LOGISTICS

Georgian National Investment Agency 2015

INVEST IN GEORGIA

GEORGIAN NATIONAL INVESTMENT AGENCY

GEORGIA - COUNTRY OVERVIEW

Area:	69,700 sq km	GDP 2014:	USD 16.5 bln
Population:	4.5 mln	Literacy:	100%
Life expectancy:	75 years	Capital:	Tbilisi
Official language:	Georgian	Currency (code):	Lari (GEL)

REGIONAL LOGISTICS CORRIDOR

TRANS-CAUCASIAN ROUTE

- Latent gateway between Europe and Central Asia
- Around 60% of all types of overland international freight throughput are transits
- Great potential of better integration and development of the Region

TRANSPORT INFRASTRUCTURE

- Rapidly developing road infrastructure
- Ports are cost-competitive vs. alternative routes
- FDI inflows in the logistics sector have primarily targeted transport infrastructure

OPPORTUNITIES

- Deep-sea port with natural drafts for PanaMax vessel
- Containerization and logistical centers
- Direct connection with European and Central Asian railway networks (BTK project)

TRANSPORT NETWORK IN GEORGIA

Poti seaport
- 15 berths, 8-11m draft
- Container(500k TEU) oil products /bulk (10 mln. t/year)
- APM terminals
- New ICT

Batumi seaport
- 11 berths, 1 offshore, 9-12m draft
- Oil/prodcuts (15mln. t/year), bulk (2mln. t/year), containers (100 000 TEU)
- JSC KazTransOil

Kuhlevi oil terminal
- Crude oil, petroleum, and l ubricants (6mln. t/year)
- State Oil Company of Azerbaijan

Supsa oil terminal
- Crude oil and petroleum capacity 8mln t /ear

Deep-sea port
- 18-20m natural draft
- First three phase: (12 year) Dry bulk (40mln tons)
- Up to USD 1.5 bln investment volume

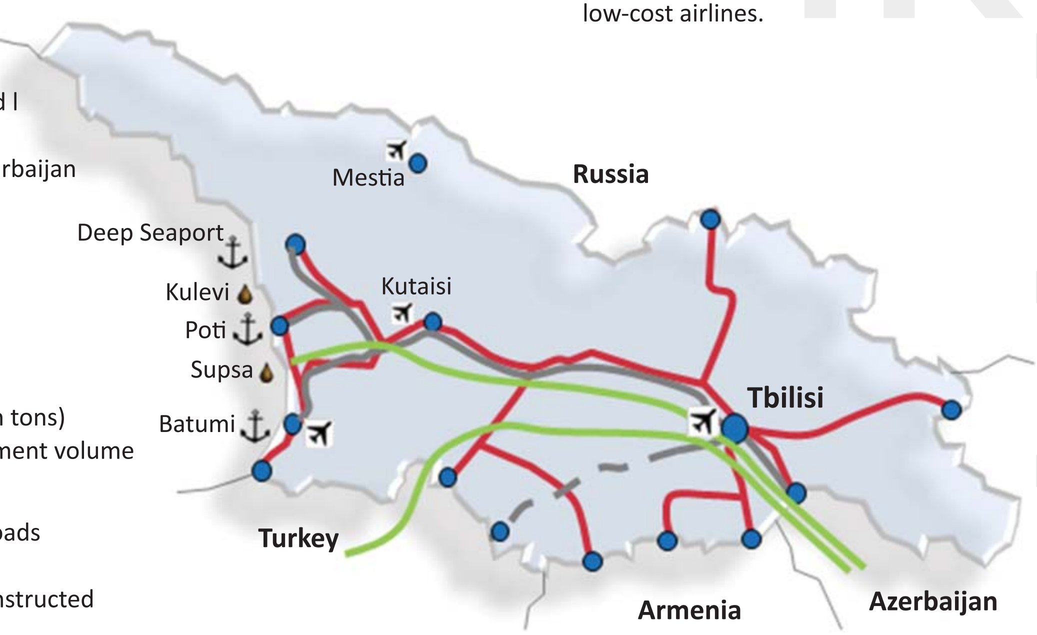
Main Road Network:
- 1 500 km international roads (20 000 km all roads)
- 150 km new Highway constructed

Railway:
- Infrastructure: 2 100 km (95% electrified); modernization in progress (30mln t/year)
- Rolling Stock: existing ~8 000; planned ~2 500
- Baku-Tbilisi-Kars(2015): link with Turkish railway networks (5 mln t/year)

Tbilisi international airport
- 1,575,386 million passengers in 2014
- Capacity: 3 million passengers
- Serving 35 destinations

