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ALLIANCE
GROUP

Presents



ALLIANCE
VACATION
CLUB

PRIVILEGE
CARD



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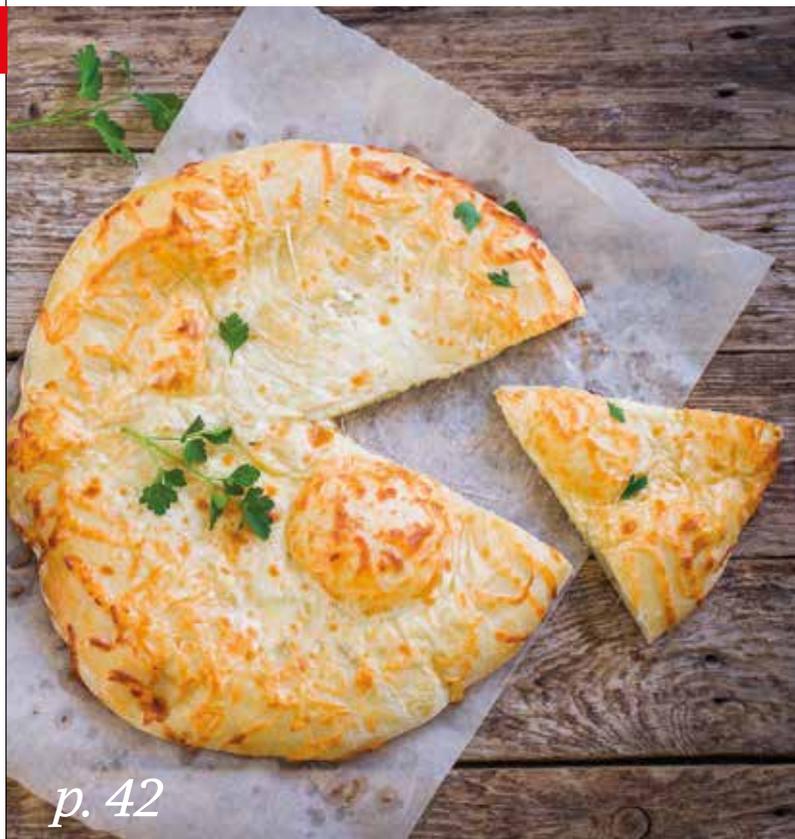
Privilege,
which opens more than 500,000 apartments
in 108 countries

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FOR US SUSTAINABILITY DEALS WITH THE RESPONSIBILITY WE OWE
TO OURSELVES AND THE WORLD IN WHICH WE LIVE.
ESSENTIAL HAIRCARE USES RENEWABLE ENERGY
AND CARBON-NEUTRAL PACKAGING TO OFFSET CARBON DIOXIDE
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LOVE/shampoo

Lowly smoothing shampoo for coarse or frizzy hair. Shampoo
Biscione per capelli arsi e indisciplinati. Shampooing lissant
pour cheveux épais ou indisciplinés.

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Extrait / de / de M. Giovanni's Olive, Firenze, Modène, Italy

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SECOND COME BACK FOR SECOND DEPARTURE

GIORGI ISAKADZE

“YOUR AGENT DOESN’T KNOW YET THAT HE HAS BEEN EXPOSED. He will learn it today from the newspapers. He is a good financier, so take him with you, he might come in handy. I was talking about the president of the Cartu Group – Giga Chrdileli”, - stated Ivanishvili in his letter published on October 12, 2012.

Ivanishvili is no stranger to saying goodbye and this time he bid farewell to the Kumsishvili-Kvirikashvili duet.

In fact he did the same thing some time ago, when in his first open letter Ivanishvili accused the Chairman of the Bank’s Supervisory Board of being an agent and dismissed members of his team along with the chairman, namely director of the bank and his deputy. And just recently, he got rid of the prime minister and the First Vice Prime Minister.

Initially the title of this article was “Unknown Kvirikashvili”, which largely resonated the former Prime Minister’s mischievous clash with a member of the United National Movement –Nikanor Melia and an open confrontation with the sibling of his friend and recommender Levan Gachechiladze – singer Ucnobi. But I missed the moment. Probably I should have written about this in my blog.

The second title for this article was - „LEGALIZED Großmeister”, which is largely linked to Ivanishvili’s political comeback and the events that took place on Rustaveli Avenue following the police raids in night clubs. Ivanishvili skilfully managed to avert the repercussions of these actions by airing his son’s – Bera Ivanishvili’s video and instructing the Minister of Interior to arrive at the scene to diffuse tension and confrontation that was orchestrated by a specific group of the same government. This game was indeed worthy of a grandmaster and its Endspiel was launched at 9.00 pm when Bera’s song “Legalize” was uploaded on the net and the game ended at 2.30 a.m. with almost emptied Rustaveli Avenue, which



was being cleaned by the Mayor Kaladze’s “TbilService Group” employees.

This moment slipped away too and like our Minister of Interior - Gakharia, I extend my apologies for that! Forgive me for so many skipped editorials, but we have not had so many political developments taking place so fast and somewhat dramatically and even epically... so what if this was fairly gloomy. Giorgi Kvirikashvili’s hourglass was turned much earlier. Actually it was turned way before

Kvirikashvili, acting on behalf of his party, asked Ivanishvili to return. This political comeback turned out to be fateful for Kvirikashvili and that is why he was forced to leave Ivanishvili for the second time after the latter’s return to the politics.

However, the events that preceded Kvirikashvili’s resignation were completely devoid of any epic nature. Appointment of the CEO of JSC Georgian Railway as the Minister of Finance, who definitely cannot take credit for effective reforms in the sphere of railway services and whose name is associated with some entirely new, independent and rather individual initiatives that were often disregarded by Kvirikashvili and Kumsishvili. There were some rather successful attempts to sugar-coat these initiatives and present them as a message that described the government’s vision. Kumsishvili’s much-talked-about response to the Minister of Finance, who had waged a war against banks, is a clear evidence of this. Kumsishvili pledged that the state would assist small and medium businesses by setting up a new credit guarantee fund that would compensate the risks that commercial banks have been rather reluctant to embrace in the recent years despite the fact that their SME portfolios are stocked to fund these type of businesses.

The initiative to set up a new credit guarantee fund, along with the four-point reform plan prepared by Kvirikashvili’s cabinet will be dismissed in favour of Mamuka Bakhtadze’s



completely different and mostly welcome initiatives.

And still the question remains: what happened at the King Rostom's Palace that is yet unknown to the Georgian public? Probably not much. Journalist Gocha Mirtskhulava described everything that took place at the King Rostom's Palace in detail and the Georgian media paid him due respect for this. Nothing special happened at the meeting, with the exception that this was a hearing of the party case, where the recently returned chairman of the party – Bidzina Ivanishvili played the part of the 'prosecutor', Prime Minister Kvirikashvili was the "accused" and there were 50 silent "witnesses". Some of them were members of the government, others were employees of the State Chancellery and the majority of

them represented the ruling party. Why silent? Apart from some attempts to answer Ivanishvili's questions, everyone remained silent and obediently listened and witnessed how the once exemplary Prime Minister was 'publicly disgraced' and this was far from criticism.

