



GEORGIAN NATIONAL INVESTMENT AGENCY APPAREL SECTOR OVERVIEW

WHO WE ARE

Georgian National Investment Agency (GNIA) is a sole public agency responsible for promoting and facilitating foreign direct investment in Georgia.

GNIA plays a moderator's role between foreign investors and the Government. Being responsible for export promotion as well, Agency is a main bridge between investors, foreign companies and Georgian companies. GNIA serves as a "Directory" to render relevant free services to investors. This includes arrangement of forums, conferences, to raise awareness on Georgia's potential as well as specific studies on Georgia's investment climate and sector-specific information (including particular projects).

GNIA MAIN MISSION

- Promoting Georgia internationally
- Increasing awareness of Georgia as an investment destination
- Supporting FDI and registering new foreign investments
- Creating an investment portfolio consisting of Government initiated projects
- Fostering public-private dialogue in order to build a better and more prosperous environment for private sector development and economic growth
- Promote Georgia's investment climate and investment opportunities abroad
- Support foreign investments and investors before, during & after investment process
- Promote Georgian export & Georgian export products
- Researching worldwide export opportunities for Georgia made products and preparing local sectoral overviews for potential investors and traders.
- Assist local businesses in finding foreign partners and exploring new markets

OUR TEAM

Multilingual (Georgian, English, Turkish, Russian, Italian, French, German and Korean) and dedicated professionals who ensure guidance for a successful business development in Georgia.

COUNTRY OVERVIEW

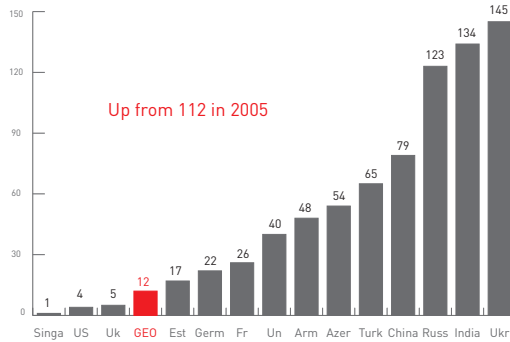


| | | | |
|-----------------------------------|--------------|----------------------------------|--------------|
| Area: | 69,700 sq km | 2003 | 2010 |
| Population (2009E): | 4.4 mln | Nominal GDP (mln GEL): | 8,564 20,791 |
| Life expectancy: | 76 years | GDP per capita (GEL): | 1,972 4,686 |
| Official language: | Georgian | Total budget revenues (mln GEL): | 1,368 5,778 |
| Literacy: | 100% | | |
| Capital: | Tbilisi | | |
| Currency (code): | Lari (GEL) | | |
| GDP 2010: | US\$11.7 bln | | |
| GDP real growth rate 2010: | 6.4% | | |
| GDP CAGR '03-'10 | 4.9% | | |
| GDP per capita 2010: | US\$ 2629 | | |
| Inflation rate (e-o-p) 2011: | 2% | | |
| External Public debt to GDP 2010: | 33.6% | | |

BUSINESS-FRIENDLY ENVIRONMENT

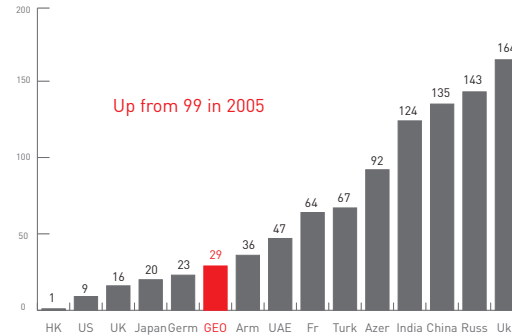
Georgia's Government has implemented significant economic reforms to liberalize the economy, reduce red tape, stimulate foreign investment, create new jobs, encourage entrepreneurship in various fields of the economy and increase the welfare of its citizens. Achievements have been documented by a number of international organizations.

Ease of Doing Business



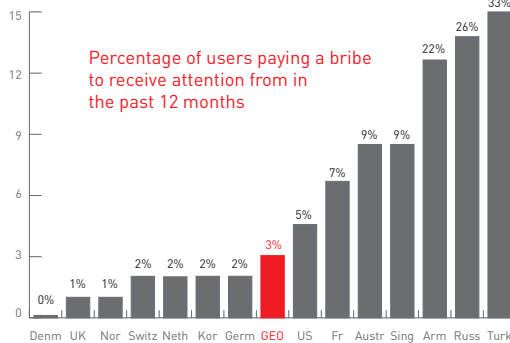
Source: World Bank, 2010 (Rank out of 183 countries)

