

Georgia | Entertainment Industry Report 2014



Accelerating success.



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Georgia – Country Profile

Introduction

Georgia is located between Asia and Europe and occupies a land area of 69,700 sq. km. It neighbours Turkey to the southwest, Azerbaijan to the east, Russia to the north and Armenia to the south. Georgia declared independence on 9 April 1991, following the dissolution of the Soviet Union.

Economy

Georgia achieved robust economic growth between 2003-2014, averaging 6.3 percent annually, following structural reforms that stimulated capital inflows and investment. The reforms helped to improve the business environment, strengthened public finances, upgraded infrastructure facilities and liberalized trade. Growth was also supported by increased foreign direct investments (FDI) and was driven by capital accumulation and sound use of excess capacity rather than by net job creation, with productivity gains concentrated mainly in the non-tradable sectors. GDP per capita increased from \$919 in 2003 to \$3,763 in 2014 (in current prices, 2014 - preliminary data). GDP growth rate amounted to 4.7% in 2014. According to IMF, Georgia has one of the highest forecasted GDP growth rates among Eastern European countries and its neighbors during 2014-2015. Major foreign investors in Georgia include: BP, Socar, Heidelberg Cement, RAKIA Group and MAF.

Government

Georgia is a democratic, Presidential-Parliamentary republic whereby the President is the Head of State and the Prime Minister is the Head of Government. As a result of the presidential elections held on October 27, 2013, Giorgi Margvelashvili was elected as the president from the coalition "Georgian Dream". The new cabinet of ministers was established in November, headed by Irakli Gharibashvili. According to the declared strategy, joining the EU and NATO are among the country's top foreign policy objectives.

Tax system

To enhance Georgia's Investment & Business Climate, the Government has dramatically overhauled its tax system since 2004. By implementing a liberal reform agenda, Georgia has simplified its processes and has reduced the number of taxes from 21 in 2004 to only 6 today.

- Value Added Tax (from 20% has been reduced to 18%)
- Income Tax (20%)
- Profit Tax (corporate tax 20% has been reduced to 15%)

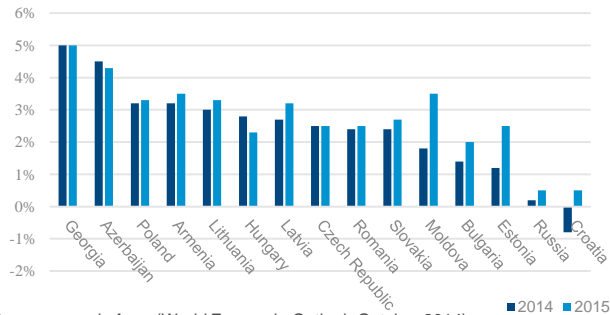
- Excise
- Property Tax (1%)
- Customs Tax (0%, 5% or 12%)

These improvements have made Georgia one of the most attractive tax regimes globally. In 2009, Forbes Magazine designated Georgia as the "4th Least Tax-Burdened Country". Since 2008 Georgia has initiated and concluded Avoidance of Double Taxation Agreements with its major trade partners. Currently, Georgia has 46 active agreements. Additional reforms are projected to decrease tax rates even further in the next few years.

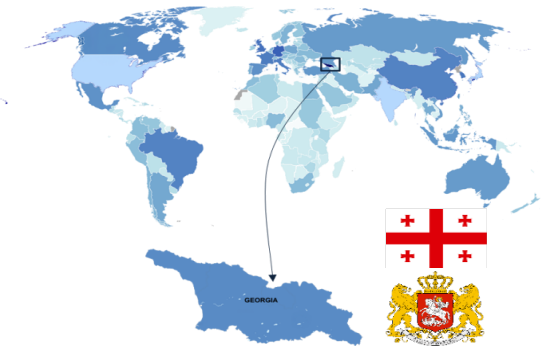
Population

The Georgian population is approximately 4.49 million. This figure has grown since 2006 by 2%. About 54% of the total population lives in urban areas and the urbanization rate has been increasing since 2006. 83.8% of the Georgian population are Georgians by ethnic origin. The second largest share - 6.5% are Azeri, followed by Armenians – 5.7% and Russians – 1.5%.

GDP growth forecasts, 2014-2015



Source: www.imf.org (World Economic Outlook-October 2014)



Key Socio-Economic Indicators	2010	2011	2012	2013	2014F
Area	69 700 sq. km				
Population 2014	4.49 mln				
Capital	Tbilisi				
Currency (code)	Lari (GEL)				
GDP at current prices, mil. USD	11,636	14,438	15,846	16,140	16,890*
GDP - Real Growth Rate	6.2%	7.2%	6.4%	3.3%	4.7%*
GDP - Per Capita 2013	\$2,623	\$3,231	\$3,523	\$3,600	\$3,763*
Inflation rate (12 months average)	7.1%	8.5%	-0.9%	-0.5%	3.1%
Unemployment rate	16.3%	15.1%	15%	14.6%	N/A
Total exports (mln. USD)- FOB	\$1,677	\$2,189	\$2,375	\$2,908	\$2,861*
Total imports (mln. USD)- CIF	\$5,257	\$7,058	\$7,902	\$7,885	\$8,596*
Trade surplus/deficit 2013 (mln. USD) FOB-CIF	(3,580)	(4,869)	(5,527)	(4,977)	(5,735)*
Exchange rate - USD/GEL	1.7826	1.6860	1.6513	1.6634	1.7659
Exchange rate - EUR/GEL	2.3644	2.3473	2.1232	2.2094	2.3462

*Preliminary data

Source: www.geostat.ge www.nbg.ge www.imf.org



Georgia – Country Profile

Recent Developments

In June of 2014, the Association Agreement between Georgia and the European Union was signed. This agreement aims to expand political and economic relations between Georgia and the European Union and to gradually integrate Georgia into the European Union's internal market.

Georgia's international ratings has been revised In 2014:

- Standard & Poor's: BB- Stable (Affirmed in May 2014)
- Moody's: Ba3 Positive (Affirmed in August 2014)
- Fitch Rating: BB- Positive (Affirmed in October 2014)

The Heritage Foundation ranked Georgia the 22nd among 178 countries in Economic Freedom Ranking.

In the World Bank's "Ease of Doing Business Index 2014", Georgia ranks 15th out of the surveyed 189 economies. In the same ranking in 2006 Georgia held the 100th position.

According to the Global Peace Index (GPI) issued by Institute for Economics and Peace (IEP) in 2015, Georgia is fourth safest country in the World.