For the record, not a single member of the 'Georgian Dream' party representing the government, parliament and chancellery had the guts to interrupt the uncontrollable and reckless criticism of the Prime Minister by the party chairman. Not a single one of them. Kvirikashvili was completely alone at the meeting that was attended by 50 other members of the ruling party. He was by himself and in this lonely mode it took him 24 hours to announce his decision to resign.

I am not completely right here. After

all there was one person at the meeting, in fact the only one, who was 'a man enough' to attempt stopping Ivanishvili with his well-argued and convincing statements. And he was the last person who was indebted to Kvirikashvili in any respect. There was neither personal, nor political closeness between them. This brave person was the mayor of Tbilisi – Kakhi Kaladze. Without any reservation, he told Bidzina Ivanishvili that despite his deepest respect for him (Ivanishvili), he disagreed with his pathos, as well as his evaluation of the Prime Minister Kvirikashvili.

Afterwards was what we have been witnessing for the past 6 years, namely the UNICEF. And later the promised empty tribune, the traditional 'Dear Compatriots 'or friends.

...and the unchanged 25th TV episode. F

THE WORLD'S BILLIONAIRES



UNITED STATES

WORTH:
\$3.1 TRILLION
BILLIONAIRES:
585

THE AMERICAS

WORTH:
\$563 BILLION
BILLIONAIRES:
138

EUROPE

WORTH:
\$2.4 TRILLION
BILLIONAIRES:
559

MIDDLE EAST & AFRICA

WORTH:
\$250 BILLION
BILLIONAIRES:
99

ASIA-PACIFIC

WORTH:
\$2.8 TRILLION
BILLIONAIRES:
827

Capitalism's global conquest continues. There were 140 billionaires in the world when we published our first list, 31 years ago. Today there are more than 2,200. The vast majority are entrepreneurs—including Jeff Bezos, the world's wealthiest person and the first to appear with a \$100 billion-plus fortune—who got rich building their own companies, creating wealth and jobs and sparking innovation along the way.

Surging stock markets and rising commodity prices have made this a particularly strong year for the ultra-rich: The average billionaire is worth some \$4.1 billion this year, up 9% over the past 12 months. Still, 120 people fell from our ranks, for reasons ranging from politics to philanthropy; another 25 died.

For much more on the world's wealthiest, including a global ranking in order of net worth, go to:

WWW.FORBES.COM/BILLIONAIRES

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LeaderBoard



1. JEFF BEZOS
\$112 BILLION ▲
U.S.

The richest person on earth, Amazon's chief is the first centibillionaire atop our annual ranking. Shares of his e-commerce colossus rose 59% in 12 months, helping lift his fortune by \$39.2 billion, the biggest one-year gain ever recorded.

(The \$27.6 billion increase he logged in 2017 ranks third.) Bezos also owns the *Washington Post* and aerospace firm Blue Origin.

BILLIONAIRES

THE WORLD'S 20 RICHEST

THE VERY WEALTHIEST people on the planet are worth a staggering \$1.2 trillion—a sum roughly equivalent to the annual economic output of Mexico. In aggregate, their riches represent 13% of the total fortune of all 2,208 billionaires worldwide. The minimum figure for admission to this august club: \$39 billion, up 28% from \$30.4 billion a year ago.

LeaderBoard

BILLIONAIRES

1. JEFF BEZOS \$112 BILLION ▲ U.S.

(See previous page.)

2. BILL GATES \$90 BILLION ▲ U.S.

Cedes the top spot for only the sixth time since 1995. The Microsoft cofounder's net worth rose \$4 billion in the past year, but that was no match for Bezos' epic increase.

3. WARREN BUFFETT \$84 BILLION ▲ U.S.

In January the octogenarian promoted two Berkshire Hathaway executives to vice chairman roles—a step toward a much-anticipated succession plan.

Buffett, who says he's in "remarkably good health," continues to run Berkshire, whose stock is up 16% since last year.

4. BERNARD ARNAULT \$72 BILLION ▲ FRANCE

Record results at his luxury empire LVMH and a deal to buy out nearly all of Christian Dior helped boost Arnault's fortune by \$30.5 billion.

5. MARK ZUCKERBERG \$71 BILLION ▲ U.S.

Facebook's CEO faces pressure over his social-media giant's role in Russia's election meddling. Still, the company's shares rose 32% in the past year, adding \$15 billion to his net worth.



11. MICHAEL BLOOMBERG \$50 BILLION ▲ U.S.

New York City's former mayor continues to run his financial-information and media firm, Bloomberg LP. A gun-control organization he backs, meanwhile, is forming a new initiative geared toward students in the wake of the school shooting in Parkland, Florida.

12. LARRY PAGE \$48.8 BILLION ▲ U.S.

The Google cofounder, now CEO of its parent, Alphabet, has reportedly been in talks with Saudi Arabia to build a technology hub inside the kingdom. Page's fortune grew \$8.1 billion over the past year.

13. SERGEY BRIN \$47.5 BILLION ▲ U.S.

Page's partner as Google's cofounder is America's richest immigrant. Now Alphabet's president, Brin is reportedly spending over \$100 million on the world's largest airship for both personal luxury travel and delivering aid to remote locations.

14. JIM WALTON \$46.4 BILLION ▲ U.S.

The youngest son of Walmart founder Sam Walton sat on the company's board until 2016. He runs the family's regional bank, Arvest.

15. S. ROBSON WALTON \$46.2 BILLION ▲ U.S.

Sam Walton's oldest son was Walmart's chairman for 23 years. He's now one of three family members still involved in the company; he and Steuart Walton, the son of Jim Walton, sit on its board. His son-in-law Gregory Penner is chairman.

6. AMANCIO ORTEGA
\$70 BILLION ▼
SPAIN

Most of his fortune is tied up in Inditex, best known for fashion chain Zara. Its shares have sagged, helping knock \$1.3 billion off his net worth.



7. CARLOS SLIM HELU
\$67.1 BILLION ▲
MEXICO

Slim is worth \$12.6 billion more than a year ago, due mostly to a 39% jump in the stock of his telecom firm, América Móvil.



8 (TIE). CHARLES KOCH
\$60 BILLION ▲
U.S.

In November his \$100 billion (sales) Koch Industries launched Koch Disruptive Technologies, a venture-capital arm run by his son Chase; it has already led a \$150 million investment in an Israeli medical-device startup.



8 (TIE). DAVID KOCH
\$60 BILLION ▲
U.S.

The Koch Industries executive vice president and his brother Charles made news in November when their investment arm put \$650 million toward Meredith Corp.'s \$2.8 billion purchase of struggling magazine publisher Time Inc.



10. LARRY ELLISON
\$58.5 BILLION ▲
U.S.

Even as Oracle faces competition from Salesforce and Amazon in the cloud market, its stock has risen 13%. Ellison, who owns about a quarter of the company, is \$6.3 billion richer.



16. ALICE WALTON
\$46 BILLION ▲
U.S.

Sam Walton's only daughter has no role in the family business but still holds plenty of Walmart shares, making her the richest woman in the world.



17. MA HUATENG
\$45.3 BILLION ▲
CHINA

Ma is Asia's wealthiest person for the first time, thanks in part to his firm Tencent's WeChat, a ubiquitous social-messaging app with nearly 1 billion active users. Tencent also has stakes in Tesla, Snapchat parent Snap and music-streaming service Spotify.



