction.

"Since its incorporation in Y2009 CMC has grown incredibly fast. We reached the ultimate development in civil construction sector and gained unprecedented experience by working with world renowned brands. Now we are focused on urban development, which is a larger scale of construction development and develops complete urban concepts," CMC CEO Giorgi Ioseliani told *Investor.ge.*

"CMC is designing urban development of the Abastumani wellness town at the present moment, in line with that we are participating in the tender for Mtskheta city upgrade. CMC participates in the above-mentioned projects with its strategic partner, bringing their know-how and extensive experience to the benefit of construction sector in Georgia."

Other projects include 11 other hotels across the country, the new headquarters for TBC Bank, and the City Mall in Saburtlo.

FOCUS ON QUALITY, EUROPEAN STANDARDS

All the companies *Investor.ge* spoke with emphasised the trend of better construction, better materials – and more focus on green technology.

The increased interest in meeting European standards dovetails with moves by the Tbilisi City Hall and the Georgian Parliament to strengthen standards for buildings – and for building projects before developers are granted permits.

Several companies noted that the increased regulations (including more stringent requirements for mortgage loans) could dampen sales and investment.

"New banking regulations affected the residential market in the first quarter of 2019. Tbilisi residential market saw very modest growth. In the next quarters we will see more of how different stakeholders of the real estate market adapted to the regulations," noted Colliers International in Georgia.

Developers also stressed the need to promote ecologically clean, safe and high quality buildings on the market.

m2 Real Estate's Nino Rukhadze also said the new regulations offer opportunities for companies to be more competitive on the market. "We are already looking at the regulations from an international perspective and trying to meet international standards in our building projects. So when Georgia said it needed these standards put into law, we were very happy because we have been doing that for years," she said.

"That makes us more competitive."

CMC noted that it has been working to bring trends to the Georgian market that have been developed in Europe for many years. The company noted that better practices, including producing green buildings, focusing on energy efficiency, gaining LEED / BREEAM certification, and other measures will help the market develop. "Urbanization, which has become one of priorities of the company, presents major challenges, i.e. congestion, sprawl, inefficiency, health hazards and high cost of living, just to name a few, are well known for the Georgian environment.

"But the choices we make for our cities can transform these challenges into opportunities: mobility, connectivity, economies of scale, healthier lifestyles and economic opportunity," CMC CEO Giorgi Ioseliani said. ■

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Entrée Founder Eugene Pichkhaia and Co-founder founder Jean Michel Charles

Coming Soon: Entrée Set to Expand to London

GEORGIA'S POPULAR CHAIN OF FRENCH CAFÉ/BAKERIES IS PREPARING TO OPEN A CAFÉ IN LONDON THIS YEAR. INVESTOR.GE SPOKE WITH ENTRÉE'S CO-OWNER JEAN MICHEL CHARLES ABOUT THE DECISION TO OPEN A BRANCH IN THE UK AND HOW GEORGIAN BRANDS CAN MAKE THE LEAP TO THE INTERNATIONAL MARKET.

Entrée, Tbilisi's first French café/bakeries chain, is poised to break into the European market with its first branch in London this year.

This will not be Entrée's first foray abroad: the chain already has two café/bakeries in Baku, and plans to open four more.

But this will be its first time expanding outside of the Caucasus.

Co-founder Jean Michel Charles said the team has been working on the move for over a year.

"This is a fantastic challenge. In fact, going to London, we were thinking a lot what to do and how to bring a French bakery to Europe—it doesn't have to be London, it could be Berlin or Vienna or wherever...What will be the difference between our French bakery, created in Georgia, and other French bakeries in the city?" he told *Investor.ge*.

"It will be a French bakery but half of the assortment will be Georgian products. So compared to all the other French bakeries, we also have Georgian products. We have very tasty products, not only khachapuri but also the salads and the hot dishes."

Charles noted that while there are lots of bakeries and cafes in London, most of the food available is the same: semi-prepared or frozen products.

But Entrée will be providing something fresh and different.

"We are working from raw, fresh materials – no additives," Charles said.

The Entrée team is also confident that the Georgian element will help their café stand out: Georgian restaurants have started to gain traction in London, but they offer only sit-in dining.

Entrée will provide the same fast service it offers in Tbilisi and Baku, with a focus on Georgian dishes that can be eaten on the go, as well as its well-known French delicacies.

The Entrée chain, which opened in Tbilisi in December 2008, has been an international brand for five years. The team opened the first Entrée abroad in 2014, in Baku. Charles said there are two Entrees in the Azerbaijani capital now, with four more in the pipeline.

He said there is potential for more Georgian brands to expand internationally. The most important thing is to prepare well before making the move.

It is also important to know the customers' tastes. Charles noted that Azerbaijanis prefer sweets to savory, so the Entrées in Baku offer more sweets than those in Georgia. The difference for London will be the accent on quality Georgian dishes made to go.

"We want to bring this food to London, with the image of a French bakery but with Georgian [dishes on the menu]. This will be the difference," he said.

BLC Law Office

Please apply for the professional advice prior to relying on the information given in this Newsletter. BLC and its team shall be ready and pleased to provide any information, legal advice and specific recommendations regarding the subject matters covered by this issue of the Newsletter.

NEW LAW ON MEDIATION SOON TO BE ADOPTED

On 29 May 2019, the Parliament passed the Bill on Mediation at the second hearing. The Bill is expected to be finally approved and become effective from 1 January 2020. Enactment of the new law is likely to reduce the court workload. The highlight of the proposed bill is establishment of a self-regulated body – Association of Mediators of Georgia. Any court-appointed mediation shall be conducted by a mediator or mediators selected from the list of mediators maintained by such association, while private mediation can be conducted by mediator(s) chosen by the parties outside of such list. The law also determines that the agreement on mediation must be in writing and that the commencement of mediation suspends running of the limitation terms. The law further provides for the confidentiality obligations, criteria for impartiality and independence of mediators and generally determines mediation procedures, including, but not limited to enforcement of the mediated settlement agreement through courts of law.

ORGANIC LAW ON AGRICULTURAL LANDS FINALLY ADOPTED

On 25 June 2019, the Parliament of Georgia chaired by newly elected Speaker - Mr. Archil Talakvadze, finally approved largely debated Bill on Ownership of Agricultural Lands. As discussed in our previous newsletters, the law is aimed at broadening the constitutional limits of permitted owners of agricultural lands and confers rights to foreign individuals/legal entities to acquire such lands, provided that certain preconditions are met. Such preconditions are regulated under the law and, inter alia, include circumstances when a foreigner acquires land through inheritance, company with a dominant foreign participation acquires the land through investment plan approved by the Government, or when IFIs and local financial institutions with foreign participations acquire agricultural lands through foreclosure of collateral or otherwise, as a result of their permitted activities in Georgia. Notably, unlike what was suggested in the proposed bill, the law, as adopted by the Parliament, shall not have retroactive effect.

GEORGIA FURTHER RESTRICTS ITS RESIDENCY POLICY

On 24 May 2019, the Law of Georgia on the Legal Status of Aliens and Stateless Persons was amended to adopt stricter policy for issuing property-linked, investment and work immigration visas and residence permits. To be eligible for permanent residency, foreign individuals must reside in Georgia for at least 5 years without interruption. In addition, annual turnover of the investor in Georgia shall amount to at least USD 50,000 in the first year, USD 100,000 in the second year and USD 120,000 in the subsequent years or they must continuously own immovable property during 5-year period with the market value of not less than USD 300,000. Thresholds for the minimum wages, as well as the annual turnover of the employer has been increased for the work residence permits. The amendments shall come into effect from 5 July 2019.

NEW CONSUMER PROTECTION LAW IS UNDERWAY

With the aim of avoiding unfair, deceptive and fraudulent business practices in Georgia and further to comply with the requirements of the DCFTA, Bill on Protection of Consumers Rights has been lodged with the Parliament of Georgia on 12 June 2019. The bill, among others, regulates unfair standard terms of consumer contracts, provides statutory warrantee periods and sets out the rules and requirements for termination of consumer contracts. Most importantly, the bill designates the Competition Agency of Georgia as a body overseeing the compliance with the new consumer protection regulation

For more information and advise please contact us:

129a David Aghmashenebeli Ave, Tbilisi, 0102, Georgia
Tel.: +995 32 292 24 91, 292 00 86, 200 04 91
blc.@blc.ge blc.ge

TBC Five-Year Eurobond Marks New Stage in Local Bond Market

TBC BANK RECENTLY ISSUED GEORGIA'S FIRST INTERNATIONAL TRADED BOND. INDUSTRY SPECIALISTS SAY THE $300-MILLION, FIVE-YEAR EUROBOND IS A SIGN THAT THE GEORGIAN FINANCIAL MARKET IS BECOMING MORE ATTRACTIVE TO FOREIGN INVESTORS.

SALLY WHITE

For the first time Georgia's stock market has a bond that trades internationally—an important step toward making the market attractive to foreign investors and moving toward becoming a regional hub.

TBC Bank issued a debut $300 million, five-year 5.75% Eurobond, which has been admitted to both the Irish Stock Exchange (Euronext Dublin) and the Georgian Stock Exchange

"This transaction is very important because it is the first case of a dual listing on the local market, when a security can be traded both domestically and internationally. Dual listing of TBC Bank's Eurobonds makes it possible to purchase them on the Georgian Stock Exchange through Georgian brokers," Chief Executive Officer of the Georgian Stock Exchange George Paresishvili stated.

"We assume that this and other similar transactions, which we are expecting to occur in the future, will dramatically increase local investors' base and support capital market's development in Georgia."

Not long before TBC Bank issued the bond, the company's broking arm TBC Capital issued a report on the prospects of the bond market.

While voicing caution on Georgia's major financial market, the TBC report, from its capital market advisory and broking arm TBC Capital, concluded that Georgia's bond market has established "a strong foundation" and can show "substantial growth."

Further action to enhance and liberalize the market, however, is required to build a financial hub in Georgia, the report said in an update on the bond market, "Fixed Income Securities in Georgia," listing several courses of action.