Business and Investment Environment

Georgian government efforts to reduce corruption in public and private sectors have significantly improved Georgia's ranking in the World Bank's Doing Business Survey. By the latest survey it stands on 15th position among 189 countries. Georgia ranks as 1st in property registration, 3rd in dealing with construction permits, 5th in starting a business and 7th in getting the credit.

Among transitional economies, Georgia has improved its ranking in the Corruption Perception Index from 85 to 50 in the years 2002-2005. The Georgian tax system was simplified, customs duties were reduced and procedures for granting licenses and permits were simplified. According to Forbes, Georgia was ranked as 4th least tax burden country in 2008.

At present Georgia enjoys free trade agreement with Turkey and nearly all CIS countries. Georgia is eligible for Most Favored Nation (MFN) treatment from all the WTO member states and is the member of WTO since 2000. Georgia has been granted a Generalized Scheme of Preferences (GSP) treatment by the following countries: the EU, the USA, Japan, Canada, Switzerland and Norway. The Association Agreement between Georgia and the European Union, signed in June 2014, includes the setting up of a Deep and Comprehensive Free Trade Area (DCFTA). The DCFTA has been enacted since September 2014, therefore products or services produced in Georgia can freely access to the EU market with more than 500 million consumers. DCFTA will contribute to economic growth, integration with world markets and global supply chains, and will open new prospects for Georgia and for entrepreneurs doing business in our country. In 2015, the Government of Georgia began negotiations on signing the Free trade Agreement with the European Free Trade Association (EFTA) that unities Switzerland, Norway, Island and Lichtenstein. After the signing an agreement with the EFTA, market of high purchasing value will open for the Georgian products and services that unities 4 countries and more that 13 million customers.

Legal System

The Constitution, adopted in 1995, sets out the structure of the national government as well as its powers and functions. The powers of government are divided into three branches – legislative, executive and judicial.

The court system in Georgia has three branches: Courts of First Instance (District or City Courts), Appellate Courts and the Supreme Court. First Instance Courts have jurisdiction over all civil, criminal and administrative cases. Decisions from First Instance Courts may be appealed to the Appellate Courts and, from there, to the Supreme Court.

The Constitutional Court of Georgia is the sole organ of constitutional jurisdiction of Georgia.

As an alternative to litigation, Georgia allows for third party arbitration. Georgian law also allows foreign companies to include provisions in their contracts

(including those with Georgian entities) that allow for arbitration by international arbitration institutions.

Infrastructure & Transport

Located on the shortest route between Europe and Asia, Georgia's transport system is a key link in the historic "Silk Road."

It is believed that long-term growth will stem from Georgia's role as a transit state for pipelines. Three pipelines currently exist:

- The **Baku-Supsa pipeline** (GPC-Georgian Pipeline Company) runs 814 km from Baku to Supsa (444 km in Azerbaijan and 370 km in Georgia) and transports "early oil" from the Caspian Sea region.
- The **Baku-Tbilisi-Ceyhan (BTC)** oil pipeline extends 1,750 km across Azerbaijan, Georgia and Turkey and is designed to transport up to one million barrels of Azeri oil per day. The oil is transported via Georgia to the Turkish port of Ceyhan.
- The **South Caucasus Pipeline (SCP)** System project was completed in late 2006. The initial capacity of the pipeline is 8.8 billion cubic meters (bcm) of gas per year and, after 2017, its capacity could be expanded to 20 bcm per year. As part of the transit payment, Georgia will receive 5% of the volume of natural gas transited from Azerbaijan to Turkey. One of the main partner and operator of the project is BP.

Four **airports** with a total capacity of 3,100 passengers per hour, serve the country in Tbilisi, Batumi, Kutaisi and Mestia. The total length of **railway** amounts 1,612 km, with capacity of 3.3 million passengers per year and the length of roadways amounts 19,109 km. Completion of the Baku-Tbilisi-Kars (BTK) railway in 2015 will also stimulate advancement of Georgian Railway.

Major sea ports are located in Poti and Batumi. The Government of Georgia strives to enhance port infrastructure. For this purpose, particular importance is attached to the construction of the new Deep Sea port in Anaklia. Construction of the new port is strategically important and shall result in significant increase in cargo turnover through Georgia.

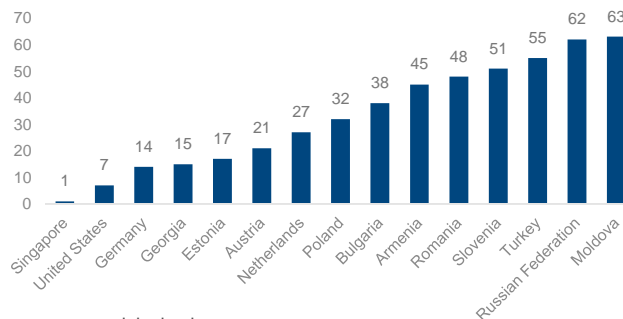
Energy

Georgia has a developed, stable and reliable energy sector but efforts are required to improve the efficiency in domestic energy use. The most promising source of additional energy generation is hydropower and the Government is focused on securing private investments for the construction of new hydropower stations.

In 2012 9.694 billion kWh was produced in Georgia and consumption amounted 9.379 billion kWh.

With a large number of planned investments in energy sector it is expected that Georgia will be fully energy self-sufficient by the year 2020.

Rankings on the ease of doing business



Source: www.doingbusiness.org



Batumi

Executive Summary

The entertainment industry in Georgia can be divided into four main categories: gambling, cultural entertainment, active entertainment, gastronomy & wine tourism. The main entertainment destinations are Tbilisi and Batumi, but several other locations throughout the country offer various entertainment activities.

The government is actively supporting the development of the gaming industry in the country, which gives Georgia a competitive advantage in the region. The gambling industry accounts for about 70% of the entertainment industry's total turnover, which equalled GEL 1.2 milliard in 2013. Several international hotel brands are going to open casinos during the next three years (Hilton Batumi, Crowne Plaza Batumi and Millennium Hotel Tbilisi). International entertainment brand Melco Crown plans to enter a Georgian market. The entertainment centre will open in the first half of 2016 as a part of Millennium Hotel Tbilisi.

Georgia – country of ancient culture – offers visitors a wide variety of museums and theatres, concentrated mainly in Tbilisi (Georgian National Museum, Ethnographic Museum, Tbilisi Concert Hall, Rustaveli and Marjanishvili Theatres). The main cultural attractions in Batumi include Ilia Chavchavadze State Drama Theatre and the recently opened Art and Music Centre of Batumi. The Opera House of Kutaisi and the Lado Meskhishvili Drama Theatre are important cultural destinations in Kutaisi.