18. FRANÇOISE BETTENCOURT MEYERS
\$42.2 BILLION ★
FRANCE

Her mother, L'Oréal heiress Lilliane Bettencourt, died in September 2017; Bettencourt Meyers and her family inherited the fortune.



19. MUKESH AMBANI
\$40.1 BILLION ▲
INDIA

The Indian tycoon is back in the Top 20 for the first time since 2012.



20. JACK MA
\$39 BILLION ▲
CHINA

Ma took e-commerce behemoth Alibaba to new heights in 2017, inking its first Olympic sponsorship and scoring a streaming agreement with Disney. Alibaba's shares have increased 76% since last year, boosting him into the Top 20 for the first time.

Bidzina Ivanishvili's Fortune Year by Year

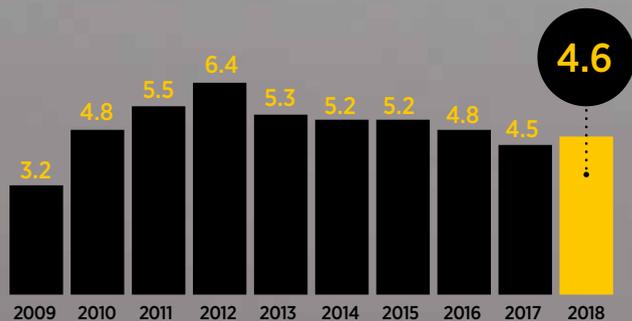
"A PERSON DOES NOT NEED BILLIONS. Two hundred million dollars is more than enough. Thereafter, it simply becomes a sport." These words were spoken by Bidzina Ivanishvili, the former Prime Minister of Georgia, who has retained a firm grip on his status as the country's richest man. Furthermore, based on Forbes data, Ivanishvili's \$4.6 billion fortune puts him on the list of 500 richest people on the planet.

In fact, over the past few years, his name has even drawn the attention of the international media on several occasions, most prominently, his inclusion in the infamous Panama Papers scandal. The latest and most publicized case involved the lawsuit he filed against the manager of Credit Suisse Bank, whom Mr. Ivanishvili accused of appropriating \$100 million. Ultimately, the court ruled in his favor, and sentenced the banker to five years in prison.



Age: 62
Wealth: \$4.6 billion
Rich List Rank: 456
Married
Children: 4
Place of Residence: Tbilisi, Georgia
Nationality: Georgian

The value of Bidzina Ivanishvili's assets, year by year (billion dollars):



The logo for Dirsi, featuring the word "Dirsi" in a bold, black, sans-serif font. Above the letters "i" and "s" are three small dots in a horizontal line, with a yellow dot above the first "i" and a blue dot above the "s".

Dirsi



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LeaderBoard

50 Most Engaged Companies

IN A WORLD OF CUSTOMER ENGAGEMENT, there are leaders and there are followers. Those who lead engage customers with a purpose, offer consistent experiences, analyze customer data, and structure their teams in such a way that the customer takes priority. But having happier customers isn't the only benefit leaders see. They also see an improved bottom line with higher retention, faster growth, and less churn.

So who is leading the pack? Check out the list below.



1. AMAZON.COM, INC.

RETAILING



2. ALPHABET INC. CLASS A

IT SOFTWARE & SERVICES



3. STARBUCKS CORPORATION

HOTELS, RESTAURANTS & LEISUREUSA



4. FOOT LOCKER, INC.

RETAILING



5. ALASKA AIR GROUP, INC.

TRANSPORTATION



6. FEDEX CORPORATION

TRANSPORTATION



7. SOUTHWEST AIRLINES CO.

TRANSPORTATION



8. MARRIOTT INTERNATIONAL, INC. CLASS A

HOTELS, RESTAURANTS & LEISUREUSA



9. LOWE'S COMPANIES, INC.

RETAILINGU



10. NORDSTROM, INC.

RETAILING



11. CHARLES SCHWAB CORPORATION

DIVERSIFIED FINANCIALS



12. GENERAL MOTORS COMPANY

CONSUMER DURABLES



13. INTERNATIONAL BUSINESS MACHINES CORPORATION (IBM)

IT SOFTWARE & SERVICES



14. DISCOVER FINANCIAL SERVICES

BUSINESS SERVICES & SUPPLIES



15. DOLLAR TREE, INC.

RETAILING



16. SYMANTEC CORPORATION

IT SOFTWARE & SERVICES



17. ADOBE SYSTEMS INCORPORATED

IT SOFTWARE & SERVICES



18. FORD MOTOR COMPANY

HOTELS, RESTAURANTS & LEISUREUSA



19. E*TRADE FINANCIAL CORPORATION

DIVERSIFIED FINANCIALS



20. HEWLETT PACKARD ENTERPRISE CO.

TECHNOLOGY HARDWARE & EQUIPMENT



21. TD AMERITRADE HOLDING CORPORATION
DIVERSIFIED FINANCIALS



22. VMWARE, INC. CLASS A
IT SOFTWARE & SERVICES



23. JETBLUE AIRWAYS CORPORATION
TRANSPORTATION



24. INTEL CORPORATION
SEMICONDUCTORS



25. EBAY INC.
BUSINESS SERVICES & SUPPLIES



26. ROSS STORES, INC.
RETAILING



27. PROGRESSIVE CORPORATION
INSURANCE



28. REGIONS FINANCIAL CORPORATION
BANKING



29. HILTON, INC.
HOTELS, RESTAURANTS & LEISURE



30. COSTCO WHOLESALE CORPORATION
RETAILING



31. ACTIVISION BLIZZARD
CONSUMER DURABLES



32. RED HAT, INC.
IT SOFTWARE & SERVICES



33. GENERAL ELECTRIC COMPANY
CONGLOMERATES



34. KROGER CO.
FOOD MARKETS



35. DOLLAR GENERAL CORPORATION
RETAILING



36. KOHL'S CORPORATION
RETAILING



37. CMS ENERGY CORPORATION
UTILITIES



38. WHOLE FOODS MARKET, INC.
FOOD MARKETS



39. UNITED PARCEL SERVICE, INC. CLASS B
TRANSPORTATION



40. AT&T INC.
TELECOMMUNICATIONS SERVICES



41. BED BATH & BEYOND INC.
RETAILING



42. ORACLE CORPORATION
IT SOFTWARE & SERVICES



43. PNC FINANCIAL SERVICES GROUP, INC.
BANKING



44. COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION CLASS A
IT SOFTWARE & SERVICES



45. SOUTHERN COMPANY
UTILITIES



46. CAPITAL ONE FINANCIAL CORPORATION
BUSINESS SERVICES & SUPPLIES



47. HP INC.
TECHNOLOGY HARDWARE & EQUIPMENT



48. CISCO SYSTEMS, INC.
TECHNOLOGY HARDWARE & EQUIPMENT



49. PRUDENTIAL FINANCIAL, INC.
DIVERSIFIED FINANCIALS



50. JPMORGAN CHASE & CO.
DIVERSIFIED FINANCIALS

METHODOLOGY

To Develop the 50 Most Engaged Companies List, Forbes Insights followed a rigorous methodology utilizing a significant amount of data and extensive editorial experience. The ranking consisted of the U.S.-based companies from Forbes Global 2000 list across three equally weighted dimensions: social media engagement, Net Promoter Scores (NPS) and year-over-year sales growth. Forbes Insights partnered with Sprinklr who provided data from the Sprinklr Business Index (SBI), which measures and analyzes the breadth of public interaction between brands and consumers across social media. Forbes Insights also partnered with Temkin Group, a leading customer experience research, consulting, and training firm, who provided data on Net Promoter Scores (NPS) and customer loyalty.