For example, while several initiatives have been launched successfully "more needs to be done on creating an attractive framework for foreign companies to list."

Another suggestion is widening the availability of international post-dealing services. "Future growth in market size will (also) be tied to further increases in secondary market liquidity. Additionally, the development of risk management products will help better manage the inherent risk of debt securities," the report adds. Some of this, especially facilities that will enable "hedging" to cover risk, is already in the regulatory pipeline, including new insolvency laws and laws enabling Georgian trading of government securities. There will also be regulations on the setting up of investment funds.

The successful initiatives TBC

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Capital welcomes so far range from revitalizing the local stock exchange and introducing tax breaks for locally listed securities to promoting transparency by requiring companies to publish international-standard accounts.

The "necessary infrastructure" is now in place, including a regulatory framework and rules to govern the markets. (These were propelled by the signing of the Association Agreement with the EU in 2014.) In addition, in December 2018, the market's software was upgraded and arrangements were made to link with German-owned Clearstream for international post-dealing services, which helped open Georgia up for international investors.

So, the market picture is looking positive, albeit growth is from a small base. Local bonds leapt by 40 percent last year to reach 1.2 million lari, driven by issuance by local companies and international financial institutions. New publicly issued and listed bonds totalled 825 million lari, up 205 percent. "Tax breaks on publicly listed securities incentivize corporates to publicly issue bonds, as well as increase the investor base," states the "Fixed Income Securities in Georgia" report.

The Georgian government remained by far the biggest issuer of local bonds, with 72 percent of the outstanding bonds last year—encouraged to raise money locally in lari for its increasing funding requirements because of the fluctuations in the currency. Then came the IFIs, accounting for 21 percent, and lastly corporates with seven percent.

Major local corporates rely on London-issued Eurobonds rather than lari ones to finance their large funding needs and, at the end of 2018, Georgia had five outstanding Eurobonds. However, the local regulatory framework allows issuers to dual list their issues and in June this year TBC Bank announced that $300 million Eurobond.

"We assume that this and other similar transactions, which we are expecting to occur in the future, will dramatically increase local investors' base and support capital market's development in Georgia."

Investors have been largely the Georgian commercial banks, followed by high net worth individuals (resident and non-resident).

In future, two new influences are listed by TBC Capital as likely to affect the growth of Georgian financial markets. Firstly, it says, there will be bond purchases by the new Georgian government pension fund. Secondly, a portion of the money that non-residents hold on deposit in Georgian banks, TBC believes, is likely to be switched to the securities market.

Strong macro-economic drivers for the Georgian bond market have been the favourable credit ratings from the major international agencies, S&P, Fitch, Moody's and Scope. Their ratings were based on "the belief that Georgia has the potential to outperform the S&P official forecast for economic and external performances as well as continued compliance with IMF arrangements," the report says. The market is steadily expanding, as the numbers show. "In our view the Georgian bond market is making progress on widening its issuer and investor base. An increasing number of local blue-chip companies are eager to diversify their funding structure by issuing bonds. Many institutional and retail investors are also gradually increasing and expanding beyond just investing in local bank deposits," it states.

To ensure this momentum is maintained, and with an eye to international market trends, investor protection regulations are also on the government's priority list. These are "expected to be introduced throughout 2019."

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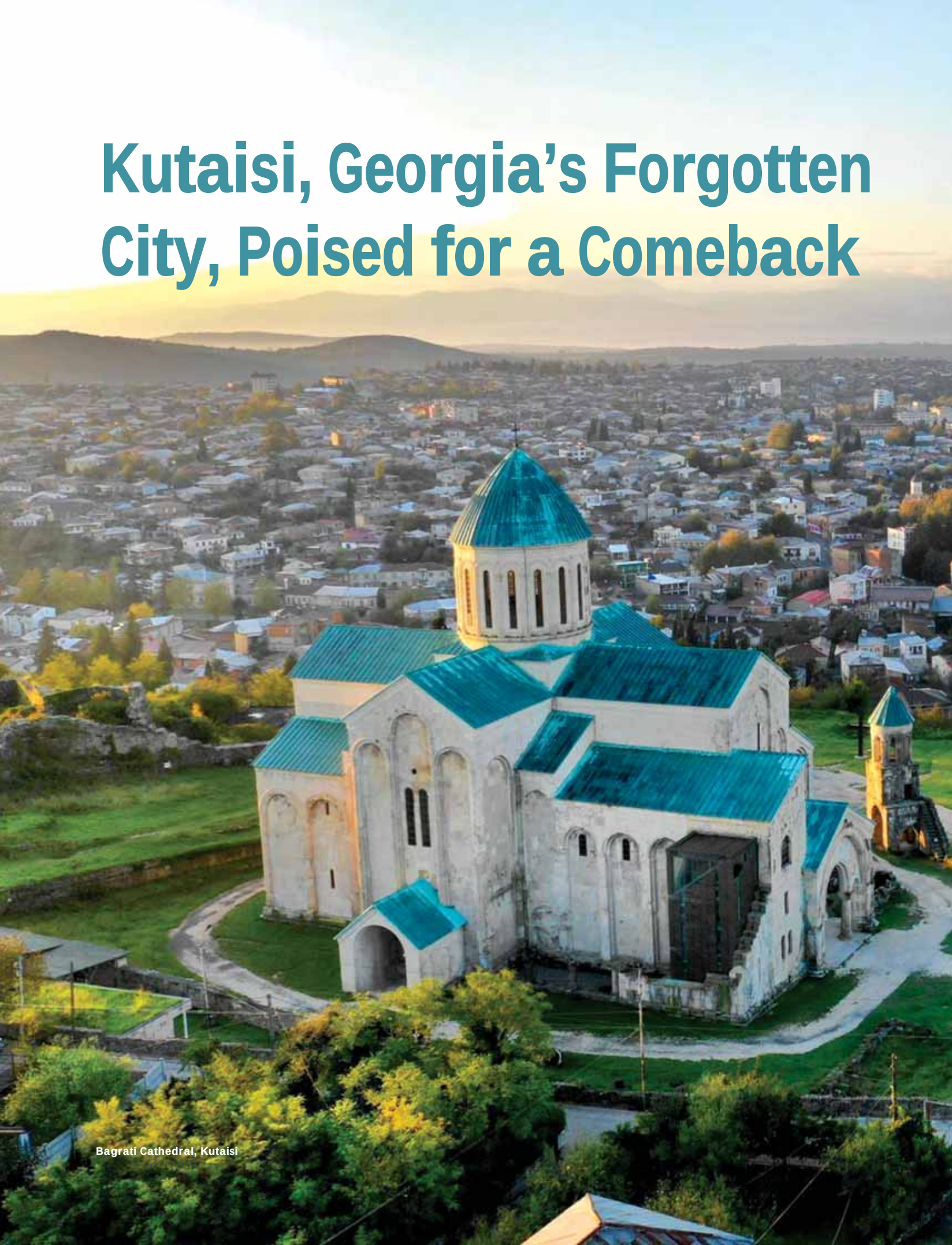
Kutaisi, Georgia's Forgotten City, Poised for a Comeback



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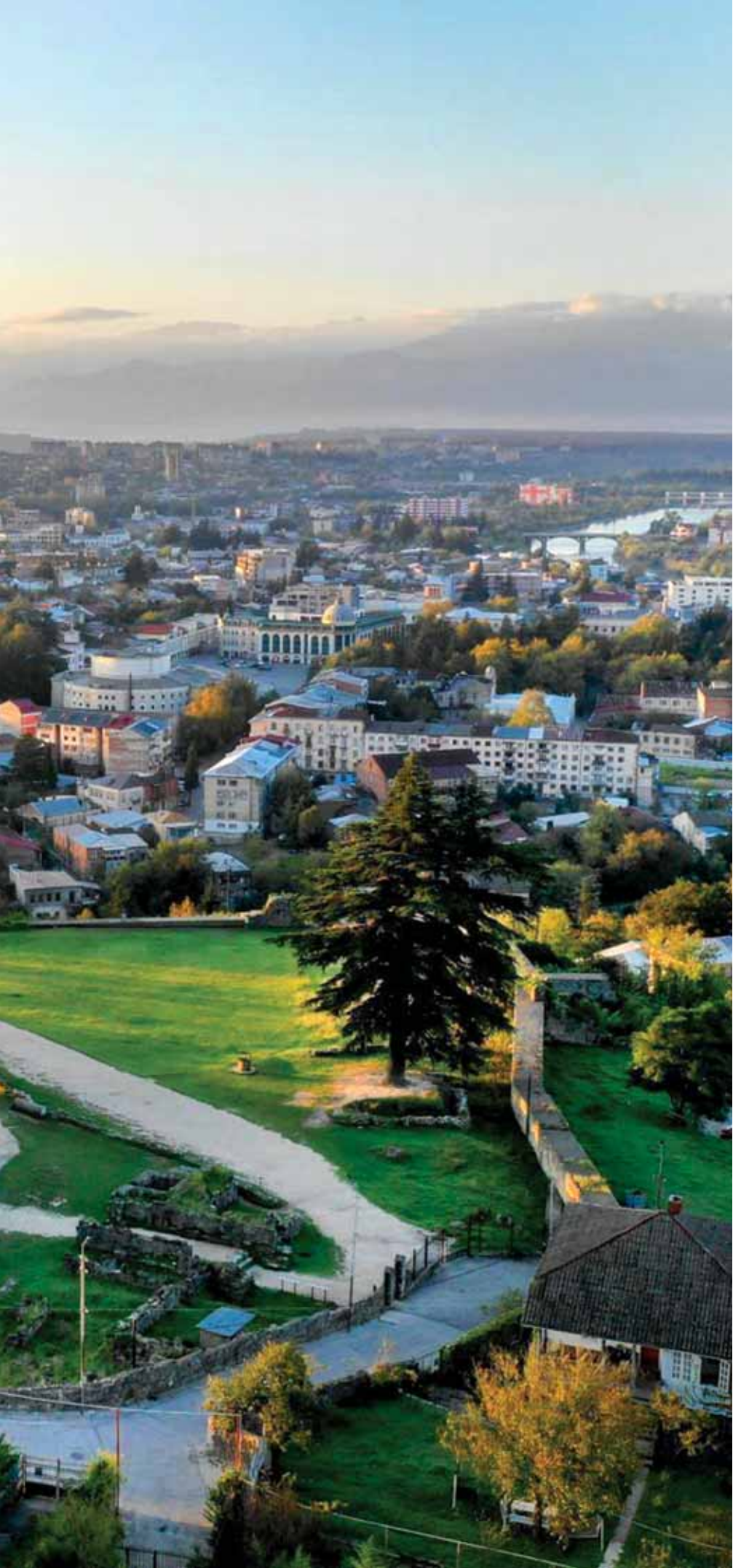

FORMERLY A CITY LEFT ON THE SIDELINES AS TBILISI AND BATUMI MADE LEAPS AND BOUNDS, KUTAISI'S STAR IS SLOWLY RISING.