The only cinema operator in the country is the Georgian company Rustaveli Cinema JSC, which manages three cinemas (Rustaveli and Amirani in Tbilisi and Apolo in Batumi) and plans to expand further in 2015 by opening two new movie theatres in modern shopping centres in Tbilisi totalling 15 screens.

During the next two years several new projects will be completed around the country. The Natanebi Concert Hall, Tbilisi Fine Art Museum and the refurbishment of the Tbilisi Opera house are the major planned projects.

The Government of Georgia is actively seeking to hold international sports tournaments in the country and some of them are already planned, such as the Youth Olympic Games 2015, the UEFA Super Cup 2015, the Chess Youth Olympiad 2015, the Junior World Wrestling Championship 2016, the European Under 19 Football Championship 2016-2017 and the Handball Men's Youth World Championship 2017. The country's main stadiums and sports complexes are concentrated in the capital Tbilisi (Boris Paichadze Tbilisi Dinamo Arena, Mikheil Meskhi Stadium and Tbilisi Sports Palace) which will see the development of new sport facilities, such as the new rugby stadium and a new tennis complex. A new football stadium in Batumi and a rugby stadium in Kutaisi were recently announced.

The water entertainment industry (Aqua park and swimming pools) is actively developing in Georgia. The recently opened Gino Paradise and the Euro Park are main players in the country. Completion of a new swimming pool for the Youth Olympic Games 2015 is planned next year. Health and well-being becomes more popular in Georgia, especially in Tbilisi. Aspria Fitness is actively expanding its chain.

The major amusement parks in Georgia are Mtatsminda Park in Tbilisi and Tsitsinatela in Guria. The country also offers three botanical gardens (Tbilisi, Kutaisi and Batumi), two zoos (Tbilisi and Batumi) and several recreation parks. The relocation/expansion of the Tbilisi Zoo and renovation of Park Mziuri are the major planned projects in the near future.

Tbilisi and Batumi are the most visited destinations in Georgia. They have the most developed entertainment infrastructure. Red-tiled roofs, narrow streets and ancient buildings as well as modern architecture buildings impress visitors from around the world. Tbilisi offers visitors unique cuisine, gambling, sports and leisure opportunities. Batumi is attractive for sea recreation, gambling and outdoor activities.

The three main winter resorts - Bakuriani, Gudauri and Mestia - include 40 ski runs with a total length of 81 km. From the 2014-2015 winter season artificial snow machines have been installed in Gudauri and Bakuriani. This will significantly help to increase occupancy of Georgia's winter resorts compared with the previous year. The Government of Georgia is actively promoting the development of the new ski runs on the mountain Tetnuldi in Svaneti and the territory of Goderdzi Pass on the border of Adjara and Samtskhe – Javakheti regions.











The restaurant market is the most developed sector of the Gastronomic industry in Georgia. The Modern Café-Bars and international cuisine market is growing fast, mainly in major tourism destinations – Tbilisi and Batumi. Night clubs are concentrated mainly in Tbilisi and Batumi.

Georgia is one of the oldest wine producing countries in the world. Up to 500 indigenous grape varieties are still cultivated in Georgia. UNESCO added the ancient traditional Georgian winemaking method using the Kvevri clay jars to the UNESCO Intangible Cultural Heritage Lists. Kakheti – the main wine producing region of Georgia – is becoming more and more attractive for international visitors. Several recently developed high class hotels offer customer wine tours and the sector has further potential for development.

Entertainment Map of Georgia



LEGEND

	Airport		Amusement Park		Ski Resort
	Wine Region		Theatre and Museum		Cinema
	Stadium and Sport Complex		Casino		Golf Club
	Aqua Park				

Source: Colliers International

Gaming Venues

Surrounded by countries where gambling is prohibited or severely restricted, Georgia has a regional competitive advantage in the gaming business. A steady stream of foreigners from Turkey, Russia, Azerbaijan, Armenia and the Middle East are attracted to Georgia for this reason.

The casino market in Tbilisi and Batumi is better developed than in other Georgian regions. As of December 2014, nine casinos are operating in the country and six casinos are due to open during the next three years.

Besides casinos slot clubs and bookmakers are popular gambling amenities all around the country.

The government has loosened casino regulations to attract foreign and local investments and stimulate the development of the casino business.

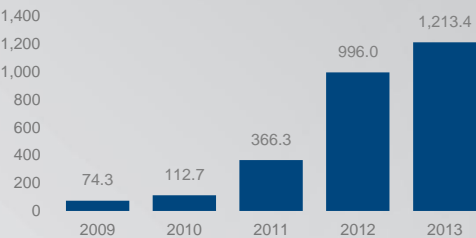
Georgia has introduced a flat tax system so that gaming operators no longer have to pay income tax. Payouts are also no longer taxed. Quarterly fees on tables, slot machines and Gaming are required, on top of an annual license for slot machines.

The turnover of gaming venues has been growing since 2009 and reached its highest level of GEL 1,314 mln in 2013. The reported turnover of gaming venues in 2013 is more than three times higher than the same figure for 2011. In the first half of 2014 turnover of the casino industry amounted to GEL 338.1 mln. We expect the annual turnover of gaming venues in 2014 to be lower than in 2013 reflecting a reduced number of tourists from Turkey.

Gaming regulations in Georgia

1. A casino operator has to obtain a permit from the State Authorities of Georgia. The permit is issued by the Revenue Service of Georgia;
2. The fees for obtaining the permit are – for the whole territory of Georgia (excluding Batumi, Dusheti Municipality nearby the Lake Bazaleti, Gudauri recreation territory, Bakuriani, Kobuleti, Borjomi, Tskaltubo and Signaghi municipalities) – no less than 5 000 000 (five million) GEL per year;
3. A casino operator in Tbilisi is entitled to a free permit for opening three gaming clubs in the territory of Tbilisi. The permit for operating the gaming club will be granted for no more than the permit granted for casino operation.
4. The validity of the permit is five years.
5. The fee for getting the permit in Batumi, Dusheti Municipality nearby the Lake Bazaleti, Kobuleti and Borjomi Municipalities constitutes 250 000 GEL per year; However, the permit is free in the event the Casino is opened in the recently built hotels in Batumi, Kobuleti and Khelvachauri Municipality (with regard the hotels having no less than 100 rooms), in the villages Anaklia and Ganmukhuri in recently built hotels having no less than 80 rooms. The permit is free within the 10 years upon it is awarded. The hotels are considered as a recently built within 3 years after the completion of construction works is officially certified by the State Authorities.
6. In order to obtain the gaming permit the person shall meet the special requirements defined by the law and special acts of the Government. The requirements are the following:
 - a) Casino Regulation that shall include: the list of tables in the casino, indicating the manufacturers number, title, date of production, manufacturing country; the minimum and maximum bets; the manual for operation; Gaming Rules; Rules of Conduct; the place and the time for issuance of prizes; the time for consideration of the claim;
 - b) Types of coins;
 - c) The types of games that are not indicated in Casino Regulations are prohibited to be offered.