LeaderBoard

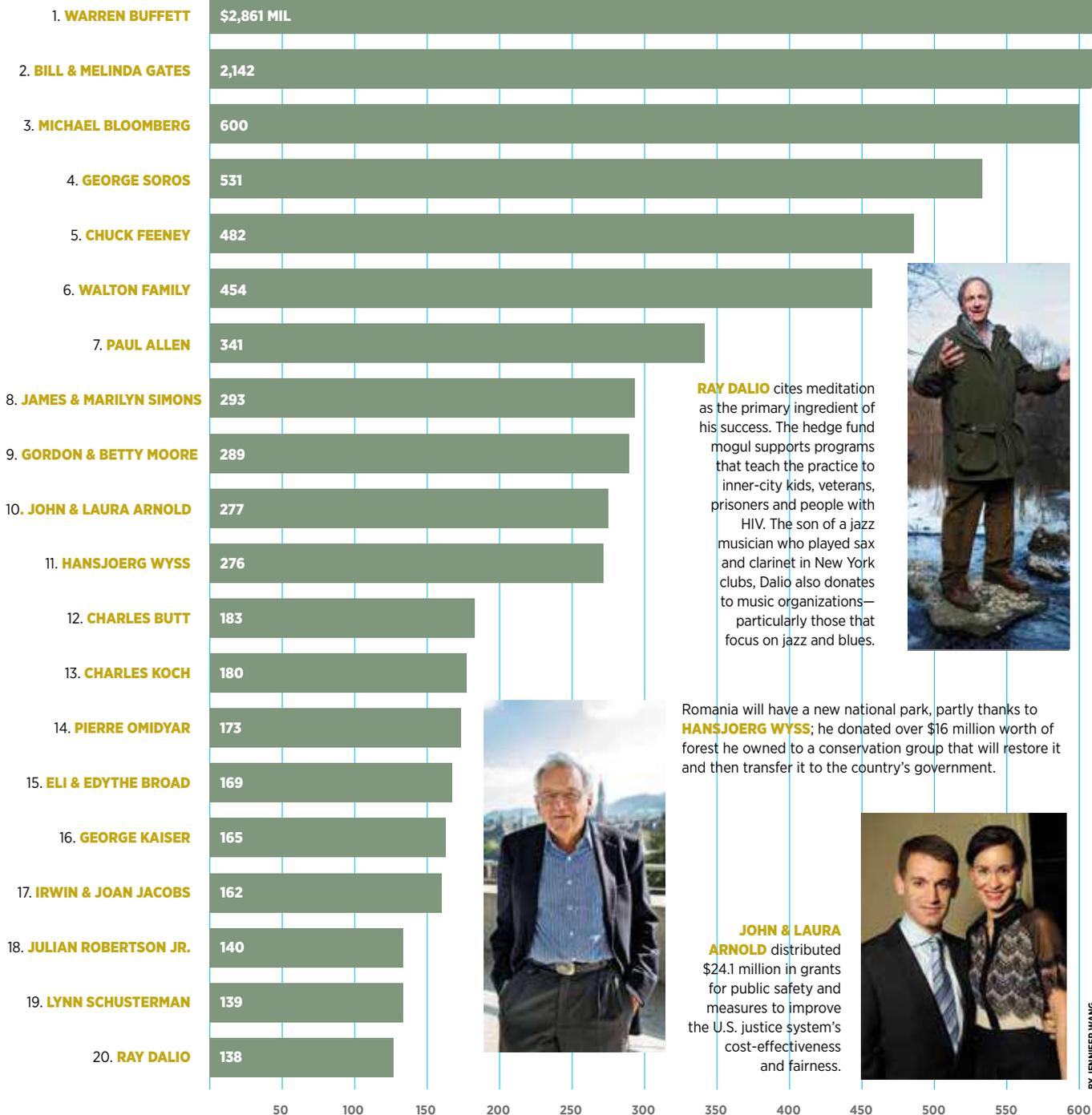
PHILANTHROPY

THE GREATEST GIVERS

A PROMISE IS one thing. Plunking down actual cash is another. Our annual list of America's top philanthropists, compiled in partnership with Shook Research, makes that important distinction: It tallies who gave away the largest amount last year in dollar terms, not who merely pledged the most. The top 20 are below; for the full list, see forbes.com/top-givers.



Mayors from 290 cities in 19 countries entered an urban-solutions contest funded by former New York mayor **MICHAEL BLOOMBERG**. The \$5 million grand prize went to São Paulo, Brazil, for its plan to connect nearby farmers to the city's restaurants and markets.



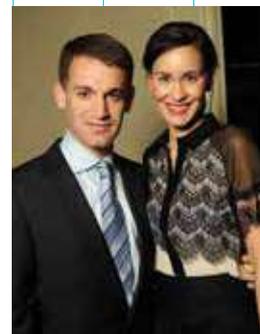
RAY DALIO cites meditation as the primary ingredient of his success. The hedge fund mogul supports programs that teach the practice to inner-city kids, veterans, prisoners and people with HIV. The son of a jazz musician who played sax and clarinet in New York clubs, Dalio also donates to music organizations—particularly those that focus on jazz and blues.



Romania will have a new national park, partly thanks to **HANSJOERG WYSS**; he donated over \$16 million worth of forest he owned to a conservation group that will restore it and then transfer it to the country's government.



JOHN & LAURA ARNOLD distributed \$24.1 million in grants for public safety and measures to improve the U.S. justice system's cost-effectiveness and fairness.



BY JENNIFER WANG

სამხრეთ-აღმოსავლეთი ქობულაძის ჰერეტი

FM 102.8

RADIO
BEGINS WITH
US

FM
93.5
თბილისი

heretifm.com
tbilisifm.com
relaxwebradio.com



LeaderBoard

WALL STREET'S RICHEST

HEDGEMONY

EVEN THE KINGS of Wall Street suffer from an income disparity. The top five hedge funders earned nearly half of the \$16.8 billion we tallied for our annual list of the 25 highest-earning hedgies. Two members of the roll, Philippe Laffont and John Armitage, are newly minted billionaires thanks to their mega-paydays. Both are dyed-in-the-wool stock pickers, a seemingly rare breed these days.



MICHAEL PLATT

After returning money to outside investors two years ago, Platt has dialed up the leverage and taken on more risk. His new formula is working: In 2017 his BlueCrest Capital generated a return of 54% on its assets, net of all costs.