BY ERNIE PIPER IV

New manufacturing plants, foreign investments, a number of partnerships between local government agencies and development projects aim to raise Kutaisi's profile, and big plans are in the works to change Georgia's now-third-largest city into a regional hub of industry and tourism.

THE REBIRTH OF INDUSTRY

Formerly the heartland of Georgian industry and manufacturing, Kutaisi may soon reclaim its original claim to fame.

The city's two Free Industrial Zones have done quite a bit to stimulate industry growth and the presence of foreign businesses in the area.

The Hualing Free Industrial Zone offers a wide array of benefits. According to their website: an indefinite zero tax rate, single-day company registration, a variety of free or favorable trade relationships with the EU, US, and the Black Sea region, 100 percent foreign ownership and no minimum investment of time nor money.

Kutaisi's location is directly related to its past and tentative future as a regional industrial center: located just a little more than halfway between the coast and Tbilisi, it offers a short route to the potential deep sea port of Anaklia, but nor is it far from the borders with Armenia and Azerbaijan, which in turn offer Central Asia and Iran as forwarding points. The city can offer the same road, rail and air connections as the capital at a much lower price.

"Georgia's main blessing is its geographical position, connecting Europe with Asia, and is something that investors might consider who set up industries here," said Hualing Kutaisi FIZ executive director Soso Nibladze in an interview with *Forbes*.

"So they come, they set up, they operate in a very cheap environment and then they start using the free trade opportunities that Georgia has with neighboring countries."

These three factors are what have allowed manufacturing to slowly take root again in Kutaisi.

Companies in the FIZ are already producing a variety of consumer and industrial goods, like electric heaters for the French firm Atlantic Group, and clothes for H&M.

Green tech in particular is beginning to appear. German energy firm AE Solar opened a solar panel production plant in May, and a memorandum of understanding has been signed between

the Georgian government and China's I Group and Changan corporations to build an electric car factory, which will begin manufacturing cars as early as 2020.

Though the Georgian government takes on the burden of tax and infrastructure risk, Hualing has agreed to hire 75 percent locals for any businesses that open in the Kutaisi FIZ.

The solar panel factory alone, for instance, will employ 300 people. Both FIZs were built on the site of shuttered Soviet auto factories—but now that manufacturing has returned to those sites, and jobs are slowly returning, the local economy is sure to experience a jolt.

PM Mamuka Bakhtadze noted AE Solar's commitment to investing in local talent at the factory's opening: "It will run very important programs that will help us in creating more educational modules and knowledge transfer opportunities for the local staff in Kutaisi," he said.

MORE STIMULUS FOR AIR TRAFFIC

Traffic to Kutaisi International Airport has been climbing at a phenomenal rate ever since Wizz Air made the airport a regional base in September of 2016.

Passenger traffic in 2018 for instance grew by just over 50 percent year-on-year, an increase of 212,200 people.

WizzAir recently announced that it will add another 12 destinations by the end of 2020.

This year, several other low-cost European carriers including Air Malta, Ukraine's SkyUp Airlines, and Irish RyanAir, have announced plans to open lines to Kutaisi airport.

"Our strategy is to offer as many low-cost flights as possible from Kutaisi airport so that many tourists have the opportunity to come from different countries, and also our citizens to have more chances to fly to Europe at affordable prices," said Giorgi Chogovadze, director of the state-run United Airports of Georgia.

No doubt these ambitions will be aided by the completion of the 60 million lari passenger terminal, set to open this year.

But plans aren't limited to passengers alone—through the Trans European Transport Network investment plan (TEN-T), the EU has pledged 61.5 million euros for the construction of a new cargo wing at Kutaisi Airport, along ▸▸

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Kutaisi Airport expansion

with other countrywide infrastructure developments.

As part of the EU's broad plans to deepen ties between its six Eastern Partner (EaP) countries, the initiative will facilitate the easy export of Georgian products to the rest of Europe and the Black Sea/Caspian region, and vice versa.

The TEN-T action plan makes explicit its goals to not merely make Kutaisi, and Georgia at large, a mere pit stop—its key goals are described as "promoting stronger economies, stronger connectivity, good-governance, and resilient societies throughout the region. Enhanced transport connectivity both within the EaP region, and between the EaP region and the EU has the potential to bolster economic growth and create job opportunities for citizens."

TOURISM

The government-managed Municipal Development Fund has announced a bevy of projects to rejuvenate the city.

Many of them feature necessary infrastructure upgrades—repairs or replacements of the aging roads and sewer lines, schools, and clinics. One of these projects has a different aim: a plan to restore 41 historic residences along the Rioni river, including the Davit Kakabadze Fine Art Gallery.

It's notable that Kutaisi, unlike the other two largest cities in Georgia, has seen very low-key development of its historic centre.

Formerly the heartland of Georgian industry and manufacturing, Kutaisi may soon reclaim its original claim to fame.

Remaking the centre of the city with an eye towards attracting tourism signals a change towards Kutaisi's role as a mere transportation hub.

Already, the MDF has funded restorations of the Tskaltubo spa and park just outside of Kutaisi.

Kutaisi Mayor Giorgi Chighvaria has called the restoration "the project of the century." Along with these tourism developments, a new bypass road is being built just outside of Kutaisi in the suburban town of Samtredia.

This has two important features—it will better link Kutaisi airport with Poti, Batumi and Tbilisi, and ease some of the congestion in Kutaisi's urban core, currently a necessary juncture for anyone driving cross-country.

Infrastructure Minister Maia Tskitishvili said it will "significantly improve traffic security" within the city by its 2020 completion.

INFRASTRUCTURE

The city's infrastructure is not being left behind either. The current government has named sewerage, waterworks, and waste management their top nationwide development priorities.

Hauling Free Industrial Zone

Kutaisi has been in need of basic infrastructure development for some time, and the current government has found the financing to do so through several EU-backed groups.

In October of 2018, a deal was signed with the European Investment Bank to upgrade Kutaisi's water network, with construction starting this year.

Germany's KfW Development Bank and the EU's Neighbourhood Investment Facility put together the 8 million euros to build a new regional landfill in Kutaisi, the construction of which began in March.

This goes in tandem with a recent initiative to increase recycling, managed by Ketevan Tskhakaia of the Imereti Scientist's Union.

"Our project is about plastic, paper and glass separation, and we collect them separately in Kutaisi. Another part of the project is composting, with a composting field for green waste to be built," she said at the 10th anniversary celebration of the EU's Eastern Partners program back in April. ■

Increased Regulation, Growing Demand Paint Rosy Forecast for Georgia's "Car Industry"

GEORGIAN DRIVERS ARE FEELING THE PINCH OF MORE REGULATION, FROM EMISSIONS TESTS TO MANDATORY INSURANCE. THE COUNTRY'S ROLE AS A REGIONAL CAR HUB IS BOOMING, HOWEVER.

SALLY WHITE

The car business is hectic in Georgia this year. Cars are being monitored, tracked, inspected, regulated, tested, financed, repaired and traded. All this is in greater volume than before, as the government tries to push old, polluting bangers off the road, replacing them with ones that are at least newer, if not factory-fresh. Add into this rich mix the new source of revenue from regulations introducing obligatory motor insurance (in force in July) and cars are indeed "big business."

In addition to the domestic market, cars are a major source of international trade for Georgia. Along with copper ores and concentrates, motor cars were a top export item in January-April 2019, according to the National Statistics Office of Georgia (Geostat). They are now contributing around six percent of the country's imports and 13 percent of the exports, according to Geostat, and are one of Georgia's major international businesses. For 2018 imports totalled $598 million and re-export totalled $409 million.

Analysis from ISET Policy Institute, the South Caucasus economic think tank, of the Georgian "car" industry (which includes repair and the re-export of automobiles and spare parts) says that trade doubled in 2018 and the upward trend continues. This reflected the improving economic performance within the region, especially in Azerbaijan, the major market for car re-exports. "From 2014, due to a recession in Azerbaijan, the market was temporarily halted by the imposition of non-tariff regulations on car imports, which allowed only the import of cars meeting Euro-4 ecological standards. However, it seems the excise tax scheme on cars, introduced to Georgia in 2017, facilitated adaptation to Azeri requirements," the report says.

The leader among Georgia's car businesses, Tegeta Motors, has just raised 30 million lari via the bond market, funded largely by the European Bank for Reconstruction and Development. It is described by the international credit agency Scope as having had profits of around 38 million lari (with a margin of around 10 percent) in the last reported year, 2017. It is one of the few dominating retailing and servicing and is in the import-export business, too.

Another leading Georgian car-related business is the Caucasus Business Group, founded by Levan Surguladze (who is currently director of the Pension Agency of Georgia). A nuclear physicist who migrated from a research and teaching career in Russia and Europe to the financial markets of Wall Street, he saw cars and car finance in the region as a major business opportunity when he returned to Georgia in 2007, according to Tbilinocomics.

Caucasus Business Group's business activities include the" restoration /repair of automobiles; port services; operation of automobile customs terminals; re-

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gional cargo transportation; facilitation of automobile sales on the local market as well as on (re)export; credit financing of automobile import and of restoration/ repair….."

These trends seem to indicate that Georgia's cowboy car culture and multiple car bazaars are coming to an end.