Turnover of gaming venues in Georgia mln GEL (2009-2013)



Source: National Statistics Office of Georgia

Existing Casinos in Georgia

Tbilisi	Batumi	Rest of Georgia
Shangri La	Iveria (Radisson Blu Batumi)	Rooms Hotel Casino (Kazbegi)
Casino Adjara	Sheraton Batumi Casino	Ambassador Hotel (Kachreti) Casino
Casino Iveria	Intourist Palace Casino	
	Golden Palace Batumi Casino	

Source: Developers, Operators/Property Managers, Colliers International

Planned Casinos in Georgia

Tbilisi	Batumi
Melco Crown Entertainment Casino	Babillon Tower Casino
Sheraton Metekhi Palace Casino	Hilton Hotel Casino
	Crowne Plaza Casino
	Porta Batumi Tower

Source: Developers, Operators/Property Managers, Colliers International

Permit Fee According to Geographic location in Georgia

Geographic name	Permit fee
Tbilisi	GEL 5,000,000
Batumi	
Surrounding area of the Lake Bazaleti	GEL 250,000
Borjomi Municipality	
Kobuleti Municipality	
Tskaltubo Municipality	
Signaghi Municipality	
Bakuriani	-
Gudauri	
The rest of the country	GEL 5,000,000

Source: Colliers International

Cultural Entertainment

Cinemas

In the cinema industry of Tbilisi international operators are not represented and the market is submitted by three local operators: Rustaveli Cinema, Amirani Cinema and Cinema House accommodating up to 1,600 people. The vast majority of visitors are locals and resident Georgians.

Rustaveli Cinema is the largest movie theatre in Tbilisi, consisting of five screens of various sizes and one VIP cinema hall offering customers additional facilities. The largest hall of the cinema has a capacity of up to 400 seats. Rustaveli Cinema is operated by Rustaveli Cinema JSC, which also operates Amirani Cinema in Tbilisi and Apolo in Batumi.

The supply of movie theatres in Tbilisi will grow sharply in early 2015. A new branch of Rustaveli Cinema will be opened in Tbilisi Mall in 2015. Rustaveli Cinema also plans to open another branch in new shopping center Tbilisi East Point. This movie theatre will consist of 10 screens.

Small scale cinema houses are becoming increasingly popular in Tbilisi offering flexibility and more comfort to the Georgian audience. Several such movie houses are operating in the city, such as Cache and Cinema City.

The cinema market outside Tbilisi is less developed. Apolo is only movie theatre in Batumi. As regards Kutaisi, it is planned to open an entertainment center comprising cinema and bowling club. There are no movie theatres in the vast majority of Georgian cities.

The turnover of cinemas, theatres and museums amounted to GEL 48.4 mln in 2013. In the first half of 2014, the turnover of the sector amounted to GEL 21.8 mln.

Theatres & Concert Hall

The total capacity of theatres in the three main Georgian cities (Tbilisi, Batumi, Kutaisi) amounts to 7,000 seats. Tbilisi dominates supply with 22 theatres and 4,500 seats.

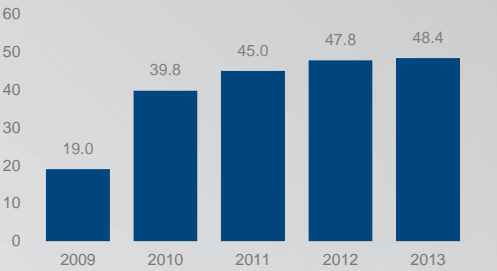
The major theatres in the county are Rustaveli State Drama Theatre, Marjanishvili State Drama Theatre, Tumanishvili Cinema Actors Theatre, Art and Music Centre in Batumi and Opera House in Kutaisi.

Tbilisi Concert Hall, with a capacity of 2,200 seats, is the largest hall in Georgia. It generally hosts important cultural events of Tbilisi.

The Refurbished Tbilisi Opera and Ballet Theatre is planned to open in the spring of 2015. Reconstruction has been underway since 2010.

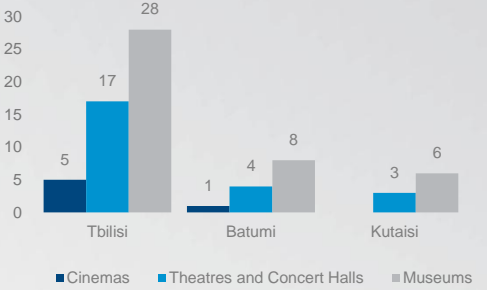
A new concert hall is being constructed in Guria, near the beach of Natanebi. Apart from the concert hall, the project will comprise a cinema, hotel and entertainment centre. The concert hall is planned to have capacity of 10,000 and it will open in May of 2015.

Turnover of cinemas, theatres and museums in Georgia mln GEL (2009-2013)



Source: National Statistics Office of Georgia

Number of Cinemas, Theatres, Concert Halls and museums



Source: National Statistics Office of Georgia
Colliers International

Cinemas in Georgia

Name	Location	Number of screens	Capacity
Rustaveli Cinema	Tbilisi	5	750
Amirani Cinema	Tbilisi	3	650
Cinema Apolo	Batumi	1	150
Cinema House	Tbilisi	1	150

Source: Developers, Operators/Property Managers, Colliers International

Main Theatres and Concert Halls in Georgia

Name	Location	Number of stages	Capacity
Rustaveli Theatre	Tbilisi	3	1,230
Marjanishvili Theatre	Tbilisi	4	780
Tbilisi Concert Hall	Tbilisi	1	2,200
Art and Music Centre	Batumi	1	1,100

Source: Developers, Operators/Property Managers, Colliers International

Museums

Georgia is a county of diverse cultures and traditions. Museums located in various parts of the country attract visitors with artefacts proving uniqueness of the region.

The vast majority of Georgian museums are concentrated in Tbilisi. The recently refurbished Georgian National Museum and the Ethnographic Museum, occupying 52 hectares of land, are the most visited places of the country.

Mestia is a historical part of Georgia attracting visitors with unique architecture ("Svan Towers"). The Historical and Ethnographical Museum of Mestia preserves artifacts of the

noble family Dadeshkeliani dating back to the middle ages, an exhibition of Vittorio Sella's prints and samples of metal chasing work from the 11th century.