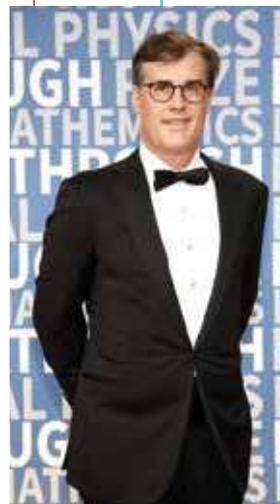
DANIEL LOEB

Known for sending brash letters to corporate boards, Loeb, whose flagship hedge fund returned 18.2%, has quietly surpassed his peers with solid performances in recent years.



CHRISTOPHER HOHN

One of the hottest hedge fund managers at the moment. Last year the activist investor's main \$18.5 billion fund returned 27% net of fees.



PHILIPPE LAFFONT

Laffont has spent 19 years focusing solely on tech. His Coatue Management now oversees \$16 billion, which goes into stocks and vehicles that invest in private companies and startups. Coatue's main fund returned 24% net of fees in 2017. The Belgium-born Laffont cut his teeth analyzing European telecom companies for hedge fund legend Julian Robertson.

¹2017 earnings. Pretax figures include the personal gain of each manager's interest in his funds plus fee income after accounting for firm expenses and profit-sharing arrangements.

BY NATHAN WARD
TOP TO BOTTOM: STEVE SHIPMAN/CAMERA PRESS/REDFUX; DAVID PAUL MORRIS/BLOOMBERG; ANDREAS SCHOLZ/BLOOMBERG; KIMBERLY WHITE/GETTY IMAGES



GEORGIA'S LEADING TV BUSINESS PROGRAMS

TV3 პირველი

SPEND WEEKDAYS WITH:

 **ანალიტიკა**

ANALITIKA

15:00-16:00 PM

22:30-23:00 PM

(every friday)



SAKMIS KURSI

(BUSINESS COURSE)

15:00-16:00 PM

22:30-23:00 PM



QALEBIS NARATIVI

(WOMEN'S NARRATIVE)

11:00-12:00 PM

SAKMIANI DILA

(BUSINESS MORNING)

07:55-11:00 AM



WWW.BM.GE

LeaderBoard

The World's 100 Most Valuable Brands in 2018

ACCORDING TO FORBES, the world's 100 most valuable brands are worth a staggering \$2.15 trillion.

While that singular number is impressive, the publication's 2018 rankings of global brands can be further broken down in other ways that are also quite intriguing. Let's take a look at brands by individual brand value, as well as sorted by relevant industry.

RANKING THE MOST VALUABLE BRANDS IN 2018

This infographic showcases the 100 most valuable brands in the world, according to recent Forbes rankings.

Here are the brands with the most assessed value, along with their one-year change and industry.

Apple remains the world's most valuable brand at \$182.8 billion, but there are four other tech companies hot on the iPhone maker's heels - and each of them is growing brand value at a rapid pace.

Google (+30%), Microsoft (+21%), Facebook (+29%), and Amazon (31%) are all gaining at double-digit clips. At this point, each has lapped Coca-Cola, the highest ranked non-tech brand in the Top 10 at \$57.3 billion.

Rank	Brand	Brand Value (\$B)	1-Year Change	Industry
#1	 Apple	\$182.8	+8%	Technology
#2	 Google	\$132.1	+30%	Technology
#3	 Microsoft	\$104.9	+21%	Technology
#4	 Facebook	\$94.8	+29%	Technology
#5	 Amazon	\$70.9	+31%	Technology
#6	 Coca-Cola	\$57.3	+2%	Beverages
#7	 Samsung	\$47.6	+25%	Technology
#8	 Disney	\$47.5	+8%	Leisure
#9	 Toyota	\$44.7	+9%	Automotive
#10	 AT&T	\$41.9	+14%	Telecom

BRANDS BY INDUSTRY

The aforementioned top five brands are all focused on technology, but it's important to recognize that this is also a part of a much wider trend. Over the last decade, tech brands have gained consumer prominence to make the industry dominant both in terms of quantity of brands (20%) and total brand value (41%) on the Forbes 100 Most Valuable Brand list.

Only a handful of brands in consumer-facing industries like media, apparel, alcohol, and restaurants make the rankings.

Meanwhile, sectors that traditionally rely on heavy amounts of advertising – like consumer packaged goods and retail – have just 20 brands on the list between them. The highest ranked brand in either of those categories is Walmart at #26th with a brand value of \$24.9 billion, which is about 1/3 of the brand value of online competitor Amazon.

Industry	# of Brands	Total Brand Value (\$B)
Technology	20	\$872.6
Financial Services	13	\$160.2
Automotive	12	\$222.9
Consumer Goods	11	\$124.7
Retail	9	\$119.0
Luxury	6	\$91.7
Beverages	4	\$103.2
Diversified	4	\$66.3
Telecom	3	\$82.3
Restaurants	3	\$65.0
Apparel	3	\$49.0
Alcohol	3	\$42.5
Leisure	2	\$56.1
Media	2	\$26.3
Transportation	2	\$21.6
Tobacco	1	\$26.6
Business Services	1	\$14.8
Aerospace	1	\$8.1
Total	100	\$2,152.9



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LeaderBoard

Fifa World Cup 2018 in Numbers

CONSIDERING ITS GLOBAL REACH, it doesn't come as a surprise that the quadrennial FIFA World Cup is FIFA's biggest source of income. According to its latest financial report, football's international governing body expects revenues of nearly \$3.9 billion this year, the lion's share of which is generated selling media and marketing rights related to the World Cup.

But what about the clubs who employ the players competing at the tournament? After all, they are the ones who pay the players' lofty salaries and the ones who pay the price if a player suffers an injury at the World Cup. They are paid \$8,530 for each day a player is at the World Cup, starting two weeks before the Opening Match and ending one day after the respective nation's exit from the tournament.

As the following chart, based on calculations made by Vexcash, illustrates, those payments add up to a nice sum for the biggest clubs in the world. However, considering that many top players get paid much more than \$8,530 a day, it's safe to assume that the \$3.96 million Real Madrid will be paid for its players competing in Russia won't be a cause for celebration in the Spanish capital. In total, FIFA will be paying out \$209 million under the "Club Benefits Programme" this World Cup, which doesn't seem like a lot considering the amount of money FIFA stands to make.

Which Clubs Benefit Most From the World Cup?

Top 10 Clubs by payments from FIFA for releasing players for the FIFA World Cup 2018*



FIFA pays an amount of **\$8,530** for each day a player is at the World Cup, starting two weeks before the Opening Match. The total per player is then distributed to the club(s) with which the player registered during previous two years.