Under the weight of the combination of soaring air pollution levels, number of people killed on the roads, more money in drivers' pockets, the need to impress tourists and the increasing sophistication of Georgia's financial service industry, the car business is being increasingly regulated.

REGULATIONS DRIVEN BY HEALTH

Georgia is ahead in the region on these moves, thanks to official concern about the impact on health (of locals as well as tourists) of Tbilisi's appalling air pollution, though this is a global phenomenon. "Vehicle exhaust is the main cause of air pollution in Georgia's capital city of Tbilisi," announced the government website Agenda.ge in May. Only around one percent of cars were found by a government survey to be under three years old.

In Georgia and the neighbouring countries, old cars are being forced off the road so demand for new (or newer) cars is rising. Tbilisi is already a regional hub for car trading, helped by a liberal customs regime. Well ahead of regional-hub ambitions for other sectors, cars got there over a decade ago. Take a trip out to where it all happens, at the aptly name "Autopapa" 225,000 sq. metre car market complex on the main Rustavi road connecting Georgia, Azerbaijan and Armenia. There you will hear, milling around amidst the hundreds of cars parked, the traders, mechanics, owners, customers officers, financiers, tax people, insurance salesmen and car sellers and buyers speaking not just Georgian, but Azeri, Russian, Armenia, and the tongues of central Asia.

This is conspicuously a market servicing more than just Georgia's 3.7 million. Georgia enjoys easy access to international goods sea transit routes and its pivotal geographic position and road network. All of that makes it relatively easy to bring in cars from the US as well as Japan and Europe and to send them out to all points of the compass.

Backed by 30 million lari from the new bond issue, Tegeta plans to follow its cars along these routes and expand in the Armenian and Azeri markets with local partners. In business now for 24 years, Tegeta opened its first branch in the larger Azeri market in 2017.

In 2016, the last figures published, Tegeta estimated that around 12 percent of its sales were exported, according to Scope. In Georgia the group has "a diversified mix of retail, fleet and governmental customers" say major rating agency Fitch, with commercial agreements with major car, bus and truck groups from Toyota to Porsche, Volvo, MAN, Hyundai, and Komatsu to JCB . And, with 20 service centres as well as its five retail outlets it is, says Scope, national leader in car parts.

The other area which is not quite clear is the size of the innovative business "helping" cars to pass the new regular technical inspections, which are designed to cut pollution. According to report in new website Business Media Georgia on a survey from the NGO Alliance Safe Roads, there is a good trade in car and equipment hire to facilitate the operation!

"The most common manipulation is the high quality gasoline consumption in order to pass an emissions test. There are also frequent spare parts and equipment (tyres, shields, fire equipment, pharmacy box, etc.) for rent, online and at automotive fairs," it writes.

"In addition, automobiles will also use 'sensible' methods to meet inspection requirements, which involve single or permanent manipulations on various automobiles and the use of legislative defects in their favour, such as the change of the vehicle's body's corpus, as well as elimination of defects for re-opening of the inspection or pay only the fine (which is more affordable financially)," it states.

It adds: "The Land Transport Agency is currently working to deal with the monthly inspection to avoid fines. Repeated visual inspection of the vehicle (ASP) on the reconnaissance inspection partially responds to this challenge. However, the inspector's identification of single manipulations is almost impossible. There are cases when the inspector may realize that certain faults of the ASP have been corrected or covered by the manipulation, however, due to the absence of ASP models from the diversity of factory specifications and the lack of access to the legitimate source of information, it is often not possible to verify the suspicion."

Apart from the "informal" market, cars are seen by Scope as continuing to be a growth market. (Tegeta enjoyed a compound annual growth rate of 20 per cent over the last three years.)

No one seems quite sure exactly how many cars are on Georgia's roads these days, but the number given by the Ministry of Internal Affairs for 2017 is just over a million.

For the major players, growth is expected to come for Tegeta and its peers as they rationalise and industrialise the highly fragmented local market. Looking further into the future, as Scope comments, there will also be repair and other business to be done along the new international motorways planned to criss-cross Georgia.

Georgian Carsharing App Seeks to Disrupt How People Use Transportation

HARI OFFERS A PLATFORM FOR DRIVERS AND POTENTIAL PASSENGERS TO FIND EACH OTHER.

NINO BAKRADZE

Sick and tired of depending on public transportation? Nika Bazadze, a 21-year-old student, has created an app for that.

The idea was born when Nika was commuting between Kutaisi and Tbilisi on uncomfortable public transport. He quickly realized that there had to be a better way to get from point A to point B, other than waiting on an overcrowded microbus.

The application, called Hari, allows drivers and passengers to find each other. For instance, if you are planning to drive from Kutaisi to Tbilisi and have two empty seats, you place an announcement in the Hari and passengers can find you. The announcement should include details about price, picking place and time. If you are looking for a ride, the app allows you to search by destination.

Hari is unique on the Georgian market because it is not for professional drivers or transportation companies. "To avoid such interests, we invented a special pricing policy and algorithm, which defines the highest and lowest level of the price. Then the driver can decide which number fits his/her needs between this range," the company told *Investor.ge*.

The only close competition today are Facebook groups where drivers post if they have empty seats. Several years ago there was also a website, HopHop.ge, where you could get kind of the same service, but it is no longer functioing.

But the Hari team believe the app is a better solution because it is easier to find a passenger/ride when you need one.

"Such [Facebook] groups are not comfortable, because a particular announcement can be missed or lost in hundreds of posts.

"Communication between passengers and drivers is very slow and complicated. At the same time the payment method is not appropriate, because drivers do not want to get cash in most of the cases, they feel like they are taxi drivers. That's why we use a card payment method," explains Hari's team.

The startup was presented to the Georgian market in January 2019, after a year of preparations and work by Hari's five-member team. The app is currently available for download on Google Play and the Apple app store.

Right now about 5,000 drivers are registered in Hari's database. So far over 200 announcements were placed in the app and passengers number is growing too.

People use Hari to travel between big cities mostly.

The most popular destinations are Tbilisi, Kutaisi, and Batumi.

Passengers pay via bank card; the app earns 10 percent of the trip fee.

"Currently we are trying to get as much feedback as possible in order to improve the app and provide better service to our customers. We want to be competitive, comfortable, ambitious and caring.

"We think that carsharing is not the way to decrease your costs, but the chance to find new friends and have a better and more interesting trip," the team said.

NO INTERCITY TRAVEL PLANNED

Right now the app is not used for traveling within any cities. "City carsharing requires a completely different algorithm, it is a separate product and we do not plan to add this service to Hari," Hari's team to *Investor.ge*.

Creator Nika Bazadze says that the initial target audience for Hari was students, who frequently travel between the capital and their hometowns.

But over the past several months, the app user base has grown to include other travelers as well.

"The main challenge is people's behavior, which is quite hard to change. They are used to traveling on old fashioned public transport and it is difficult for them to use new technologies and new alternatives," Bazadze told *Investor.ge*, adding that the startup is looking for more financing to increase marketing and expand its reach.

Vendoo Provides Local Service for Online Shoppers

INVESTOR.GE SPOKE WITH VENDOO CEO LASHA MACHAVARIANI ABOUT WHY GEORGIA NEEDS A FULL-SERVICE ONLINE SHOPPING PLATFORM AND HOW THE COMPANY PLANS ON COMPETING WITH BEHEMOTHS LIKE AMAZON AND ALI BABA.

LIKA JORJOLIANI

A new Georgian online shopping platform aims to become the Amazon of local retailers.

Vendoo is a new digital trading platform that enables users to easily and quickly purchase a wide range of goods online.

Vendoo, launched by TBC Bank in May, was created on the basis of Swoop – acquired by TBC Group in December 2018 and a company well-known in the realm of e-commerce for offering significant discounts and sales. Swoop itself will remain a separate brand.

Vendoo CEO Lasha Machavariani told *Investor.ge* that part of the company's mission is to encourage the development of e-commerce in the country, and to enable small and medium entrepreneurs to sell their products via the Internet.

This especially applies to entrepreneurs and small business owners who do not have the means or the infrastructure to sell independently.

The convenience of shopping and quality goods are some of Vendoo's key selling points.

"We cooperate with companies that supply goods with a warranty and certification of production", Machavariani says, adding "Vendoo users can also purchase products in installments, get quick delivery and make use of a flexible return policy."

Despite the currently limited reach of the company, Vendoo aims to capitalize on global trends.

"Today, electronic sales are a global trend and the process of digitalization ▸▸

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is developing very well in Georgia. In fact, e-commerce in Georgia is one of the most quickly developing areas," Machavariani said.

Vendoo hopes to provide a comprehensive shopping experience: from household items to car parts. In 2020 they plan to begin to offer clothing on their site.

Machavariani says that like Amazon, Vendoo aims to supply users with an exhaustive selection of items, and eliminate troublesome shopping experiences.

"Vendoo will supply anything you can find in a retail store," Machavariani says. "Of course, we can't compete with sites like Amazon or Ali Baba, because they can deliver items across the world without a problem. But our site is marketed at busy people and youth, who are more frequently buying products and services online, and who are largely buying items that are already available on the local market."

To this end, Vendoo has built a 2,000 square meter warehouse in Tbilisi's Lilo district. "The main products that a customer might order should always be in stock. If an order comes before 4 o'clock in the afternoon, delivery will be carried out on the same day," the CEO says.

As for transport, Vendoo has developed its own delivery services, but also relies on the services of partner companies, such as Nova Poshta and On Way. Vendoo covers deliveries within the Tbilisi area, while its partners handle deliveries further afield, requiring a maximum of just two days to deliver goods anywhere in Georgia.

Currently Georgian product offerings are combined with international offerings, but soon Vendoo hopes to change this, and plan to launch a separate category of exclusively Georgian products in the summer. In doing so, Vendoo aims to support Georgian manufacturers as much as possible, and offer a large selection of exclusively Georgian products.