Batumi international airport
- 213,439 passengers In 2014

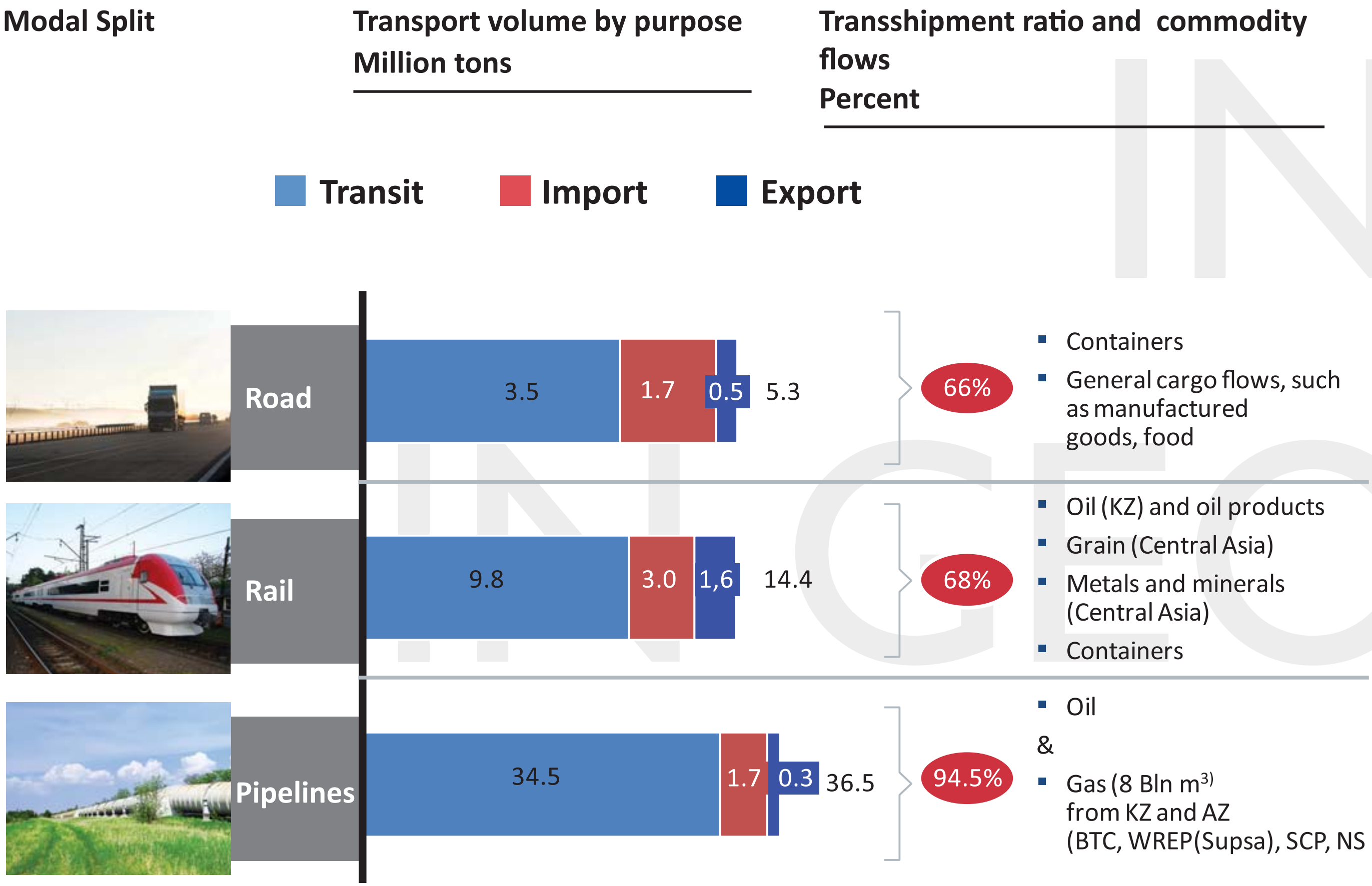
Kutaisi international airport
- 218.003 Passenger in 2014, incl. low-cost airlines.



Mestia national airport
Oil/Gas Pipelines
- Baku-Supsa (7 mln t/year)
- Baku-Ceyhan (45mln t/year)

GEORGIA IS IN A HIGHLY STRATEGIC LOCATION FOR TRANSSHIPMENT

GEORGIA'S EXISTING TRANSPORT ECONOMY IS ALREADY TRANSIT BASED – IN CROSS-BORDER SHIPMENTS ROAD/RAIL AND PIPELINES HAVE TRANSIT RATIOS OF ~65% AND ~95% (2014)



TAXATION AND CUSTOMS – MOST MODERN AND EFFICIENT SYSTEM IN THE NEIGHBORING REGION

Tax and Customs Departments under an umbrella of State Revenue Service of the Ministry of Finance of Georgia