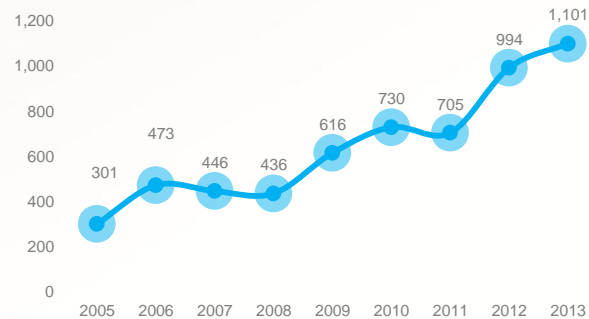
In the near future the Fine Art Museum of Tbilisi will be opened on the central avenue of the city. The museum will launch in 2016. The first and second floors of the building will be assigned to an exposition center and offices for administration. The museum will occupy the upper three floors of the complex.

Museums in Georgia

Name	Location
Ethnographic Museum	Turtle Lake Highway, Tbilisi
Georgian National Museum	3 Rustaveli avenue, Tbilisi
Soviet Occupation Museum	3 Rustaveli avenue, Tbilisi
Kutaisi State Historical Museum	Tsereteli Street, Kutaisi
State Art Museum of Adjara	8 Gorgiladze street, Batumi

Source: Developers, Operators/Property Managers, Colliers International

Number of Museum Visitors in Georgia (thousand person)



Source: National Statistics Office of Georgia

Planned Cinemas, Theatres, Concert Halls and Museums in Georgia

Type	Location	Number of screens/stages	Capacity	Completion date
Cinema	Tbilisi East Point	10 screens	1,800 seats	2015
Cinema	Tbilisi Mall	5 screens	650 seats	2015
Tbilisi Opera and Ballet Theatre	25 Rustaveli avenue, Tbilisi	1 stage	1,065 seats	2015
Concert Hall	Guria, near the beach of Natanebi	1 stage	10,000 seats	2015
Museum	7 Rustaveli avenue, Tbilisi	-	-	2016

Source: Developers, Operators/Property Managers, Colliers International

Number of Theatre Visitors in Georgia (thousand person)



Source: National Statistics Office of Georgia



Active Entertainment

Stadiums and sports complexes

The reported turnover of sport complexes and stadiums amounted to GEL 24.8 mln in 2013, which is 2.3 times higher than the same figure for 2009. Turnover increased rapidly in 2012 as a result of new football transfer agreements. In the first half of 2014, turnover of the sector amounted to GEL 10.4 mln.

Tbilisi is the most developed region in Georgia for sports infrastructure. Two large stadiums (Boris Paichadze Tbilisi Dinamo arena and Mikheil Meskhi Stadium) are operating in the capital, with the third one (rugby stadium) in the pipeline.

Tbilisi will host the Youth Olympic Games, the UEFA Super Cup in 2015, the Chess Youth Olympiad 2015, the Junior World Wrestling Championship 2016, the European Under 19 Football Championship 2016-2017 and the Handball Men's Youth World Championship 2017. The government actively supports the development of sports infrastructure in Tbilisi.

A new sports complex is being constructed near Park Mziuri. The complex will host the 2015 Youth Olympic Games and will comprise a central open court with a capacity of 850 seats, eight open courts and two indoor tennis courts accommodating an audience of up to 300.

It is also planned to develop the area of "Dighmis Chalebi". Under the plan, a water sports complex will also launch in 2015 as a part of the Youth Olympic Games. The complex will be located in Dighomi and will consist of two swimming pools, a gym, fitness centre and sauna.

The existing players in the Georgian aqua park market are Euro Park, the recently opened Gino Paradise in Tbilisi and Aqua Lazika in Anaklia. Euro Park manages four aqua parks throughout Georgia. Its complexes are located in Tbilisi, Batumi, Kutaisi and Telavi. Gino Paradise operates an aqua park which is spread over 22 hectare land plot and includes several swimming pools, saunas and a spa centre.

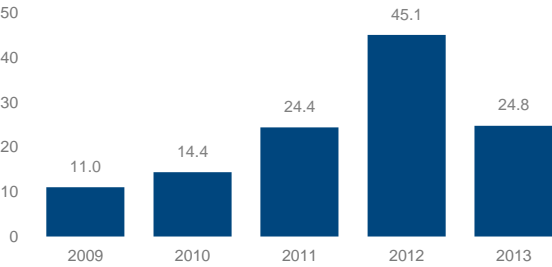
Health and well-being is growing in popularity, encouraging the development of fitness clubs in Georgia. Major market players are the Aspria Fitness, Club 71, GYM 1 and Arena. Market is dominated by Aspria Fitness currently operating four branches throughout the city. The fitness clubs market is underdeveloped in the rest of country.

A European-standard golf club was recently opened in Kachreti, in proximity to Hotel Ambasadori. It is the first international-standard golf club in the South Caucasus, located on a 35 hectare land plot. The golf club is becoming increasingly popular among foreign travelers.

A rugby stadium is being constructed in Tbilisi, near the US embassy. The stadium will have a capacity of 30,000.

A European standard football stadium is also being built in Batumi, planned to complete in 2017. In Kutaisi, a rugby sports complex on Gamsakhurdia Street is under construction. Complex comprises four stadiums, two of them are already open. Complex will be fully completed in the summer of 2015.

Turnover of sports complex, stadiums and sports clubs in Georgia mln GEL (2009-2013)



Source: National Statistics Office of Georgia

Existing Stadiums in Georgia

Name	Location	Capacity	Sport
Boris Paichadze Tbilisi Dinamo Arena	Tbilisi	55,000	Football, Rugby
Mikheil Meskhi Stadium	Tbilisi	27,000	Football, Rugby
Tbilisi Sports Palace	Tbilisi	9,000	Basketball, Judo
Shevardeni	Tbilisi	3,000	Football
Kutaisi Central Stadium	Kutaisi	14,000	Football, Rugby
Kutaisi Rugby Stadium	Kutaisi	5,000	Rugby

Source: Developers, Operators/Property Managers, Colliers International

Planned Stadiums and Sports Complexes

Name	Location	Capacity	Completion date
Rugby Stadium	Tbilisi	30,000	N/A
Rugby Stadium Lelo	Tbilisi	3,000	2015
Batumi Dinamo Stadium	Batumi	20,000	2017

Source: Developers, Operators/Property Managers, Colliers International

Name	Location	Additional info	Completion date
Tennis Courts	Near Mziuri Park, Tbilisi	11 Courts	2015
Swimming Pool	"Dighmis Chalebi", Tbilisi	2 Swimming Pools	2015

Source: Developers, Operators/Property Managers, Colliers International

Theme parks

Mtatsminda Park and Tsitsinatela Park are the largest amusement parks in Georgia. Mtatsminda Park is located in Tbilisi, occupying a 100 hectare land plot. The park is open throughout the year and the total number of visitors varies between 700,000 and 800,000 per year.