Looking forward, the company plans to more than double the number of employees to 100: moreover, Vendoo plans to expand beyond its home base in 2020 into Uzbekistan, where TBC Bank has recently opened a subsidiary bank. ■

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City Mall Saburtalo

Ongoing Project
Domson's Engineering is executing installation works of heating, ventilation, air conditioning, water supply, sewage and fire fighting systems, which are implemented according to ASHRAE standards and NFPA fire fighting norms.
Total Area: 105 660 m²
Add: N1, Kavtaradze Str., Tbilisi, Georgia

City Mall Gldani

Completed Project
Domson's Engineering carried out installation works of heating, ventilation, air conditioning, firefighting, water supply and sewage systems.
Total duration of the project: 12 months
Add: Khizabauri Str. N 1, Tbilisi, Georgia

The Luxury Collection by Marriott

Ongoing Project
Domson's Engineering carried out installation works heating, Air Conditioning, Ventilation, Water and Sewage, Electricity, Low Voltage, BMS and Data Centers.
Total Area: 55 600 m²
Add: N2 Gudiashvili Str., Tbilisi, Georgia

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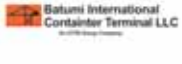

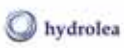

FIZS IN GEORGIA: An overview

Deloitte.

DELOITTE GEORGIA ANALYSES THE LAW OF GEORGIA ON FREE INDUSTRIAL ZONES, PROVIDING AN OVERVIEW OF THE FIZS CURRENTLY IN THE COUNTRY AND THE ECONOMIC BENEFITS THE STATUS OFFERS FOR BUSINESSES.

Nino Goshkheteliani

Tamar Sultanishvili

As part of efforts to attract international investment capital and investors searching for a high rate return, the Law of Georgia on Free Industrial Zones (Law) and the related legislation allow the establishment of a special status zone which creates an attractive environment for economic activities by affording Free Industrial Zone ("FIZ") entities a favourable tax and regulatory treatment. The overview below reflects on the key benefits and implications of registering an entity in the FIZs of Georgia.

WHAT IS A FIZ?

A FIZ is a type of a free zone on the territory of Georgia that has defined borders and a special status granted by the Law. A FIZ is designated for economic activities for a specific period, and entities within the FIZ are governed under a special economic and legal regime, which is favourable from both a legal and a commercial standpoint. The Law allows FIZs to be created at the initiative of the government of Georgia or at the request of a natural or a legal person.

WHO MAY OPERATE IN THE FIZ?

Generally, an entity may operate in the FIZ if it is properly registered there (FIZ Enterprise).

Registration procedures for a FIZ Enterprise are not significantly different from those applicable to the registration of a company outside a FIZ. However, an applicant seeking to register a company in the FIZ may be required to obtain a relevant licence based on its business activities.

Notably, entities registered outside the FIZ, whether Georgian or foreign – save for the entities providing utilities to the FIZ – may operate in the FIZ through a permanent establishment ("PE") registered in the FIZ.

WHAT ARE THE KEY CHARACTERISTICS OF THE FIZ?

Some of the key characteristics of the FIZ relevant from tax and legal standpoint are that:

A. the FIZ Enterprise outside the FIZ operates as a PE of a foreign entity;

B. payments in the FIZ as well as between the FIZ Enterprise and a Georgian entity may be made in any currency. This is particularly important since outside the FIZ and on the territory of Georgia certain currency-related restrictions apply;

C. by virtue of an order of the government of Georgia, certain economic activities in the FIZ may be subject to a simplified procedure for obtaining licences/permits or may be fully released from the obligation to obtain any licence/permit which otherwise would have been required on the territory of Georgia.

WHAT ARE THE PROHIBITED ACTIVITIES IN THE FIZ?

Any production, processing, and provision of services is permitted in the FIZ save for the exceptions provided for by the Law, Tax Code of Georgia ("Code") and the Order of the Government of Georgia on Approving the Rules for the Creation, Arrangement, and Functioning of a FIZ ("Order"). Pursuant to these restrictions, a FIZ Enterprise may not:

A. manufacture or trade in arms or ammunition, nuclear or radioactive substances;

B. bring in, store, manufacture, and/or sell narcotic or psychotropic substances;

C. bring in, store, manufacture, and/or sell tobacco products or raw tobacco materials (except for when intended for onsite use which will not be treated as import of goods).

Additionally, the following is prohibited in the FIZ:

A. use of the existing buildings for residential purposes, construction of permanent or temporary buildings on the territory of FIZ for residential or hospitality purposes;

B. FIZ enterprise is not permitted to render services to or purchase services from companies registered under the Georgian Law (except for FIZ enterprises).*

WHAT ARE THE TAX AND CUSTOMS BENEFITS IN FIZ?

The Code provides a number of tax incentives for the FIZ Enterprises, including the following:

A. import of the goods produced in a FIZ into the customs territory of Georgia is

free from Import Tax;

B. importing the foreign goods into a FIZ is Value Added Tax (VAT) and Import Tax exempt;

C. profit distribution earned by FIZ Enterprises, expenses incurred or other payments not related to economic activities, free of charge supply of goods/services or/and transfer of funds, representative expenses that exceed the maximum amount defined by the Code are exempt from Profit Tax;

D. interest and dividends paid by a FIZ Enterprise are not subject to Withholding Tax at Georgian source of payment;

E. property, including land, located in FIZ is exempt from Property Tax;

F. supply of goods or services among the FIZ Enterprises are exempted from VAT without the right to recover input VAT;

G. a FIZ Enterprise is not required to act as a tax agent and withhold Income Tax on salaries paid to Georgian resident employees.

IN WHAT CIRCUMSTANCES ARE GOODS DEEMED TO BE PRODUCED IN A FIZ AND WHY IS THIS IMPORTANT?

In order for a FIZ Enterprise to enjoy the benefits with rescpect to the goods that it imports from the FIZ to the other territory of Georgia, such goods must first be deemed as produced in the FIZ. This is the case if only the following goods were used during the production process:

A. goods, which had the status of Georgian goods (save for the product received or produced as a result of the processing of goods under the inward processing regime);

B. foreign goods, which were processed under specific processing regime of the Code and whose import is exempt from Import Tax under the laws of Georgia or effective free trade agreements;

C. goods, which were produced from the abovementioned goods.

WHAT ARE THE APPLICABLE TAXES FOR A FIZ ENTERPRISE?

A FIZ Enterprise is liable to pay the following taxes:

A. in case of supply of goods to Georgian companies (except for FIZ Enterprises), a FIZ Enterprise is liable to pay tax at the rate of 4% on income (received/receivable);

B. in case of purchasing goods (save for electricity, water and gas for local consumption and production) from Georgian companies (save for the FIZ Enterprises), a FIZ Enterprise is liable to pay tax at the rate of 4% on market value of goods.

Notably, each FIZ has its entry/exit and its corresponding customs checkpoint. From FIZ entity perspectives, bringing Georgian goods in FIZ is regarded as purchase of goods and taking goods out of FIZ to other territory of Georgia is respected as supply of goods.

HOW MANY FIZS OPERATE IN GEORGIA?

There are currently four free industrial zones in Georgia. The table below provides a brief overview based on our latest available information received from the representatives of the relevant FIZs.

This article is based upon Georgian legislation effective at the time of writing and information provided to us by the relevant FIZs. The contents of this article represent Deloitte's subjective opinion regarding the applicable legislation, law enforcement practice, and assumptions known to us when this article was prepared. Deloitte accepts no responsibility or liability for any reliance placed on the views provided in the article.

Name	Total Area	Fees	Companies/industries that operate in the FIZ
Kutaisi FIZ	269,014 m^2	Starts from USD 1, USD 2, and USD 4 per m^2	Manufacturing water electric heaters, household appliances, technical oils, and metal tiles
Poti FIZ	3.0 million m^2	N/A	A range of activities, including light manufacturing and more heavy industries, such as chemical, steel, and processing
Hualing Kutaisi FIZ	360,000 m^2	N/A	There are five enterprises operating: wood processing, furniture production, stone processing, metal constructions, and mattresses production
Tbilisi FIZ	170,000 m^2	N/A	Technology, trading and services, light industrial manufacturing, logistics, warehousing and other

Georgian Aerospace Manufacturing Takes Off

THE GEORGIAN PARTNERSHIP FUND AND ISRAELI DEFENSE MANUFACTURER ELBIT SYSTEMS HAVE COME TOGETHER TO MAKE THE DESERT BLOOM; OR AT LEAST TO GIVE NEW LIFE TO AN OTHERWISE FORGOTTEN INDUSTRIAL PARK ON THE OUTSKIRTS OF TBILISI AIRPORT, WHERE THE FIRST COMPOSITE AEROSPACE PARTS FACTORY IN THE SOUTH CAUCASUS IS ALREADY OPEN FOR BUSINESS

The Georgian Partnership Fund and Elbit Systems' new plant in Tbilisi is already producing airplane parts, a major victory for a country that is struggling to restore its industrial sector.

The construction of the ATC (Aerostructure Technologies Cyclone) factory began in 2017.

ATC has been producing and selling composite parts for airplanes, particularly for the Boeing 787 Dreamliner, for a little more than three months now.

Composite parts involve multiple materials which are attached by polymer in different ways, to make a part that has a very specific set of properties.

Composite parts made by Elbit are generally labor-intensive and cannot be easily or cheaply fabricated by machines alone.

"[They're] a vital aspect of modern aviation," ATC CFO Mikheil Begiashvili told Investor.ge.

"They're not pieces or parts you'll be able to spot as you walk onto a plane, or even something that you can see from the inside—they're more like the bones and spine of an aircraft. For example, when you walk into the cabin, composite materials are often used beneath the floor, holding the cabin up from the storage space below," Begiashvili explained.

Begiashvili stressed that "though composite materials have been around for a while, their use in aviation began only recently. When Boeing released its Dreamliner 787 back in 2011, the craft boasted 50 percent composite materials. And while they aren't visible when you get onto the plane, one can be proud that you might be on a craft that was partially created in Georgia."

Why did Elbit choose to open a new factory in Georgia?

One reason Begiashvili noted was the ease of doing business in the country.

It took just a year and a half to complete the factory.

Within just another six months, the facility received all the necessary accreditations to begin operations from both local and international supervisory bodies.