* amounts represent guaranteed payments until the end of the group stage

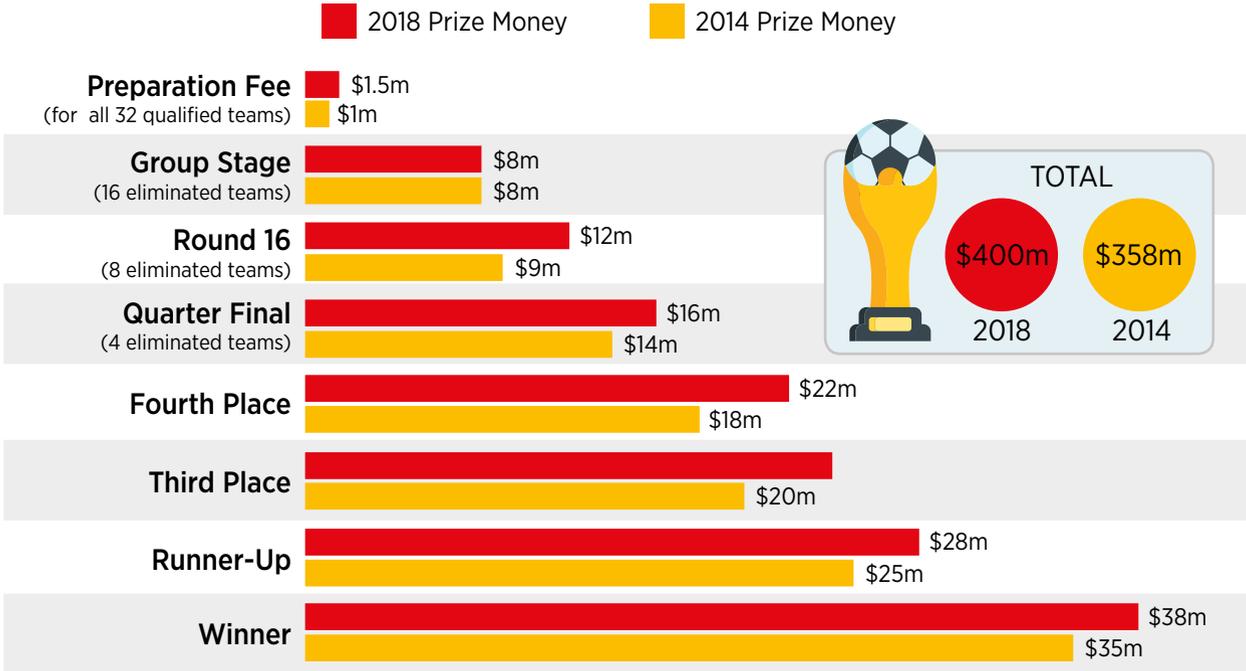
SOURCES: Vexcash, FIFA, Statista



WHILE THE 32 TEAMS INVOLVED IN THE FIFA WORLD CUP will be aiming to go as far as possible and achieve success on the pitch, they will also be battling for a sizeable pot of prize money. Late last year, FIFA announced the amount of prize money available for the tournament in Russia and it's at record levels once again. Excluding the Club Benefit and Protection Programmes, prize money this year stands at \$400 million, an increase on 2014's \$358 million. The following infographic provides an overview of how the performance-based prize money will be distributed. When Germany won the trophy in 2014, it was awarded \$35 million. This year, the eventual winner in Russia will receive even more, \$38 million. The runner-up will get \$28 million while third place will receive \$24 million.

How Prize Money Will Be Distributed At The World Cup

Overview of performance-based prize money at the 2018 and 2014 FIFA World Cups*



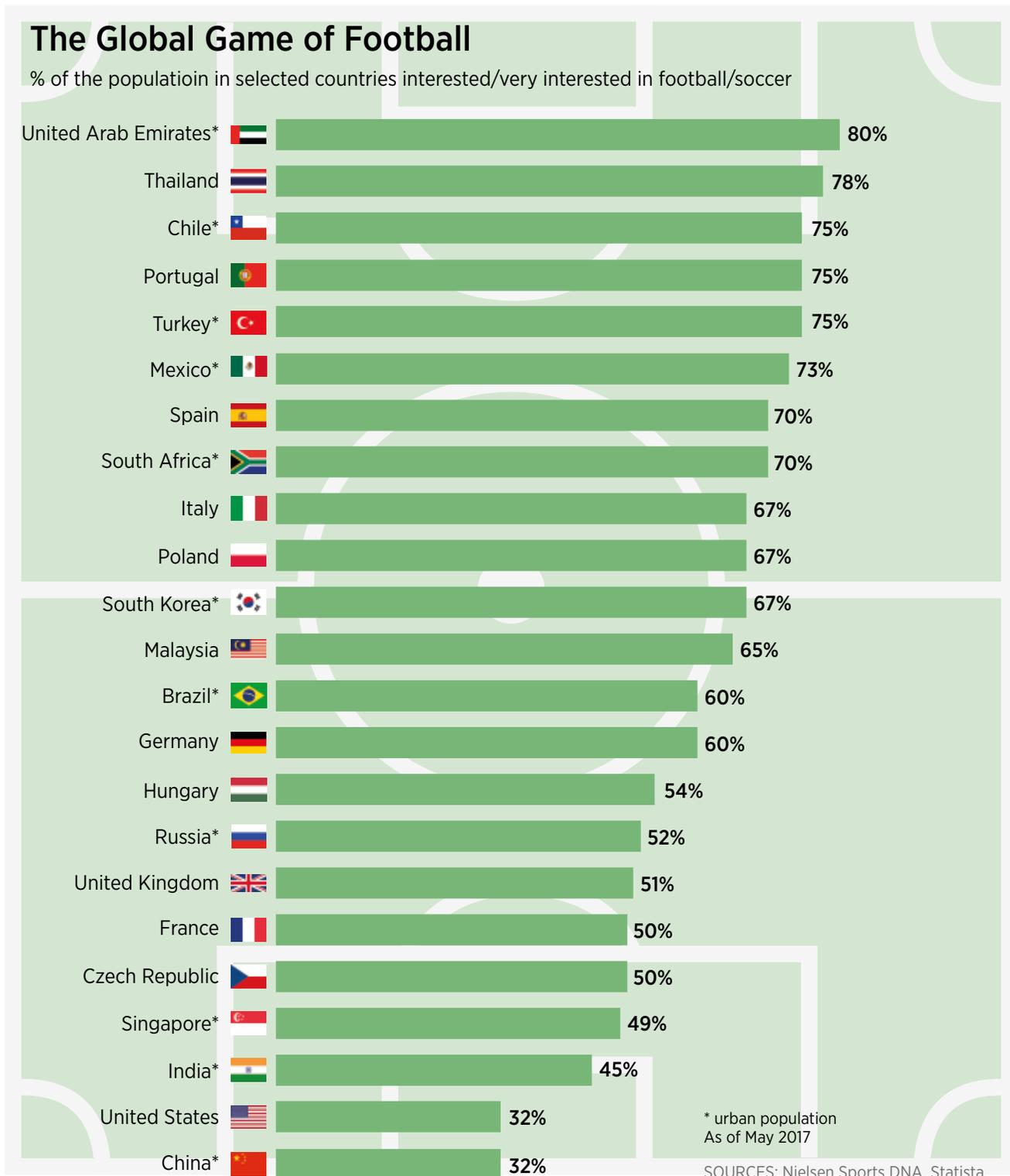
* Purely based on finishing position.
Excluding player insurance fees and player payments to parent clubs

SOURCES: FIFA, Statista

LeaderBoard

OFTEN REFERRED TO AS THE GLOBAL GAME, football (i.e. soccer) is played, followed and talked about in almost every corner of planet earth. The sport's biggest event, the quadrennial FIFA World Cup, is one of the biggest sporting events in the world, only matched by the Olympics in terms of its near universal reach. According to FIFA, 3.2 billion people watch at least one minute of World Cup coverage on TV in 2014, a number that will likely be matched by this year's tournament in Russia.