ADMINISTRATION

- Transparent
- Fast and Efficient – average time for import clearance 15 minutes
- Up to 15 Days deferred payment of Customs tax/VAT for importers

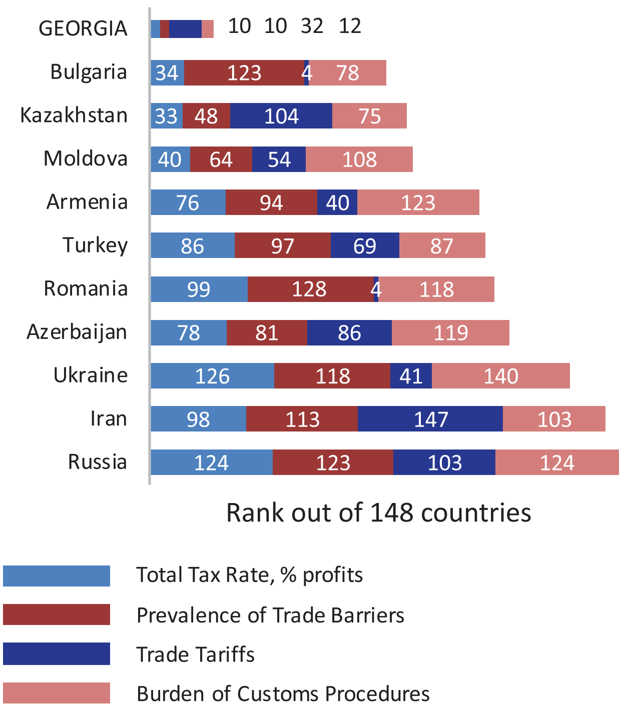
INFRASTRUCTURE

- Network of modern Customs Clearance Terminals
- Cargo inspection/Cross-Dock modern equipment and facilities

SERVICES

- Preliminary Customs Declaration;
- Self-service for customs clearance of cars;
- Online Services for remote clearance (Including Tax returns)

Country Rankings by Goods Flow Regulations



Source: The World Economic Forum, GCI 2013-14 adapted

OVERVIEW OF GEORGIA'S LOGISTICS SECTOR

Value generation through transit service provision

- Logistics accounts for around 10.5% of GDP in 2014

Georgia is in a highly strategic location for transshipment

- Strategic location: It serves as an entry gate to the Caucasus and Central Asia as well as a stepping stone to the region
- Leveraging its location, Georgia's transport economy can benefit from large addressable transit flows, growing economies and landlocked resources
- Georgia is already largely transshipment oriented, with transshipment values amounting to ~3x its GDP

There is latent demand for transport infrastructure in Georgia

- Latent demand for transport infrastructure

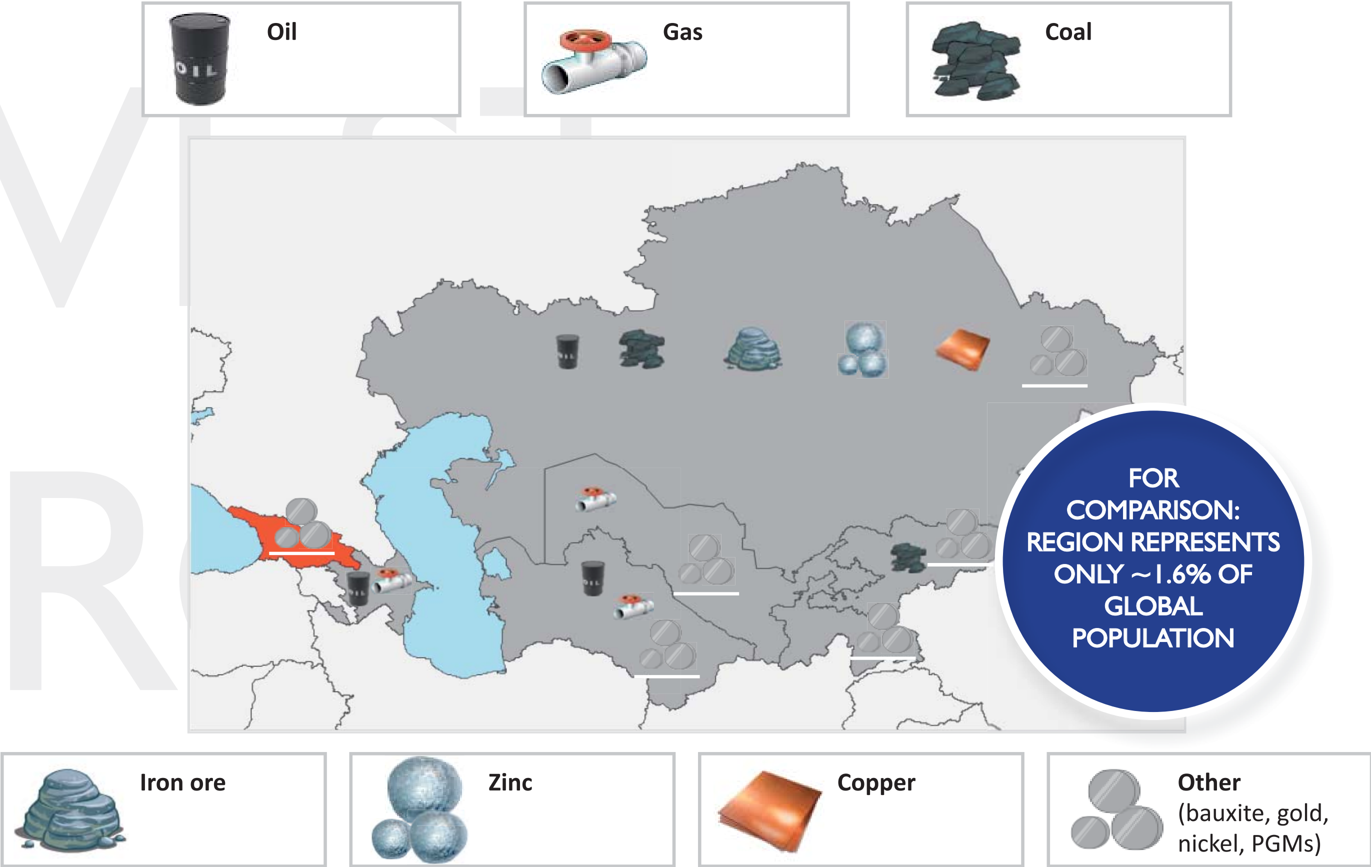
– The current capacity compared to potential flows on the East-West corridor present a latent opportunity to Georgia as a transshipment economy