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Begiashvili told Investor.ge that this speaks to both the ease of doing business in Georgia and the efficacy of the enterprise itself.

"The quality of what we produce—the accuracy, the precision—has to be much higher than at almost any other kind of factory. And thus we had to undergo a long and difficult process of quality control and assessment. But the fact that we got approval within just six months is truly impressive; sometimes the certification process can drag on for years. Or you can just never get certified," he added.

"Bureaucracy and technical issues exist everywhere in the world, but it's fair to say that in Georgia, they've been reduced to a minimum."

The Georgian Partnership Fund was another factor.

he advantage of having the Partnership Fund on board as a partner is that it means the government itself is vested in the venture.

Negotiations for the project began back in 2013, and Elbit requested the Partnership Fund become a partner, which it did by buying 66 percent of the shares of the $93 million project.

Moreover, Elbit already had experience in the country, as it had cooperated with the Georgian government in a defence project several years ago. This first experience, Begiashvili says, meant Elbit had a good idea of the lay of the land.

Georgia's minimal bureaucratic procedures, tax and manufacturing incentives, in addition to its geographical location, also made it an attractive destination for the Israeli company.

ATC hopes to be bringing in $60 million in annual sales by the end of 2021, and hopes to expand its production with another $15 million investment to include the production of more complex composite materials.

But ATC's story goes beyond stats and figures. The opening of an aerospace manufacturer in Georgia has an inspiring human component as well.

"Back in 2017 when we started to hire people, it was difficult to find people with the appropriate technical skills. What we needed didn't even exist on the market. So we selected about 80 people who had basic technical skills, and sent them to Israel for training—for in between three months and one year. They surprised both us and our Israeli partners—while there, they helped establish processes to cut down on costs and increase productivity," Begiashvili says.

But the best moment, Begiashvili notes, was when the news of the factory got out and attracted the attention of Georgians living and working abroad:

"One guy reached out to us himself. He said he had heard about the factory opening up, and he was interested in working in Georgia again—he had long been in Germany.

"We kept in touch with him, and when the factory opened, we were able to bring him back here. It's very important for us— it's an honor to be able to bring back Georgians to their homeland, and for others to see that they don't have to remain abroad forever."

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CMC is a Leading Construction Project Management Company in the region.

Founded in 2009, since its inception, the company has carefully built its reputation as a proven and reliable regional solution for construction management and consulting, known for its ability to deliver high quality projects on time and on budget.

CMC provides single source accountability and serves as the equivalent of an in-house project implementation department operating free of the conflicts of interest. Positively affect the outcome of each project by integrating the company's experience and knowledge at the earliest planning stages.

CMC covers a broad range of sectors, including civil (governmental) projects, commercial, residential, industrial, retail, hospitality and mixed-use, including following services: construction management; construction planning services; program and project management; project risk management; CPM Scheduling; cost estimating; value engineering; tendering; budgeting; design reviews; change order management etc.

Since 2009 CMC has successfully completed more than 50 projects, with overall cost of more than 1 billion USD.

At present, company has 19 ongoing projects of international scale, including but not limited to: 20,000 spectators UEFA 4 Star Stadium, Bank Headquarters, 4 internationally branded hotels, Abastumani and Mtskheta Urban Developments, Malls, factories & etc...

Overall value of the ongoing construction projects is: More than USD300MLN

Georgia's State Investment Fund Attracts Over $2.5 Billion in Investment

THE GEORGIAN PARTNERSHIP FUND IS MORE THAN THE GEORGIAN GOVERNMENT'S VENTURE CAPITAL ARM – IT IS A CRITICAL PLAYER ON THE INVESTMENT AND BUSINESS DEVELOPMENT SCENE OF GEORGIA. INVESTOR.GE SPOKE TO THE CEO OF THE PARTNERSHIP FUND, DAVID SAGANELIDZE ABOUT ITS INVESTMENTS AND FUTURE PLANS.

LIKA JORJOLIANI

With funds committment worth $330 million and a historical 14.9 percent IRR on its investments, the fund has several purposes and characteristics that make it a unique tool to drive investment and development in the country, David Saganelidze told *Investor.ge.*

The fund's mission is to "promote investment in Georgia by providing co-financing in projects at their initial stage of development," and largely operates in sectors and regions where the possibility of attracting investments is limited.

First, it offers foreign investors a partnership with the government and the reassurance that comes with official government partners.

Second, the fund helps to 'fill in'

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missing equity and investment volume, making projects in the country that are trying to get off the ground more attractive to commercial banks and international financing organizations.

Its success in this regard can be seen from just a few numbers: more than $2.5 billion in investments have been attracted to Georgia with just the $330 million input by the Partnership Fund—that is, for every $1 spent, $7 have been brought in, Saganelidze says.

The fund has historically invested in energy, agriculture, high-tech production, real estate, tourism, infrastructure, logistics and export-oriented industries. The fund invests in commercially viable projects, and is oriented to make a profit.

Also, according to its investment mandate, the fund is a short to midterm equity partner and stays in the project for a limited time: private investor always has a call option, meaning they can buyout funds share with preagreed price and conditions.

"The Partnership Fund generally stays in a project for three, five or a maximum of seven years," Saganelidze says.

This restraint can also be seen in the fund's approach to the projects it decides to invest in.

"We have slightly changed our funding priorities, for example, the energy sector is of a great interest to investors and the market is competitive, meaning there is less rationale for the Fund to be involved.

"Of course, we are still proceeding with the projects we have started, but we are no longer considering entering the new ones. This also applies to the tourism industry," noted Saganelidze.

"From 2019, we decided to limit our involvement in this sector as well. Our priority now shifts to more export-oriented and hightech production. The projects in those indsutries are of a bigger scale and require more longterm financing. This is one of the reasons we have been talking about Fund reform to be able to have stable, long term sources of funding," he said.

CURRENT ACTIVITIES

One of the fund's most recent and exciting investments is Aerostructure Technologies Cyclone (ATC)—a factory that produces composite airplane parts.

Partnered with the Israeli company Elbit Systems, ATC has put Georgia on the map as the first country in the South Caucasus to enter the industry of civilian aircraft manufacturing.

In the tourism sector, the fund has invested in hotels located in Georgia's iconic touristic sites, including Tsinandali, Sairme, Kutaisi, Borjomi, Akhaltsikhe and elsewhere.

Among the fund's ventures in agriculture is a greenhouse in Samtredia, a hog farm, a blueberry plantation and others.

The Partnership Fund has also promised a $100 million investment in the country's largest logistics project—Port Anaklia, which seeks to construct a deep water port on Georgia's Black Sea coast. Experts believe the new port is the most important project for the country since the construction of Baku – Tbilisi – Kars railway.

In addition, the Partnership Fund has invested two strategic projects in the energy sector: the Gardabani and Nenskra Hydropower Plants.

STARTUPS AND EXPORTS

Moving forward, the Partnership Fund hopes to work in several new directions.

Supporting innovative startup ideas is one of them.

Secondly, the fund hopes to spur on the development of companies whose products are export-oriented, which includes much of the agricultural sector. This industry, Saganelidze says, has the advantage of bolstering income and the economy in underdeveloped regions of Georgia and developing production, which in turn stems off migration.

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20, Ushangi Chkheidze Street
0102 Tbilisi, Georgia

Phone +995 (57) 777 60 13
E-Mail info.tbilisi@ilf.com

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AMCHAM HOSTS TBILISI MAYOR

AMCHAM GEORGIA AND TBILISI MUNICIPALITY ORGANIZED A PRESENTATION ON "SECTORIAL RESEARCH OF INVESTMENT POTENTIAL" ON JUNE 11 AT THE RADISSON BLU IVERIA HOTEL. AMCHAM GEORGIA PRESIDENT MICHAEL COWGILL GREETED GUESTS ALONG WITH TBILISI MAYOR KAKHA KALADZE, WHO ALSO DELIVERED OPENING REMARKS. THE RESEARCH WAS PRESENTED BY ANTON ORLOVSKIY FROM DELOITTE, WHICH HAD CARRIED OUT THE PROJECT. THE PRESENTATION WAS FOLLOWED BY A Q&A SESSION BETWEEN GUESTS, MR. ORLOVSKIY AND MR. ANDRIA BASILAIA, HEAD OF MUNICIPAL DEPARTMENT OF ECONOMIC DEVELOPMENT OF TBILISI CITY HALL.

AMCHAM, US EMBASSY HOLD PANEL DISCUSSION ON RUSSIAN PROPAGANDA

AMCHAM GEORGIA ORGANIZED A PANEL DISCUSSION AT THE RADISSON BLU IVERIA HOTEL ON MAY 29 TITLED "COUNTERING RUSSIAN AGGRESSION AND PROPAGANDA" WITH MS. TAMUNA KAROSANIDZE, HEAD OF USAID'S CIVIL SOCIETY STRENGTHENING PROJECT (ACCESS), CDA ELIZABETH ROOD FROM US EMBASSY AND MS. NINO GOGUADZE – FIRST DEPUTY CHAIR OF THE FOREIGN RELATIONS COMMITTEE OF THE PARLIAMENT OF GEORGIA. MEMBERS WERE THEN ABLE TO ASK QUESTIONS OF PANELISTS DURING A Q&A.

AMCHAM MEMBERS MEET DEPUTY EDUCATION MINISTER

AMCHAM ORGANIZED A MEMBERS-ONLY LUNCHEON ON MAY 22 WITH THE DEPUTY MINISTER OF EDUCATION, SCIENCE, CULTURE AND SPORT OF GEORGIA IRINA ABULADZE AT THE SHERATON GRAND TBILISI METECHI PALACE. THE DEPUTY MINISTER PRESENTED ONGOING PROJECTS AND FUTURE PLANS OF THE MINISTRY. THE PRESENTATION WAS FOLLOWED BY A Q&A SESSION.