Tsitsinatela park is located in Guria, between the sea resorts Ureki and Kobuleti. The park is open during the summer season and serves about 300,000 visitors per year.

There are two zoos in Georgia, located in Tbilisi and Batumi. The City Hall plans to move Tbilisi Zoo from the city centre to the surrounding area of Tbilisi Sea. The new zoo will occupy a total area of 45 hectares. One of the attractions of Batumi is dolphinarium, impressing visitors with amazing shows.

There are six botanical gardens, located in the following regions of Georgia: Tbilisi, Batumi, Kutaisi, Zugdidi, Bakuriani and Sokhumi.

During the next two to three years, the Tbilisi Municipality City Hall plans to develop Mziuri Park and the surrounding area of the high-rise buildings of TSU for recreation purposes.

Existing Parks in Georgia

Name	Location	Visitors per year
Mtatsminda Park	Mtatsminda Plateau, Tbilisi	700,000-800,000
Tsitsinatela Park	Guria, between the town Ureki and the city Kobuleti	300,000
Tbilisi Zoo	Vake-Saburtalo district, Tbilisi	500,000
Mushtaidi Park	Didube-Cugureti district, Tbilisi	150,000
Rose Revolution Park	Gldani-Nadzaladevi district, Tbilisi	90,000
Botanical Garden	Tbilisi	120,000
Vake Park	Vake-Saburtalo district, Tbilisi	N/A

Source: Developers, Operators/Property Managers, Colliers International



Ski resorts

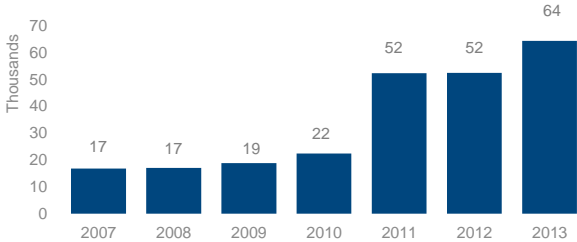
Gudauri, Bakuriani and Mestia are the major ski resorts located in different regions of the country. Ski tourism has been actively developing during recent years. Artificial snow machines have already been installed in Gudauri and Bakuriani, which will guarantee decent snow base on ski runs and increase number of guests visiting the resorts. Stable demand will stimulate new local and foreign investments in Gudauri and Bakuriani.



Bakuriani is a ski resort in the Borjomi region, located on the northern slope of the Trialeti Mountain Range, at an elevation of 1,700 metres above sea level. Bakuriani is located 2.5 hours drive from Tbilisi. The resort attracts a wide variety of tourists for skiing and winter sports.



Number of Hotel Guests in Gudauri, Bakuriani and Mestia



Source: National Statistics Office of Georgia

Gudauri is a ski resort located on the southern slopes of the Caucasus Mountain Range at an elevation of 2,196 metres above sea level. Gudauri lies 120 km to the north of Tbilisi. The resort offers high-quality skiing opportunities, including free ride and heli-skiing. The total length of ski lifts in Gudauri amounts to around 10 km . The slopes of Gudauri are completely above the tree line and are best for free-riders. From winter 2014-2015, Gudauri will have artificial snow, so the skiing season will last from December to April.



Mestia is a relatively new ski resort. It has only two ski runs for now, but the climate in Svaneti gives it potential to grow and become one of the best ski resorts in Georgia. Mestia is four hours drive from Kutaisi – the nearest international airport. The resort attracts tourists with its skiing and hiking opportunities in the winter and summer accordingly. Mestia is one of the most beautiful places in Georgia, with picturesque views of the Caucasus Mountains and ancient Svanetian Towers.

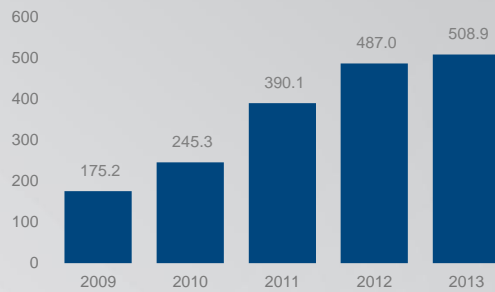
Existing Ski Resorts in Georgia

	Number of ski runs	Total length of ski runs	Snowmaking	Top elevation	Number of cableways	Distance from main city
Gudauri	19	57 km	10 km	3,260 m	6	Tbilisi - 120 km
Bakuriani	17	19 km	3 km	2,700 m	15	Tbilisi - 180 km
Mestia	4	5 km	-	2,350 m	1	Kutaisi - 204 km

Source: Mountain Resorts Development Company, Colliers International

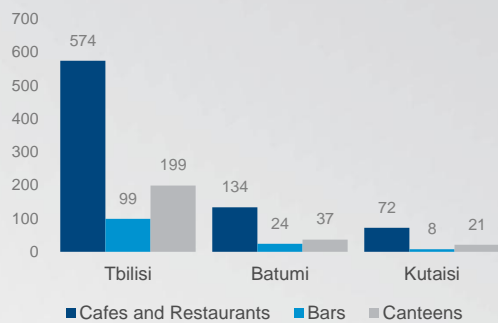
The Government of Georgia is supporting the development of Goderdzi Pass territory as a ski resort. Currently, the construction of a ski run has been completed. The resort is located at an elevation of 2,350 metres above sea level.

New ski runs are being constructed on the mountain Tetrnuld. The resort will comprise eight runs accumulating a total length of 70 km. The ski run will be the longest in the Caucasus – 9.5 km, with the biggest vertical drop – 1.7 km. The project is planned complete by the end of 2015.



Source: National Statistics Office of Georgia

Number of Cafes, Restaurants, Bars and Canteens (2014 August)



Source: National Statistics Office of Georgia

Main Market Players

Operator	Brands
MGroup	In the Shadow of Metekhi, Bread House, Maspindzelo! and Otium
GMT Group	Chela, Puri Guliani, Function Suite, Lounge Bar Funicular and Restaurant Funicular
AMS Group	Shemoikhede Genatsvale and Dzveli Kalaki
Kala Group	Café Kala, Acid Bar, Café Near Opera, 19 and KGB

Source: Colliers International



Gastronomy & Wine Tourism

Restaurants, cafes and bars

The turnover of cafes and restaurants has been growing rapidly since 2009 and reached GEL 508.9 mln in 2013. The highest increase occurred in 2011, when the growth amounted to 59%. According to statistics, types of visitors are corporate (30%) and individuals (70%). In total 75% of visitors are locals and only 25% tourists, of which the vast majority is represented by post Soviet countries.