–However, current infrastructure not sufficient

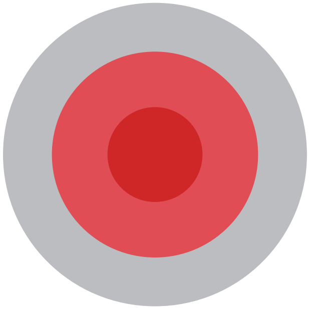
Upgrading infra-structure offers huge economic and geo-strategic potential

- Strategic location and latent demand for infrastructure offer potentially huge economic opportunity/ geostrategic stake for Georgia (direct GDP impact, economic integration, connection of the economy)

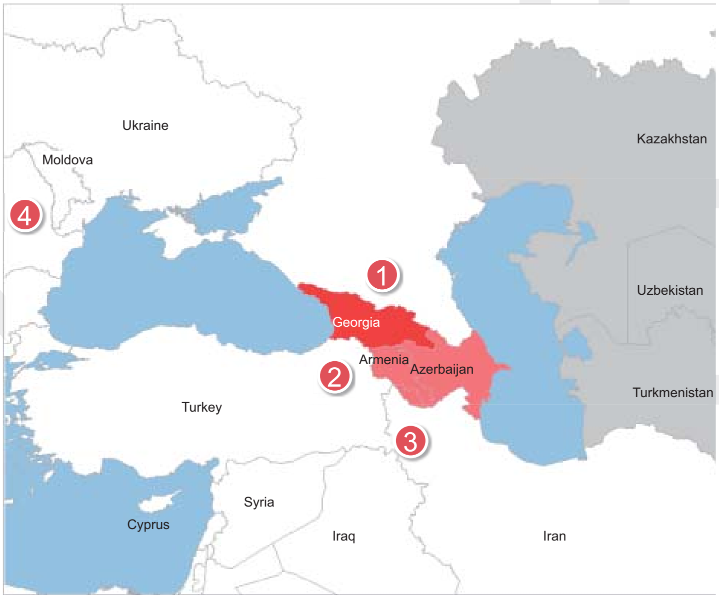
GEORGIA SERVES AS THE ENTRY GATE TO A LANDLOCKED REGION BOOSTING SIGNIFICANT RESOURCE RESERVES



GEORGIA IS IN A HIGHLY STRATEGIC LOCATION: IT SERVES AS AN ENTRY GATE TO THE CAUCASUS AND CENTRAL ASIA AS WELL AS A STEPPING STONE TO THE REGION