From left to right: Jaba Phutkaradze, Minister of Finance and Economy, Autonomous Republic of Adjara; Peter Bodin, Global CEO of Grant Thornton International; Vakhtag Tsabadze – Grant Thornton Managing Partner

Grant Thornton Celebrates Year's Success in Batumi

INVESTOR.GE SPOKE WITH GRANT THORTON ABOUT ITS ANNUAL CONFERENCE IN BATUMI ON JUNE 13-14. EVERY YEAR, GRANT THORNTON FIRMS ACROSS THE CIS REGION, COME TOGETHER TO DISCUSS MEMBER FIRMS' FUTURE ACTIVITIES.

1. WHY WAS THE EVENT HELD IN GEORGIA? WHY BATUMI? HOW MANY COUNTRIES WERE REPRESENTED?

The annual conference is the largest regional annual event, which brings together over 40 partners from 15 different countries of CIS, Europe and Middle East. Peter Bodin, Grant Thornton global CEO, as well as other leaders of Grant Thornton International have also attended the conference.

"We are delighted to be hosting our annual regional conference in Batumi. This is our second conference in Georgia (the 2016 conference was held in Tbilisi) and as always, we are impressed by the warmth and atmosphere of this country and hospitality of its people," Gurgen Hakobyan, Grant Thornton's regional leader for the CIS region, said.

"We have selected Batumi as this year's destination to show our delegates the significant growth of the region and the great opportunities that are ahead for this emerging city. We are also proud to state that our firm in Georgia has had yet another year of growth on the market and is actively investing in development of new services and solutions, delivering an exceptional client experience and supporting our dynamic clients in achieving their growth targets."

"We are happy to host the Grant Thornton regional conference in Georgia and welcome Peter Bodin, our global CEO, during his first visit to Georgia. We came together to discuss strategic priorities, define new development targets, share best practice and take this back to our firms to bring it to life," Vakhtang Tsabadze, Managing Partner of Grant Thornton Georgia, commented.

Tornike Rijvadze, the Chairman of Adjara Autonomous Republic(AR) and Jaba Phutkaradze, Minister of Finance and Economy of Adjara, attended the conference and presented on the investment projects and opportunities in the region. Another guest speaker of the conference, Andro Gotsiridze, Cyber Security Consultant, spoke about cyber trends and Georgia's cybersecurity ecosystem.

2. WHAT IS GRANT THORNTON'S CURRENT POSITION ON THE MARKET AND WHAT NEW SERVICES AND PRODUCTS IS THE COMPANY DEVELOPING IN GEORGIA?

2018 was a very successful year for the member companies of the Grant Thornton International network. In comparison with the previous year, the firm recorded overall global revenue growth of 9 percent across the network in 2018. This is the network's highest rate of growth recorded during the last six years. In February 2019, International Accounting Bulletin published the global results of audit and consulting companies in 2018, with Grant Thornton ranked 6th on the list. International Accounting Bulletin carries out independent research without involvement of audit-consulting companies and presents fully transparent results.

Along with the global results, 2018 proved to be a successful year for Grant Thornton Georgia in terms of revenue, as well as in the respect of new projects and partners. Revenues of the company increased by 11 percent in Georgia, while the number of employees augmented by 20 percent. With the involvement of the partners, 2019 is expected to be even more successful for the Grant Thornton Georgia team.

"Growth", "collaboration" and "quality" are among the priorities of Grant Thornton global strategy and throughout the conference delegates have been engaged in interactive sessions to address those.

3. WHAT NEW PLANS AND PROJECTS DO YOU HAVE ON THE HORIZON?

Opening Grant Thornton office in Batumi was on our mind, but inspired with the ongoing infrastructure projects in the region, presented by Adjara Autonomous Republic government, we decided to speed up the process. Currently we are intensively working in this direction and plan to open our office in Batumi by the end of this year.

Grant Thornton has also established its China Desk to ensure seamless support to Chinese business across the CIS region throughout the entire process of exploring the markets, investing and setting up a business to implementation of full-scale operations. This initiative was created especially for CIS and Mongolia for Chinese companies considering investment in this markets, or having operations in the region, to achieve long-term success and fulfil the potential of their business on these markets. Grant Thornton's CIS China Desk will be one-stop solution for Chinese companies in the market. Detailed presentation about the initiative and future activities was done during the conference by Baiysh Dushebaev - China Desk coordinator.

NEW MEMBERS

Fircroft Engineering Services Ltd
Branch Office
Corp B

Fircroft was founded in 1970 to provide recruitment services to oil and gas companies operating in the North Sea. Through growth and continued success over 45 years of operation, Fircroft is now one of the world's leading providers of technical recruitment services. The company remains in the private ownership of the Johnson family, who are committed to promoting the highest standards of customer care, as the customer is at the center of all of its business operations. As a family-owned and managed business, building and maintaining good working relationship with all customers is central to the company's brand values.

Many of Fircroft's recruitment professionals have been with the company for over 10 years, enabling the company to build long-term relationship with clients and candidates. Fircroft's focus is on workforce retention - keeping the skills and experience gained by the candidates within client organizations and offering long-term career-building opportunities for the company's' contract professionals as well as those seeking permanent placements.

fircroft.com

Georgian Telecommunication
Corp B

Georgian Telecommunication is a company established by Ericsson employees on June 6, 2017 for the purpose of project planning, installation and post-installation service provision. The company soon earned the partnership of Turk Telekom, Turkcell and Avea. Despite its short existence on the Georgian Market, Georgian Telecommunication has already gained the trust of such bigh companies as Maqro Construction, Tav Construction, Tav Georgia, Enka, Dorce - worley energy and Turkish Airlines. Through brilliant teamwork, the company offers individual solutions, reliable techniques and services to real estate owners as well as retailers. The quality of communication and continuity is the main feature of company's field. Georgian Telecommunication offers a continuous quality of communication to it customers throuout the whole territory of Georgia, and beyond. A field of activity covers: fire security systems, CCTV surveillance systems, data center decision and implementation, smart house, fiber-optic cable, GSM systems and networking, high voltage protective panels, military and civilian ships, gas and fuel distribution panels, ADSL cabinets vintage panels, control panels, UPS systems, generators.

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17th Amcham US Independence Day Picnic

ON JULY 6 AMCHAM GEORGIA AND THE US EMBASSY IN GEORGIA HOSTED A FAMILY PICNIC CELEBRATING THE 243RD ANNIVERSARY OF THE SIGNING OF THE US DECLARATION OF INDEPENDENCE. OVER 1500 AMERICAN, GEORGIAN AND INTERNATIONAL GUESTS ENJOYED AN AMERICAN-STYLE PICNIC WITH A GIANT BARBECUE, LIVE BANDS, BOUNCY CASTLES, POPCORN, FACE-PAINTING, CLOWNS AND TOYS FOR CHILDREN.

THE PICNIC ALSO FEATURED ICE-CREAM, REBUS ART-CLASSES FOR KIDS, GIF-ME, PHOTO-BOOTH, PHOTO-BUS AND MATRIX 3D PHOTO. GUESTS COULD ALSO ENJOY RIDING A RODEO HORSE AND BEING PAINTED BY FAMOUS CARICATURISTS. THE CHARGÉ D'AFFAIRES ELIZABETH ROOD AND AMCHAM GEORGIA PRESIDENT MICHAEL COWGILL WELCOMED THE GUESTS. THE AMERICAN NATIONAL ANTHEM WAS SUNG BY KATIE NUTT FORM US EMBASSY AND GEORGIAN NATIONAL ANTHEM WAS SUNG BY NATALIA BLAUVELT. THE EVENT ENDED UP WITH A PHENOMENAL DISPLAY OF FIREWORKS.

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During the last week of May Hilton Celebrated 100 years Anniversary

Hilton BATUMI

Founded in 1919 in the tiny town of Cisco, Texas, Hilton has pioneered the travel industry for the last 100 years, introducing concepts including room service, air-conditioned lobbies, in-room televisions, airport hotels and the mini-bar.

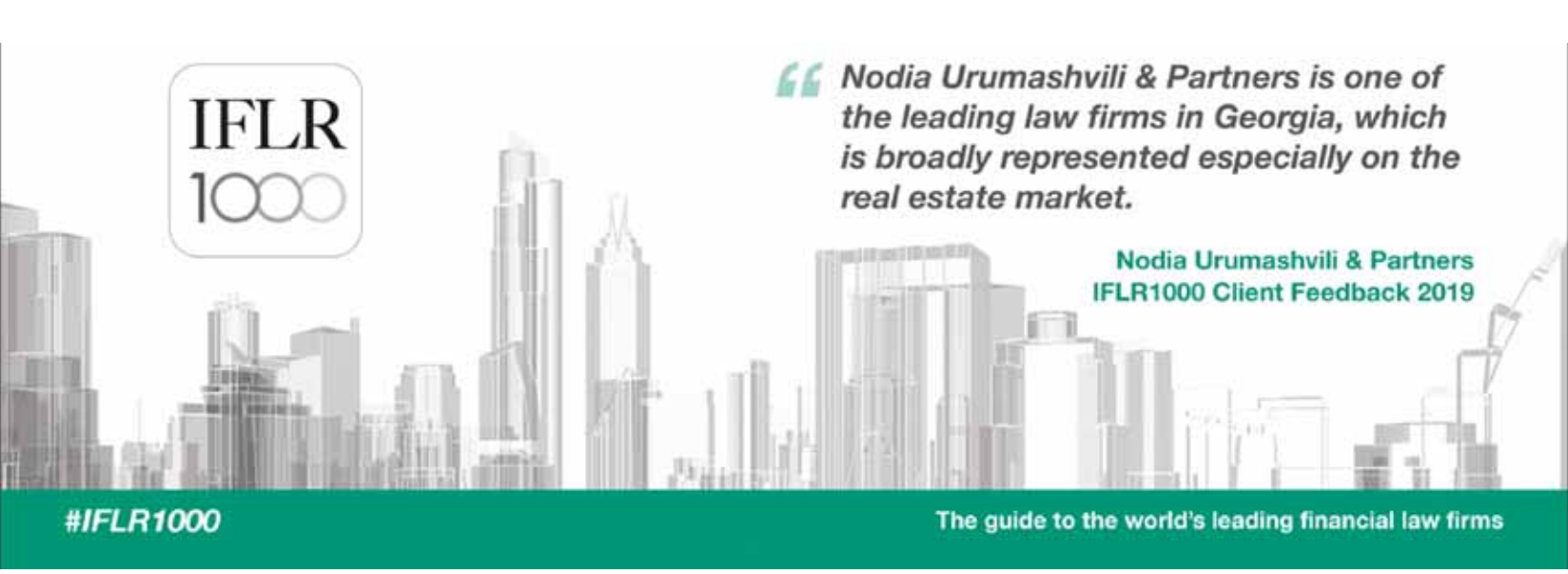
Hilton now offers 17 distinctive brands across 113 countries and territories, with more than 5,700 properties and continues to grow, opening on average one hotel a day across the world. This year, **Hilton celebrates its 100th anniversary.**

To mark this occasion, Hilton Batumi held several events which included celebrations with guests, community activity and youth engagement activity.