The following chart, based on a Nielsen survey conducted in more than 20 international markets, shows where people are particularly fond of the global game and where interest in football is limited at best.



Next to his team's 7-1 thumping of tournament host Brazil and the emotional 1-0 extra-time victory over Argentina in the final, Germany's Miroslav Klose also had a personal triumph to celebrate at the 2014 FIFA World Cup. After scoring his 16th goal at a World Cup tournament in the semi-final against Brazil, Klose is now the leading goal scorer of all time on the sporting world's biggest stage. The now-retired Polish-born striker found the net twice in 2014, surpassing Ronaldo's (the Brazilian one) previous record by one goal. Looking at the illustrious list of top scorers in World Cup history, Klose currently has only one man to fear: his former teammate Thomas Müller, Golden Boot winner in South Africa 2010, who already has 10 World Cup goals under his belt. A likely starter for Germany in Russia and still young enough to compete in Qatar in 2022, Müller is the only real threat to Klose's impressive record. Noticeably absent from the list of top scorers are Argentina's Lionel Messi and Portugal's Cristiano Ronaldo, undisputedly the world's best players over the past decade. While Lionel Messi found the net five times in three World Cups, Cristiano Ronaldo scored just three goals in as many tournaments.

Müller the Only Active Player to Challenge Klose's Record

Players with the most goals scored at FIFA World Cup tournaments (as of June 14, 2018)

Player	Goals	World Cups competed in
 Miroslav Klose	16	4
 Ronaldo	15	3
 Gerd Müller	14	2
 Just Fontaine	13	1
 Pelé	12	4
 Jürgen Klinsmann	11	3
 Sándor Kocsis	11	1
 Gabriel Batistuta	10	3
 Teofilo Cubillas	10	3
 Grzegorz Lato	10	3
 Garry Lineker	10	2
 Thomas Müller ●	10	2
 Helmut Rahn	10	2

● Active

Money in Sports

BY ZAZA ABASHIDZE

The European football season is coming to the end, and Forbes Georgia has decided to update its readers regarding the current affairs in Georgian football, with a traditional emphasis on numbers. The status of the most expensive Georgian player is owned by Solomon Kvirkvelia, who has strengthened his position, and is now valued at €5.8 million, compared to €4.6 million in January 2018. These figures reflect the player's substantial progress in a relatively short period of time.

The most valuable team in the Georgian National League is Torpedo Kutaisi. The reigning champions replaced Dinamo Tbilisi as the country's most expensive side, while Dinamo now occupies the third spot. A team's value is calculated by adding together its players' market values. There are 228 players registered in the Georgian National League, of whom 31 (13.6%) are foreigners. The average age of the players is 25.2 years, and the total value of the 10 National League teams is €35.8 million. The figures are based on data supplied by the well-known analytical football website www.transfermarkt.de

The most valuable Georgian footballers:

1		Solomon Kvirkvelia <i>(Lokomotiv Moscow, Russia)</i>	€ 5.8m	8		Giorgi Loria <i>(FC Anzhi, Russia)</i>	€ 1m
2		Guram Kashia <i>(Vitesse Arnhem, Netherlands)</i>	€ 2.5m	9		Jaba Kankava <i>(FC Tobol, Kazakhstan)</i>	€ 1m
3		Valeri Kazaishvili <i>(San Jose Earthquakes, USA)</i>	€ 2.5m	10		Davit Khocholava <i>(Shakhtar Donetsk, Ukraine)</i>	€ 1m
4		Jano Ananidze <i>(Spartak Moscow, Russia)</i>	€ 2.3m	11		Giorgi Kvilitaia <i>(Rapid Vienna, Austria)</i>	€ 0.8m
5		Giorgi Chakvetadze <i>(KAA Gent, Belgium)</i>	€ 1.2m	12		Otar Kakabadze <i>(Club Gimnastic, Spain)</i>	€ 0.8m
6		Tornike Okriashvili <i>(FK Krasnodar, Russia)</i>	€ 1.2m	13		Giorgi Aburjania <i>(Sevilla Atletico, Spain)</i>	€ 0.8m
7		Giorgi Chanturia <i>(FC Ural, Russia)</i>	€ 1.1 m	14		Jemal Tabatadze <i>(FC Ufa, Russia)</i>	€ 0.8m

Market value of Georgian National League clubs

1		Torpedo Kutaisi	€ 5.05m
2		FC Saburtalo	€ 4.73m
3		FC Rustavi	€ 4.73m
4		Dinamo Tbilisi	€ 4.45m
5		Locomotive Tbilisi	€ 3.73m
6		FC Samtredia	€ 3.55m
7		Dila Gori	€ 2.8m
8		Chikhura Sachkhere	€ 2.6m
9		Sioni Bolnisi	€ 2.38m
10		Kolkheti-1913 Poti	€ 1.8m

The most valuable players of the Georgian National League

1	Georgy Gabulov (FC Rustavi)	€600 000
2	Otar Kiteishvili (Dinamo Tbilisi)	€600 000
3	Jaba Lipartia (Torpedo Kutaisi)	€ 500 000
4	Giorgi Kimadze (Torpedo Kutaisi)	€ 500 000
5	Luka Lochoshvili (Dinamo Tbilisi)	€ 450 000
6	Levan Gegechkori (FC Rustavi)	€ 450 000
7	Michael Olaitan (FC Samtredia)	€ 450 000
8	Beka Mikeltadze (FC Rustavi)	€ 450 000
9	Nika Dzalamidze (Dinamo Tbilisi)	€ 400 000
10	Inters Guy (FC Samtredia)	€ 400 000

The most valuable foreign players of the Georgian National League

1	Georgy Gabulov(Russia), FC Rustavi	€ 600 000
2	Michael Olaitan (Nigeria), FC Samtredia	€ 450 000
3	Inters Guy (Cote d'Ivoire), FC Samtredia	€ 400 000
4	Taras Tsarikayev (Russia), FC Rustavi	€ 350 000
5	Sidy Sagna (Senegal), FC Samtredia	€ 350 000



THOUGHT LEADERS

BESO NAMCHAVADZE - CURRENT EVENTS

Television Revenue



DURING THE 2013-2017 PERIOD, up to 70% of the recorded revenue by television companies (with the exception of the Georgian Public Broadcaster) came from advertising. This figure rises to approximately 85%, if we include sponsorship, airtime sales and teleshopping revenue.

The total revenue posted by Georgian television companies in 2017 was €145.9 million, of which, €49.1 million was accounted for by the Georgian Public Broadcaster (GPB) and the Adjarian Public Broadcaster (APB). Consequently, private television companies accounted for a total of €96.8 million in revenue, compared to €96.1 million in 2016. With regards to advertising revenue, they amounted to €73.3 million in 2016 and €60.7 million in 2017, representing a 17.2% decrease. Against the background of dwindling advertising revenue, the increase in the overall revenue figures was conditioned by the €16 million in non-broadcasting revenue received by GDS TV in December.