Index Of Economic Freedom



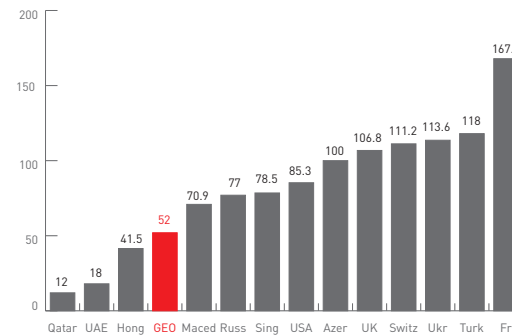
Source: The Heritage Foundation, 2011 (Rank out of 183 countries)

Global Corruption Barometer



Source: Transparency International, 2010 (Rank out of 69 countries)

Forbes Tax Misery & Reform Index

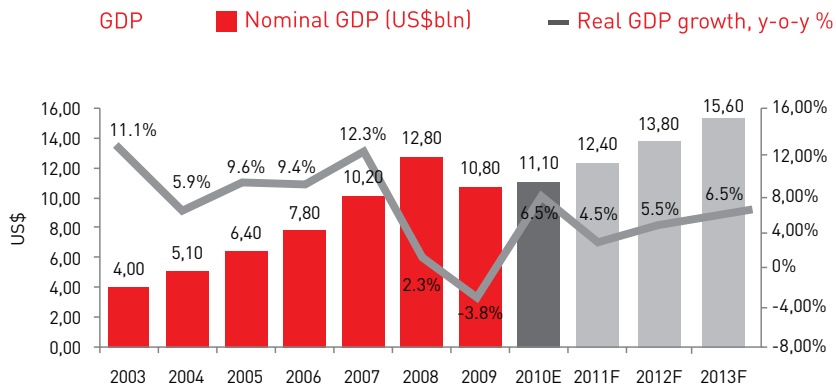


Source: Forbes Business & Financial News



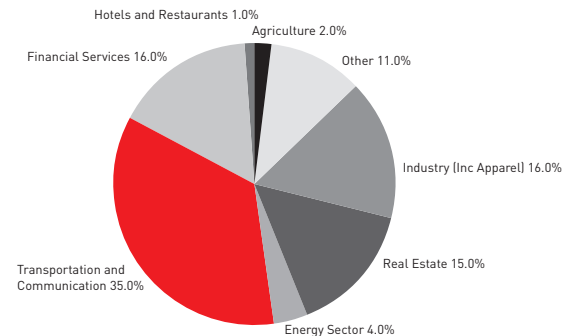
STABLE MICRO-ECONOMIC ENVIRONMENT

Consistent macroeconomic policies, entrepreneurial activities, a growth in domestic consumption, infrastructure rehabilitation and export increases are resulting in strong economic growth. Boosted by non-stop economic reform and substantial FDI inflows, Georgia's economy continues to show a moderate growth, regardless of the worldwide financial and economic crisis; showing strong resilience against global challenges.



Source: Department of Statistics of Georgia

FDI Breakdown by Sectors, 2010



TAXES

In order to create a Business-Friendly Environment, the Government reduced a number of taxes. As a result, Georgia now only has 6 taxes remaining and according to the Forbes Misery and Reform Index 2011, ranks 4th among global players:

| | '04A | '05A | '06A | '07A | '08A | '09A | '10A | '11A | '12A | '13F | '14F |
|--------------------------------|--------|---------|---------|---------|--------------------------------------|----------------------------------|------|------|------|------|------|
| Number of Taxes | 21 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| VAT | 20% | 20% | 18% | 18% | 18% | 18% | 18% | 18% | 18% | 18% | 18% |
| Income Tax | 12-20% | 12-flat | 12-flat | 12-flat | Social Tax+ Income Tax 32%-25% | Social Tax+ Income Tax 20% | 20% | 20% | 20% | 18% | 15% |
| Social Tax | 33% | 20% | 20% | 20% | - | - | - | - | - | - | - |
| Corporate Profit Tax | 20% | 20% | 20% | 20% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Dividend & Interest Income Tax | 10% | 10% | 10% | 10% | 10% | 5% | 5% | 5% | 5% | 3% | 0% |

Taxes can only be increased as the result of a national referendum

FREE INDUSTRIAL ZONES

Georgia gives an opportunity to businesses that produce products for export purposes to operate in Free Industrial Zone, where they are exempt of all taxes except one. Free Industrial Zone may be set up:

- On any territory exceeding 10 hectares, except for the protected territories under the Georgian Law
- By the initiative of the Government of Georgia Upon request of physical person or legal entity(organizer)
- Currently two FIZ operate in Georgia – Poti FIZ and Kutaisi FIZ

| Type of Tax | Free Industrial Zone | Free Warehouse Company |
|----------------------|----------------------|---|
| Corporate Income Tax | 0% (int.companies) | 0% (from re-exporting of foreign goods) |
| Value Added Tax | 0% | 0% |
| Customs Tax | 0% | 0% |
| Property Tax | 0% | up to 1% |
| Personal Income Tax | 20% | 20% |