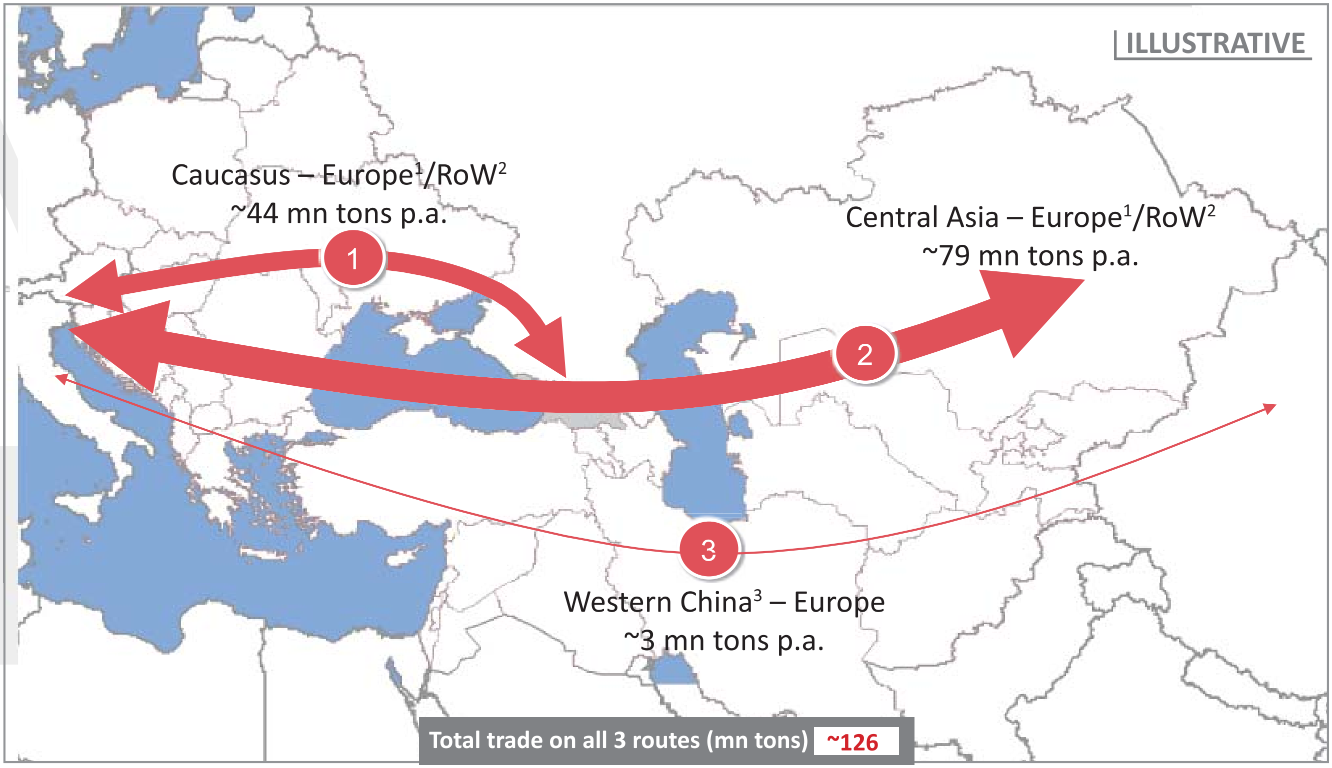
		mn[1]	GDP USD bn[1]
Georgia		4.5	16,5
Caucasus		17	110
Land locked countries		121	380
Stepping stone	1 Russia South[2]	23	164
	2 Turkey	74	820
	3 Iran	75	368
	4 EU	504	17 TN