Supply is dominated by traditional Georgian restaurants providing national dishes and unique environment. Cheese and meat are the main ingredients most of the meals, cooked with walnut, garlic and lots of herbs. The most popular Georgian dishes are Khinkali (Georgian dumpling, mostly filled with spiced meat, herbs, onions, and garlic) and Khachapuri (flatbread filled with cheese or mixture of cheese and butter). Traditional Georgian restaurants provide memorable experience attracting Georgian as well as foreign visitors. Share of traditional Georgian restaurants in total supply in Tbilisi equates 68%. The same figure for Batumi and Kutaisi is 50% and 74%, accordingly.

Foreign cuisine takes up a relatively small proportion of total supply. Eastern dishes are more or less new for Georgian society and are steadily growing in popularity. Foreign traditional restaurants take up 14% and 13% of total supply in Tbilisi and Batumi accordingly.

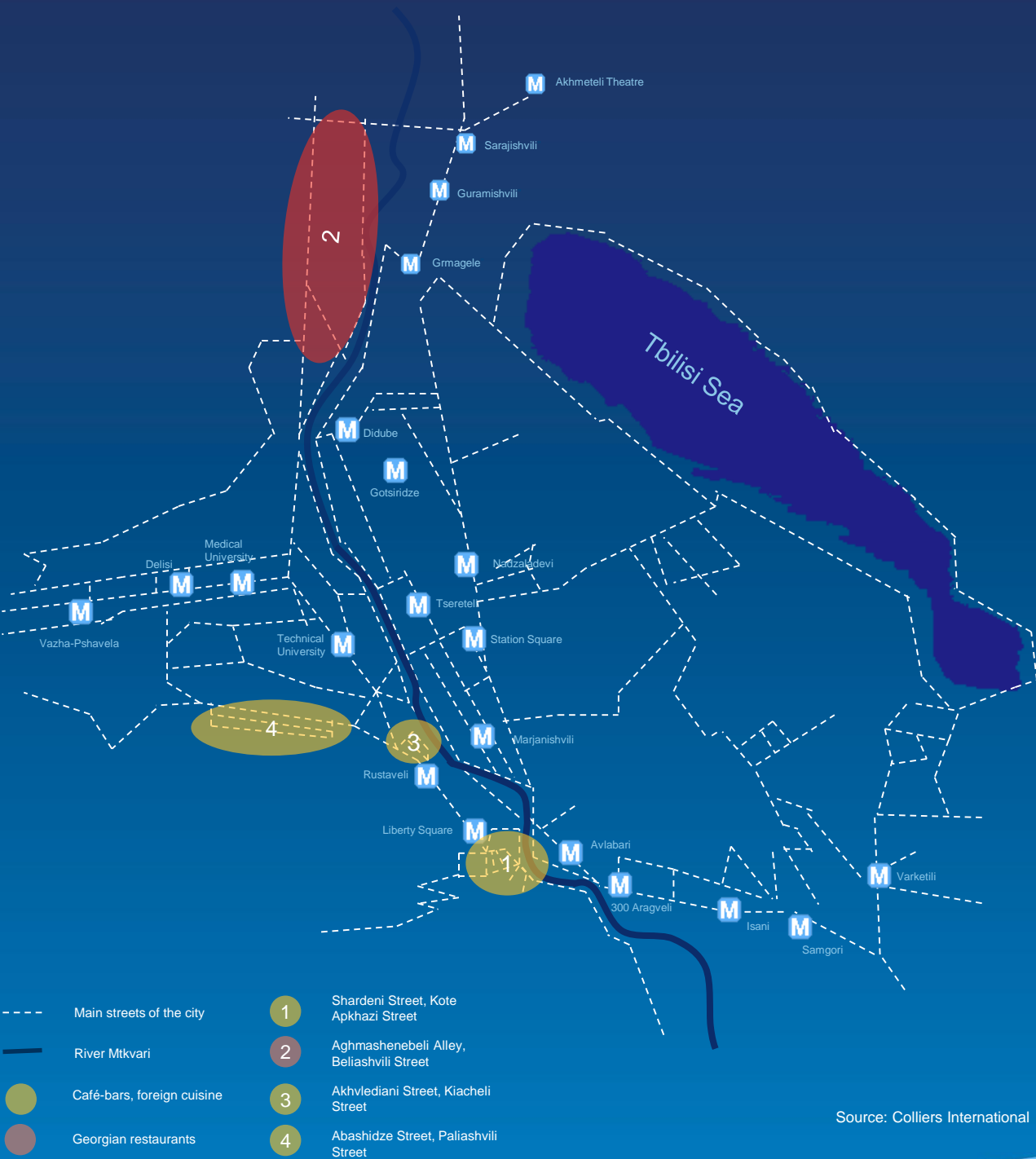
The share of mixed restaurants (Georgian, European and Asian cuisine). the restaurants providing international dishes is the highest in Batumi and equates 34%. The same figure for Tbilisi and Kutaisi is 18% and 19% accordingly.

Old Tbilisi is the historical part of the city attracting foreigners with its old-style balconies, ancient churches and winding streets. High tourist activity encourages the development of restaurants in the district. Foreign tourists frequently visit restaurants located in Old Tbilisi, their share in total demand is about 40%-50%.

The majority of café-bars and restaurants are concentrated in Tbilisi and Batumi. The development of the gastronomy market in Batumi is mainly encouraged by the growing amount of tourists in the city. As regards Kutaisi gastronomy is relatively underdeveloped and it is dominated by traditional Georgian restaurants.

New restaurant complex is being constructed in the center of Tbilisi, under the Rose Revolution Square Redevelopment Plan. Project will be completed by the end of 2015.

Main Restaurant Locations in Tbilisi



Wine tourism

Georgia is one of the oldest wine regions in the world. The mention of the ancient traditions of vine growing in Georgia (or Colchis and Iberia as it was known in ancient times) can be found in the works of Homer and Apollonius of Rhodes. Up to 500 indigenous grape varieties are still cultivated in Georgia. Among them should be mentioned Rkatsiteli, Chinuri, Saperavi, Aladasturi and Tavkveri. UNESCO added the ancient traditional Georgian winemaking method using the Kvevri clay jars to the UNESCO Intangible Cultural Heritage Lists.

Wine tourism has great potential in Georgia due to an abundance of wines, terrain features, the diversity of Georgian folklore and traditional Georgian food.