GEORGIAN APPAREL SECTOR OVERVIEW

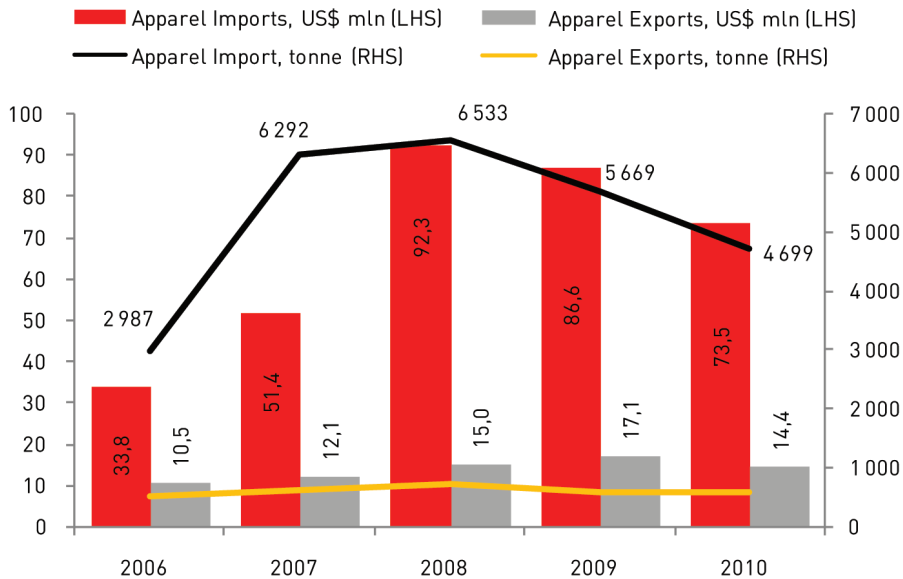
Georgia has a rich history in apparel production dating back to Soviet times, when textile and apparel manufacturing was well developed compared to other Republics. In fact, approximately one third of Georgia's state budget was generated from textile and apparel manufacturing.

After the collapse of the Soviet Union, Georgia's textile and apparel sectors fell on difficult economic times. However, in recent years it has shown strong growth tendencies due to the liberalization of the economy and the creation of a business-friendly environment. Today, Georgia is widely recognized as an easy place to start a business; according to the World Bank report, *Doing Business 2011, Georgia ranks 12th out of 183 countries* and is the *No. 1 reformer in the region over the past 5 years*.

To date, Georgia has more than 200 apparel manufacturing companies, 95% of which are micro-enterprises. The most significant investors are Turkish. End retailers of apparel manufactured in Georgia include big names like *Tommy Hilfiger, Marks & Spencer, Mexx, Koton, Puma, George, Miss Etam, Lotto, Per Una, Lebek, Zara, Autograph, Hawes & Curtis* and etc



PREFERENTIAL TRADE REGIMES



MAIN FEATURES OF APPAREL TRADE

- Low import tariffs
- Few export/import licenses and permits
- No quantitative restrictions on import and export
- No customs tariff on export and re-export
- No VAT on export
- Simplified export and import procedures

FOREIGN TRADE RELATIONS

- MFN Tariffs with WTO Members
- Free Trade Regime with CIS (Including Russia) and Turkey
- Georgia benefits from a Generalized System of Preferences (GSP) when trading with the USA, Canada, Switzerland, Japan and Norway; accordingly lower tariffs are applied on goods exported from Georgia to these countries.
- GSP+ status with the EU allows Georgia to export apparel and textile products to the EU market with lower tariffs or duty free
- Georgia actively collaborates with the EU and the USA in free trade negotiations.

LABOR COSTS AND AVAILABILITY

LABOR COSTS

- Minimum gross wage - **100 USD/month**
- Average gross wage - **200 USD/month**
- Maximum gross wage - **350 USD/month**

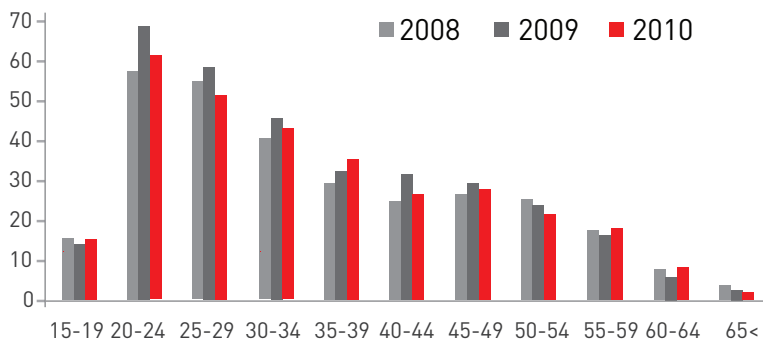
ELECTRICITY **0.065 USD/kwh** (incl. taxes)