1 Population and GDP, numbers cumulative (apart from stepping stone countries)

2 Includes Russia's Southern Federal District and North Caucasian Federal District

GEORGIA CAN UTILIZE ITS LOCATION TO ADDRESS SEVERAL FLOWS ON THE MAJOR EUROPEAN-CENTRAL ASIAN TRADING ROUTES



1 Including Eastern Europe, Balkans and Turkey

2 Excluding Central Asia, Asia and Middle East

3 Estimated using total export volume by province

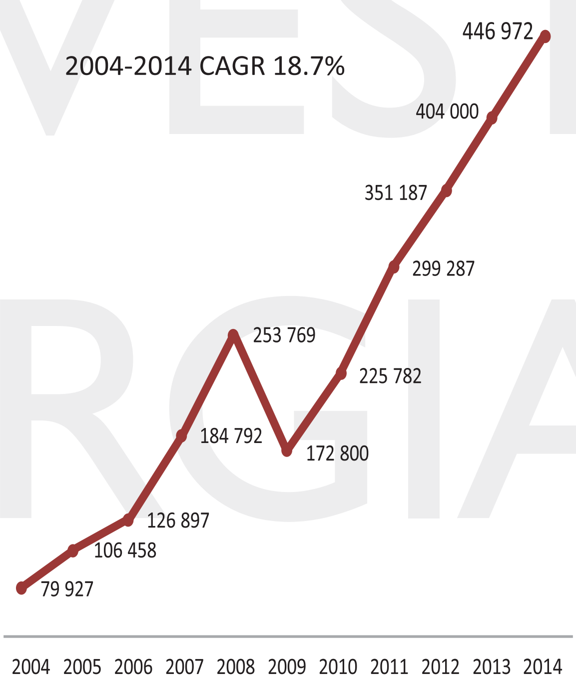
RELIABLE TRANSIT ROUTE, EAST-WEST AND SOUTH NORTH CORRIDOR

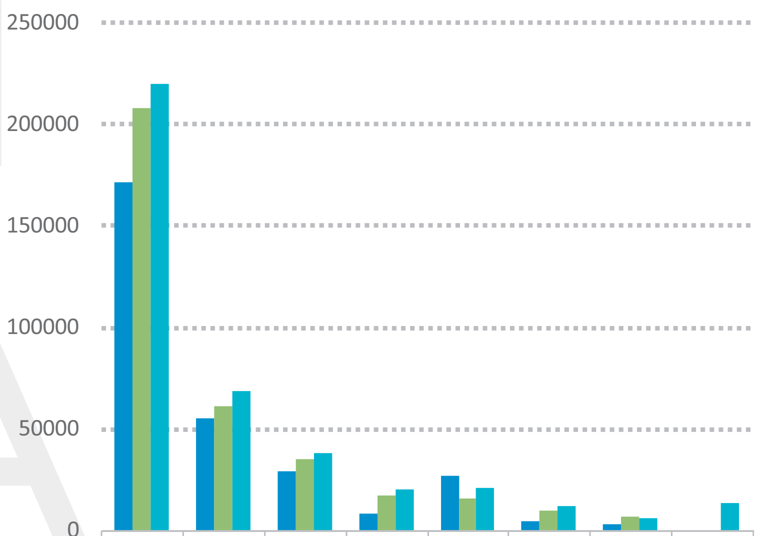
The western part of China is in a process of rapid development, 53.87 BLN USD is already invested in these regions, in next 2 years investments in these regions will reach minimum 114 BLN USD. This is an opportunity, as Georgia is a part of Eurasian corridor and the historical Silk Road

Georgia serves as a secure window for the South-East countries to the North-East. Ongoing infrastructural projects in Region opens a huge opportunities for the transportation.

WITH CURRENT PORT INFRASTRUCTURE GEORGIA MANAGES TO ACCOMMODATE THE FASTEST GROWING VOLUMES OF CARGO TYPE - CONTAINERS

Georgian Ports Container Throughput (TEU)



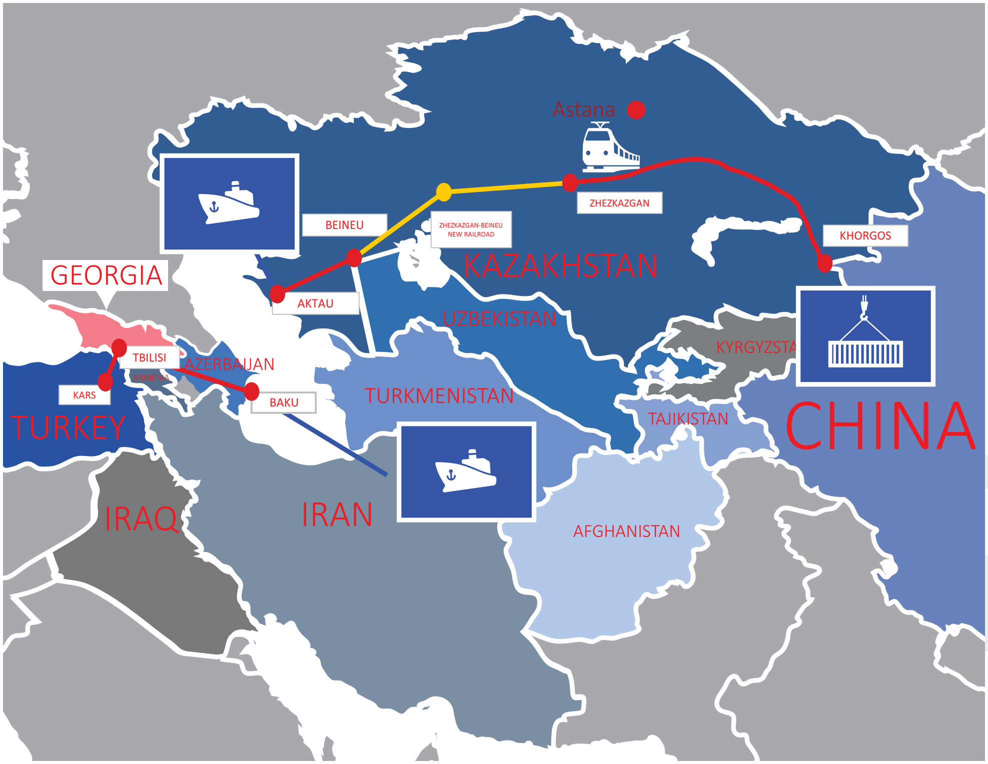


	MSC	Maersk	CMA-CGM	Zim	Norasia	Arkas	Hapag-Lloyd	Evergreen
2011	17159	55250	29234	8472	27079	4721	2934	0
2012	20844	61655	35658	17845	16246	10109	7296	0
2013	22023	68999	38078	20401	20901	11819	5806	13311