The **Hilton Batumi operational workshop room was opened at the "Black Sea" vocational school**, together with which our hotel implemented a dual educational system in Georgia. The room is fully equipped with Front Office, Food & Beverage and Housekeeping facilities as well as amenities to support practical training for local students.

Team Members conducted **"Random Acts of Hospitality"** by spreading joy and hospitality to the beautiful city of Batumi. Team members distributed ice-creams, juices and other goodies from Hilton Batumi branded truck to schools, the fire brigade, kindergarten, homeless children and pensioners, and more

The hotel held a **big client event** to conclude the celebrations, hosting Over 150 people from Government as well as local companies, clients and hotel guests. At the event, we told the story of the Hilton brand to all guests. The story we told covered the most prominent highlights from our 100 years of history. These included the first hotel purchased by Conrad Hilton, Elvis' performance at Las Vegas International Casino, the creation of the Pina-Colada at Hilton Caribe, Room 702 and John Lennon and Yoko Ono's Bed in for Peace movement. The culmination of the event was a party at Nephele Sky Bar, which included plenty of surprises, stories and congratulation videos from all over the world.



AMCHAM 17th AMCHAM US INDEPENDENCE DAY PICNIC

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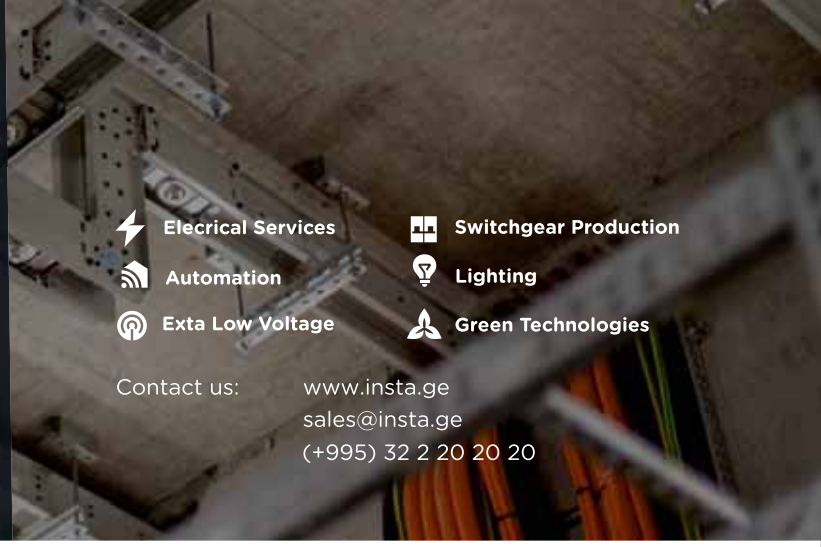

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CSR for FINCA Bank Georgia is an investment in the futures of its customers

FINCA Bank Georgia, as part of FINCA Impact Finance, is dedicated to maintaining its social mission as an intrinsic part of its business model - a priority that is fully embraced by every one of FINCA's subsidiaries as well. FINCA is taking a leadership role in all major industry efforts in the area of social performance such as the Smart Campaign, Microfinance Transparency and the Social Performance Task Force, and has also implemented its own internal safeguards to ensure mission protection and focus through the Social Performance Audit Committee. The Committee is a standing committee of the FINCA Impact Finance Board of Directors and oversees and enforces adherence to the fundamental principles of social responsibility that remain at the core of FINCA's business model.

FINCA Bank is implementing number of initiatives fostering improvement of financial literacy in the country. As a Bank is considered to be a reliable partner not only when the client needs to get or allocated financial resources, but also when the client needs the right advice from professionals, our mission is to be where our support is needed the most to support our clients achieve their goals – therefore, financial literacy projects and initiatives serve this purpose as well. FINCA Bank is member of National Bank of Georgia financial education committee that conforms the readiness of the bank to participate in the process of enhancing financial knowledge in country.
Promotion of financial literacy will be the focus for FINCA Bank Georgia corporate social responsibility projects in the future as the part of the bank's the long-term strategy in the country and serving the purpose of being unconventional community-based bank that profitably and responsibly provides innovative and impactful services to enable low-income individuals and communities to invest in their futures.

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Wine Reception for AmCham members in Vinotel

AMCHAM GEORGIA AND VINOTEL HOSTED A WINE RECEPTION FOR AMCHAM MEMBERS. AMCHAM PRESIDENT MICHAEL COWGILL GREETED THE GUESTS AND ANNOUNCED UPDATES AND THE UPCOMING EVENTS OF AMCHAM. MEMBERS RECONNECTED WITH FRIENDS AND COLLEAGUES AND ENJOYED DELICIOUS WINE AND FOOD BY VINOTEL.

Sponsors' Appreciation Cocktail Reception

AMCHAM GEORGIA HOSTED A COCKTAIL RECEPTION AND NETWORKING EVENT ON JULY 12 IN APPRECIATION OF OUR GENEROUS SPONSORS FOR THE 4TH OF JULY PICNIC! THE EVENT WAS HELD AT THE TERRACE HOTEL RESTAURANT. AMCHAM PRESIDENT MICHAEL COWGILL GREETED THE GUESTS AND EXPRESSED OUR GRATITUDE TOWARD THE SPONSORS AND AMCHAM TEAM FOR MAKING SUCH A WONDERFUL EVENT. GUESTS WERE WELCOME TO ENJOY COCKTAILS, MOSMIERI WINE ALONG WITH A DELICIOUS BUFFET AND OPPORTUNITIES TO RECONNECT WITH FRIENDS, COLLEAGUES AND FELLOW REPRESENTATIVES OF MEMBER COMPANIES.

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Writers
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This magazine would not be possible without your help.

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AmCham Georgia:
36a Lado Asatiani Street, 3rd floor. Tel: 2 22-69-07

amcham@amcham.ge
editor@amcham.ge | www.amcham.ge

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Areas of Practice

Nodia, Urumashvili & Partners provides legal and tax advice of the highest quality to its clients. The firm's success is the result of its skillful and detail-oriented group of lawyers. The firm has preeminent banking, financial and tax law practice and assists its clients during negotiations, execution of real-estate, energy and infrastructure projects with particular strength in FIDIC forms and construction disputes, provides the best advice to corporate, commercial and M&A, helps to avoid disputes, and provides representation in all forms of dispute resolution. Furthermore, it is noteworthy that the firm has a unique understanding of a cryptocurrency along with block-chain-based technologies.

Our practice includes but is not limited to the following areas:

- **Tax:** The firm provides consulting services on various tax matters, conducts tax due diligence, provides tax analyses for high value transactions, double taxation agreements and transfer pricing, advices on deal structuring, as well as represents clients' interests in administrative authorities and courts on tax disputes.

- **Banking & Finance:** The firm provides full range of legal and tax services to financial institutions, including acquiring necessary licenses and permits, drafting policy documents, regulatory and anti-money laundering compliance, assisting on various stages of prospect of emission, drafting, reviewing and executing various financial instruments, brokerage and underwriting agreements. The firm also advises on issuance of corporate bonds and represents many bondholders.

- **Corporate, M&A & Commercial:** Through a tailor-made approach designed for each client's business needs, the firm provides to various industry sectors a full spectrum of corporate and M&A assistance, including but not limited to transaction structuring and closing, legal due diligence, drafting transactional documents, support and participation in negotiations, regulatory and antitrust clearances, management of insolvency proceedings, as well as representation in courts and arbitral tribunals.

- **Construction:** The firm is actively involved in the major infrastructure, energy, hospitality and other projects in Georgia. Construction law team is well-known for its unique expertise on FIDIC forms, and construction disputes. Construction group has wide ranging experience in advising all major participants in the field, including employers, main contractors, sub-contractors, consultants, engineers, architects, funders and developers at all stages of construction process, from project inception to its completion, including drafting and negotiating construction contracts, as well as handling claims and disputes.

- **Real Estate:** The firm assists in negotiating and executing real-estate projects and provides day-to-day legal advice during the entire project cycle. The company advises its clients on all types of property matters, including real-estate acquisition, planning, residential, commercial, and mixed-use property development, real-estate management, construction permits and related disputes.

- **Energy:** The firm provides full range of legal services for businesses operating in energy sector, including drafting, negotiation and execution of memorandums of understanding and agreements necessary for implementation of renewable energy projects, power purchase agreements, assists in acquisition of state-owned lands and advices on permits and licenses, environmental and electricity export issues.

- **Dispute Resolution:** The specialized team with an extensive expertise is ready to represent its clients at all stages of dispute avoidance and resolution. The team offers representation at administrative bodies, negotiations, mediation, dispute boards, arbitration, both domestic and international and litigation at all instances of courts of Georgia.

Lasha Nodia,
Managing Partner

Office 28, Floor 4, Block 4, 71 Vazha-Pshavela Ave.
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For more information contact BGI partners
Sandro Bibilashvili (sandro.bibilashvili@bgi.ge) or
Lasha Gogiberidze (lasha.gogiberidze@bgi.ge)
18. Rustaveli Avenue. 0108 Tbilisi. Georgia
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Otar Kipshidze
Managing Partner
otar.kipshidze@dentons.com

Avto Svanidze
Partner
avto.svanidze@dentons.com

Dentons Georgia LLC
10, Melikishvili Street,
Tbilisi 0179, Georgia
T + (995)32 2509 300
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