NATURAL GAS **0.43 USD/m3** (incl. taxes)

AVAILABILITY OF LABOR

Georgia offers a young, well-educated and competitive labor force; ideal for this labor-intensive industry. According to Human Development Report, published by UNDP in 2006, Georgia leads the world in the Adult Literacy Rate indicator

UNEMPLOYMENT BY AGE GROUP ('000 PERSONS)

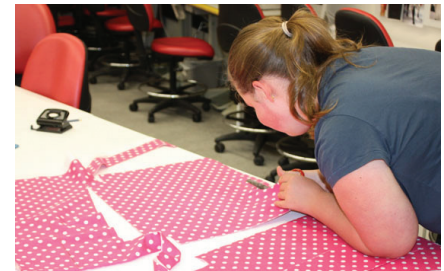


- Georgia's total population is around 4.7 million. The working-age population is around 2 million, of which 16.9% (335,600 people) are unemployed.
- In Georgia, 50.4% of the unemployed population (169 100 people) is aged between 20 – 34
- Georgia is 6th globally in the Heritage Foundation's Labor Freedom Indicator (Index of Economic Freedom 2011)
- Georgia has a perfect score in terms of hiring & firing indices, according to the World Bank Doing Business Survey 2011.

SKILLS DEVELOPMENT OPPORTUNITIES

The Government of Georgia, with International Organizations, are committed to assisting businesses with skills development projects, in order to increase employment and economic activity. The following steps have been undertaken:

- Vocational Education Training Centers around Georgia provide professional courses in cutting, sewing and constructing cloth, technical fashion design, and other practical subjects used in the apparel sector. 80 % of the course fees are financed by the Government and 20% paid by students.
- The USAID-funded Economic Prosperity Initiative works to assist Georgia's apparel sector in the areas of workforce development, technology absorption, market linkages, and policy enhancement, among others.



LARGEST INVESTORS IN GEORGIA'S APPAREL SECTOR

Approximately 800,000 items of apparel are produced per month by the four major Turkish investors in Adjara. Approximately 95 percent of production is exported to markets in the EU.

BTM Textile

- Production range: women's coats, skirts, trousers, shirts, short coats, knitted shirts and children's clothes
- End buyers: Tommy Hilfiger, Marks & Spencer, Zara, George, Mexx, Next
- Share in Adjara's exports: 31%
- Number of employees: 750
- Parent Company: **ATK Textile**

Batumi Tex

- Production range: sweaters, shorts, underwear, t-shirts
- End buyers: Marks & Spencer, Howes & Curtis
- Share in Adjara's exports: 28%
- Number of employees: 800
- Parent Company: **Low Profile & Greenoak Group**

Adjara Textile

- Production range: sports & leisure wear, sweaters, shorts, underwear, t-shirts
- End buyers: Puma, Lotto, Erima
- Share in Adjara's exports: 21%
- Number of employees: 650
- Parent Company: **Milteks Group**

Georgian Textile

- Production range: sports & leisure wear
- End buyers: Kik, Libra, Primark
- Share in Adjara's exports: 19%
- Number of employees: 500

WORLD KNOWN BRANDS IN GEORGIA



AIRLINES AND VISA INFORMATION

Tbilisi International Airport and Batumi International Airport, with direct connections to more than 32 international cities, offers easy access to Georgia:

- 57 flights each week to Europe
- 55 flights each week to CIS



Visas are not required for Citizens of the following countries for stays of up to 360 days:

| | | | |
|-------------------------|--------------------------|-----------------------|---------------------|
| European Union - All | Antigua and Barbuda | Argentina | Australia Barbados |
| Belize | Botswana | Brazil | Brunei |
| Canada | Chile | Costa Rica | Croatia |
| Israel | Japan | Kingdom of Bahrain | Lichtenstein |
| Malaysia | Mauritius | Mexico | Monaco |
| New Zealand | Norway | Oman | Panama |
| Principality of Andorra | Republic of Iceland | Saint Kitts and Nevis | San-Marino |
| Saudi Arabia | Seychelles | Singapore | South Africa |
| South Korea | State of Kuwait | State of Qatar | Switzerland |
| Thailand | The Bahamas | The Holy See | Trinidad and Tobago |
| United Arab Emirates | United States of America | Uruguay | |

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