Source: Ministry of Economy

Source: The World Economic Forum, GCI 2013-14 adapted

ONGOING LOGISTICS INFRASTRUCTURE UPGRADES ON CHINA – CENTRAL ASIA – CAUCASUS ROUTE TO BE COMPLETED BY 2016



China

- Western China / Kazakhstan border – Khorgos-East Gate Transshipment/ multimodal Terminal and Free trade Zone, capacity 6mln tons (2015)

Kazakhstan

- Construction of new Rail link reduces route by 1200km (2015)
- Increase of Aktau Trade Sea port capacity to 25mln tons (2016)

Georgia

- Construction of Rail bypasses 120km (2015); Baku-Tbilisi- Kars (BTK) Construction of new rail line 180km;

Azerbaijan

- New Baku Trade Sea Port capacity (2015): Liquid/ Bulk 25mln tons; Containers 1 mln TEU; (BTK) Rail network upgrade 503km

THE INFRASTRUCTURE VISION – ANAKLIA DEEP-SEA PORT OPENS UP A GATE FOR GEORGIA'S AND THE CORRIDOR'S TRADE FLOWS

The vision – a deep-sea port

Required infrastructure - First Phase

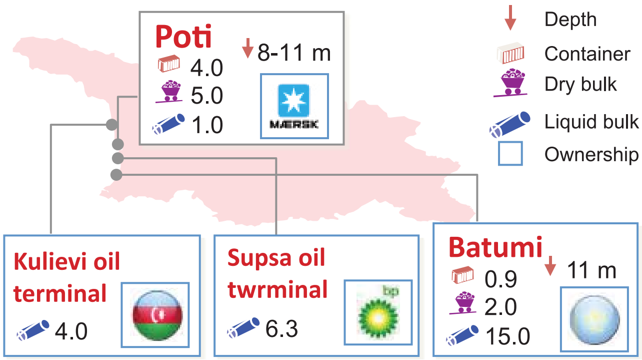
- Deep sea port of Anaklia
  - berths for PanaMax and larger sizes
  - 18-20 m natural draft
- BOT project for 49 years
  - I phase - in 3 years 7 million tons annual turnover
  - II phase - in 7 years 20 million tons annual turnover
  - III phase - in 12 year 40 million tons annual turnover
  - IV phase 12 years and more, 100 million tons annual turnover
- The GOG will provide 1000 ha of land with necessary infrastructure Railway connection
- The port to be able to receive vessels with capacity at least 6,500 containers

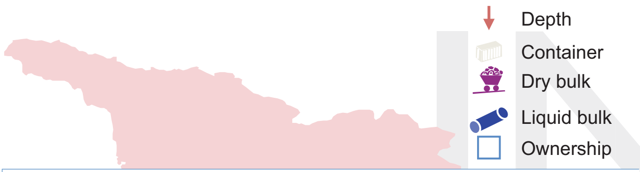
- ADDS CAPACITY TO EXISTING PORTS
- CHANGES PORT ECONOMICS

IN ABOUT A DECADE DEEP-SEA PORT WILL ADD SIGNIFICANT CAPACITY TO CURRENT PORTS …

Million tons

Current port capacity	Anaklia Deep-sea Port (three phazes)





Deep-sea port

14.0 (≈450 k TEU)

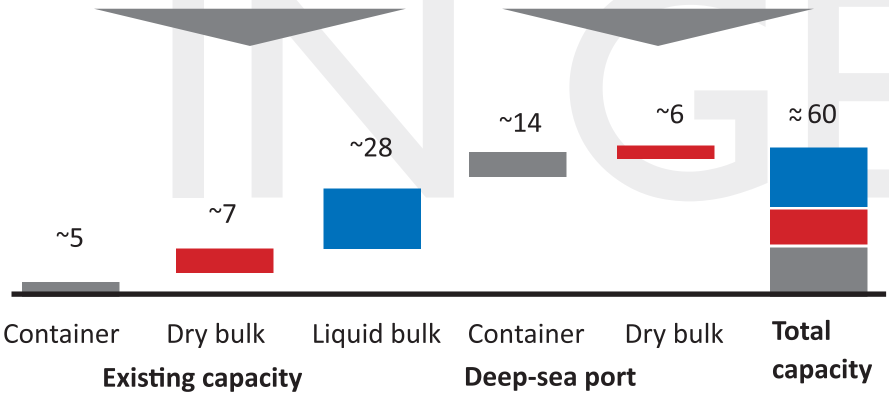
20m

6.0

?