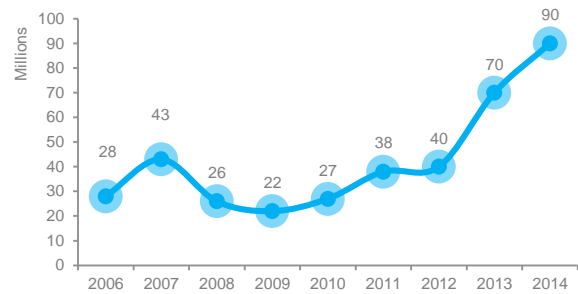
Château Mukhrani is among the historic vineries producing high quality product and attracting tourists with a unique experience. It was founded 1878 by the Prince of Mukhrani, heir of the royal family of Georgia. Abandoned during the former Soviet Union, the castle and domain was completely renewed in 2003 by Marussia Beverages and Georgian shareholders. Château Mukhrani, with its heritage, quality, unique domain and cellars is a key attraction in the Georgian wine industry.

Several wineries, which are concentrated mainly in Kakheti, offer their guests the opportunity to get acquainted with winemaking technology, to visit vineyards and to take part in

wine testing. These wineries include:Chateau Mere and Schuchmann wines Georgia, Besini, Shumi, GWS and Chateau Telavi.

Tbilisi also offers wine tasting opportunities. Wine stores are mainly concentrated at proximity to Gorgasali Square and Kote Apkhazi Street. Among them should be mentioned recently opened store Meidan-Bazaar. In the heart of Tbilisi it provides special experience for tourists: vast variety of unique Georgian wine, national hats, costumes and handmade souvenirs.

Wine Production in Georgia (litre)



Source: Georgian Wine Agency





Conclusions and Outlook

With a relatively narrow domestic demand base and a strong need for tourism infrastructure improvements, the entertainment industry in Georgia is in a very early stage of development. Until recently, the gaming business was heavily promoted by the government regulations and give the country a competitive advantage in the region. Until now, only Tbilisi and Batumi, in particular, have benefitted from this.

The low level of supply in this sector is perhaps best illustrated by the fact that the capital Tbilisi accommodates just three movie theatres. Other cultural entertainment facilities are also highly limited throughout the country, with just a handful of (often outdated) museums and concert halls.

This also applies to active entertainment, with a small number of sport complexes and just two relatively small zoo-parks in the entire country.

The relocation and development of modern zoo was recently announced by Tbilisi City hall near the Tbilisi Sea. In the city

with a population around 1.2 million inhabitants this may become another investment opportunity for international investors and zoo operators.

The only area where significant developments are taking place is in ski-resorts, with three main locations in Georgia improving their infrastructure and guest facilities. The number of foreign investors and international hotel operators in Gudauri and Bakuriani are recent testimony to latent potential of this segment of the market.

The main development opportunity, however, is related to Georgia's unique gastronomic culture, featuring the oldest wines in the world and a highly distinct cuisine. With an abundance of unspoiled natural beauty, gastronomic & eco-tourism in Georgia offers a myriad of possibilities. Combined with hotel/resort development prospects, increased investment by both domestic and foreign capital are anticipated in the coming years.

Appendix 1

Registration of Property, Construction Permits

Registration of Property

In Georgia, the National Agency of Public Registry is the state institution responsible for registration of property, registering both transfers between private entities and state-owned properties.

In case of private transfer, the purchaser has two options:

- Via a notary – contract drafting and legalization by the notary and subsequent registration. The notary assumes responsibility for the content of the draft and its legalization. The presence of a translator and his signature on the bilingual purchase document is required and the translator assumes responsibility for the authenticity of texts. Time for preparation of the bilingual document and its legalization varies depending on the notary
- Via the National Agency of Public Registry – direct submission of the purchase contract for legalization

and registration. In this case, the bilingual purchase document is to be drafted directly by both parties or by their authorized representatives. The Agency's representative certifies the signatures and may provide recommendations if the document is not accurately drafted, but does not carry any responsibility for the validity or its content.

The National Agency of Public Registry is represented in: a) Public Services Halls (Tbilisi, Gori, Kutaisi, Batumi, Ozurgeti, Mestia, Zugdidi, Rustavi, Marneuli, Gurjaani, Telavi, Kvareli and Akhaltsikhe) and b) regional departments of the National Agency of Public Registry (located in cities throughout the country).

In case the property is purchased from the state/municipality (privatization, auction or other form of purchase) the documents should be submitted directly to the Agency.

Construction Permits

For the purposes of construction, buildings are divided into 5 types:

- 1st class buildings – no construction permit is required;
- 2nd class buildings – buildings with low risk factors;
- 3rd class buildings - buildings with medium risk factors;
- 4th class buildings - buildings with high risk factors,
- 5th class buildings – buildings with very high risk factors.

The permit issuance process is divided into 3 stages:

- Stage I – Statement of urban construction terms
- Stage II – Approval of architectural-construction project
- Stage III – Issuance of Construction Permit

State organs responsible for the issuance of permits:

Local self-governmental (municipal) organs – for II, III class buildings within the municipal territory (at stages I and II) except from Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi.

Local self-governmental (municipal) organs – for IV class buildings (at stages I and II) with the participation of corresponding state organs

Local self-governmental (municipal) organs – for II, III and IV class buildings (at III stage) independently (including Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi)

Tbilisi Municipality City Hall - for II, III and IV class buildings in Tbilisi Municipality (at all stages) independently

Corresponding local organs of Adjara Autonomous Republic and Abkhazia Autonomous Republic - for II, III and IV class (at all stages) on the territory of the Autonomous Republics

Local self-governmental (municipal) organs – II, III and IV class buildings (at stages I and II) for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi – with the participation of the Ministry of Economy and Sustainable Development.

Ministry of Economy and Sustainable Development – for V class buildings

Ordinary terms per each stage (working days):

Stage I

- 12 days for II and III class buildings
- 15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise
- 30 days for V class buildings

Stage II

- 18 days for II and III class buildings
- 20 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise and for V class buildings

Stage III

- 5 days for II, III and IV class buildings
- 10 days for V class buildings

Exceptions:

The special terms for permission process:

Construction permits concerning:

III class buildings with an intensity coefficient up to 1500 sqm. and for buildings with a height of up to the 14 meters that will be located on the territories where urbanization regulatory plans do not exist and are organized according to land use or which are organized according to the perspective development regulatory plans on the territory of Tbilisi – the permission process may involve II and III stages only

The simplified permit procedure may involve just 2 stages and the permit is issued in the second stage.

The terms for the simplified procedure are as follows:

- Stage I – 12 days for II and III class buildings
- 15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (including V class buildings), also for all buildings that require ecological expertise.
- Stage II (issue of permit) – 20 days for all classes

Appendix 2

Primary Information Sources, Data Used for the Study
Definition and Assumptions

Primary Information Sources, Data Used for The Study Definition and Assumptions

In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.



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under management

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and staff

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