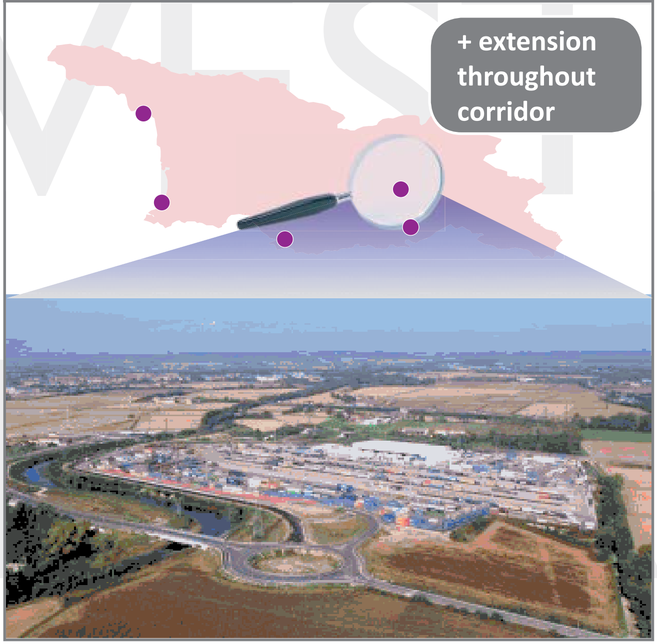
Main advantages

- Economics (able to accept larger vessels)
- Strategic location
- Geology (20 m depths very close to shore)
- Phase I, II, III



THE INFRASTRUCTURE VISION – ORGANIZING CONTAINER FLOWS REQUIRES THE BUILDUP OF A NETWORK OF TERMINALS

The vision – a terminal network



Required infrastructure for terminals

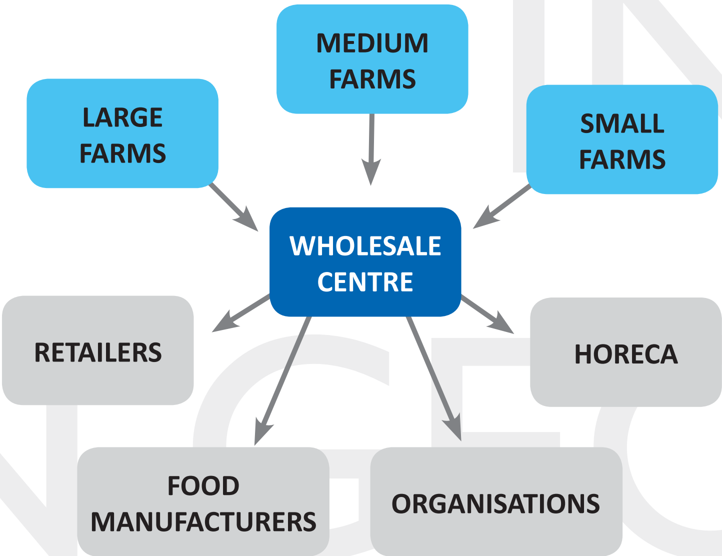
- Sea ports & port operations
  - Existing (see I)
- Network of 3-5 container terminal platforms to handle ~1 mn TEU including
  - Terminal land and construction
  - Railway connections and shunting yards
  - Motorways connections
  - Rail rolling stock upgrade
- Extension of network into other countries of the corridor[1]

GREENFIELD INVESTMENT – AGRICULTURAL PRODUCTS COLD CHAIN STORAGE AND DISTRIBUTION FACILITY

Pre-conditions for Cold Storage Logistics

- Cold Chains play an important role in fruits processing and handling around the world. Tbilisi and Rustavi are major markets to target in Georgia
- Seasonality - Only small portions ends up in storages for non-seasonal consumption, which is filled by imports. Most of the harvest is flushed to fresh markets
- Current fruit and Vegetable Supply Chain is weakly organized.
- Largest share of Georgian households Expenditure is allocated to food, beverage, tobacco products. Tbilisi and Rustavi account for 1/3 of all expenditure.
- The capacity is just 1.5% of targeted fruits (~300k tons) and vegetables (~220k tins) produced in Georgia annually

Tbilisi/Rustavi Cold Storage Logistics Center



- Land Plot: 3ha
- Area: 5200m2
- Capacity: 5,ooo ton

Equity NPV =USD1.5 mln
Project IRR = 16 %
Payback Period: 6 yrs

USD 7 mn

VEST

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E-mail: enquiry@investingeorgia.org
Contact Person: Mr. Aleksandre Papiashvili
E-mail: a.papiashvili@investingeorgia.org

WWW.INVESTINGEORGIA.ORG