According to the Georgian National Communication Commission (GNCC), the decrease in advertising revenue in 2017 was a result of advertising agencies retaining 27-33% of the amount paid by clients for advertising, compared to 5-7% prior to 2017. Consequently, the GNCC concludes that the reduced funds collected



NUMBER OF TELEVISION COMPANIES AND THEIR REVENUE

Source: Georgian National Communication Commission*

Millions of GEL	2013	2014	2015	2016	2017
Total Revenue	114.6	138.8	132.0	146.9	145.9
<i>Excluding GPB and APB</i>	74.9	94.6	85.0	96.1	96.8
Advertising Revenue	52.6	65.8	56.0	73.3	60.7
<i>Advertising, Airtime Sales, Sponsorship, Teleshopping</i>	70.4	87.7	74.1	84.3	70.3
<i>Number of TV companies receiving income from advertising</i>	43	48	52	56	25
<i>Number of TV companies posting advertising revenues of more than ₾200,000</i>	9	12	12	16	15

TOP 10 PRIVATE TV COMPANIES BY REVENUE

Source: Georgian National Communication Commission

Millions of GEL	2013	2014	2015	2016	2017
 Rustavi 2	36.9	45.3	38.0	41.8	32.3
 Teleimedi	19.1	22.3	25.0	26.3	26.9
 Maestro Studio	5.8	10.4	5.1	5.5	0.7
 GDS TV	1.1	2.7	1.9	2.9	18.9
 Silknet	0.0	0.0	0.0	0.0	3.3
 Iberia-TV	0.0	0.1	0.7	1.9	2.9
 TV Pirveli	0.0	0.0	0.0	1.5	2.5
 Media Union Obiektivi	0.1	0.8	1.1	1.7	1.5
 Setanta Georgia	0.0	0.0	0.0	0.0	0.8
 KavkasiaTV	0.4	0.6	0.5	0.8	0.7

by television companies do not reflect a shrinking of the advertising market.

This issue may have gone largely unnoticed, had it not been for the changes made to the Law on Public Broadcasting, which afforded GPB broader rights to commercial advertising.

Private television companies and non-governmental organizations resisted the move to enhance GPB's advertising rights. One of their main arguments was that the Public Broadcaster receives generous funding (€52.5 million) from the state, and it is therefore unfair to allow GPB to compete with private companies for advertising.

The President of Georgia vetoed the amended Law on Public Broadcasting on 15 January. However, the ruling Georgian Dream party managed to overcome the veto on 21 February. The government argued that due to the growth of the Georgian television advertising market, GPB's placement of a certain amount of advertising would not harm other television companies significantly. Against this background, the 2017 television advertising revenue figures, which were released by the National Communication Commission one day after the veto was repealed, were of particular significance. Prior to February 22, the revenue of Rustavi 2, Teleimedi, GDS and Maestro - constituting 82% of advertising income - were unknown. Furthermore, the GNCC's clarification regarding the reduction in advertising revenue strengthened the state's position. Nevertheless, some private television companies do not agree with the GNCC's methodology and approach, insisting that the advertising market is shrinking.

Compared to 2016, the number of television companies that received income from advertising in 2017 shrunk by 55% (31 units). The number of companies posting annual advertising revenue of more than €200,000 fell by one.

TOP 10 PRIVATE TV COMPANIES BY ADVERTISING REVENUE

Source: Georgian National Communication Commission

Millions of GEL	2013	2014	2015	2016	2017
 Rustavi 2	28.3	35.6	26.6	33.7	26.1
 Telemedi	14.2	16.0	18.7	22.2	21.2
 Maestro Studio	5.3	7.5	3.5	5.2	0.6
 GDS TV	0.7	1.8	1.6	2.0	1.7
 Silknet	0.0	0.0	0.0	0.0	2.0
 Iberia-TV	0.0	0.1	0.7	1.9	2.9
 TV Pirveli	0.0	0.0	0.0	1.3	1.7
 Media Union Obiektivi	0.0	0.4	0.6	1.0	0.5
 Setanta Georgia	0.0	0.0	0.0	0.0	0.8
 Kavkasia TV	0.4	0.5	0.4	0.7	0.6

Precisely how large a share of advertising will be afforded to the Public Broadcaster will become clear later, since it depends not only on the broadcaster's rights, but also its ratings. At present, GPB's ratings are quite low.

The following table shows the top 10 private television companies in terms of revenue. Rustavi 2 leads the list with €194 million in revenue between 2013 and 2017 (an average of €39 million per year), followed by Telemedi with an average of €24 million annually.

Rustavi 2 is also in the leading position with regards to advertising revenue, with an average of €30 million per annum. Telemedi is second with an average of €19

million per year. Between them, these two companies accounted for 78% of all advertising revenue in 2017. They were followed by Iberia TV with €2.9 million.

Six of the top 10 television companies in terms of revenue in 2016-2017 saw their advertising revenue decrease for the year 2017, while two companies recorded an increase. The remaining two companies only began receiving income from advertising in 2017. The two companies which posted an increase in advertising revenue were Iberia TV and TV Pirveli - 54% and 35% respectively.

The bottom line is that the advertising market in Georgia is quite small, which is

primarily due to the size of the economy. Against this background, the Georgian Public Broadcaster receives almost as much money out of the state budget as the total combined revenue posted by the two largest private television companies - Rustavi 2 and Telemedi. Nevertheless, GPB's ratings do not even come close to those of Rustavi 2 and Telemedi. It is evident that the state-funds directed towards GPB are being spent ineffectively. Within the context of a results-oriented state budget that is truly based on the principles of the program, the Public Broadcaster's public funding would either be cut completely, or decreased to a minimum. ^F



THOUGHT LEADERS

KETI BOCHORISHVILI - CURRENT EVENTS

A New Concept of Industry for the Region

With more and more countries announcing the establishment of special economic zones, in an effort to catch-up or replicate the inspiring successes of the Shenzhen (China) or Jebel Ali Free Zone (UAE), the key question is: what is it that truly makes them “special” and what is their recipe for success?



IN MID-2017, THE US-GEORGIAN CONSORTIUM

in charge of the development of the Anaklia Deep Sea Port announced the commencement of a spin-off project that seeks to transform the hinterland of the future port into the first Special Economic Zone (SEZ) in Georgia. The Georgian government extended its support for the initiative by amending the constitution and thus defining Anaklia as territory with special legal/regime status.

Anaklia Deep Sea Port, the construction of which, was commenced last year, is expected to be operational by the end of 2020 and is being promoted as one of the country's major strategic infrastructure projects that will be utilized to help revitalize Georgia's role as a major transportation and transit corridor for the region.

The port is positioned to become the primary transportation corridor used to accommodate cargo flows between the addressable markets of the Caucasus, Central Asia and the northwest of Iran. In total, the area represents the primary and secondary consumer markets of over 140 million people with a net economy worth nearly USD \$1 trillion. In addition, the area is projected to have a high pace of economic growth with a long-term outlook. Moreover, with the ongoing and planned development of infrastructure along the Caucasus and Central Asia regions, the project has ambitions to serve the cargo flows between the largest consumer markets of Europe and Asia, becoming a vital part of the New Silk Road corridor.

During the groundbreaking ceremony held in December of 2017, it was announced that the kickoff of the Anaklia port project represents a new step towards

Georgia's transformation from a transit country into a country of production, logistics and industrial development, while the Anaklia SEZ is set to become the flagship and driver of this ambition.

Although, the overall concept for the Anaklia SEZ is larger and more holistic, encompassing the development of various industries and a brand new urban agglomeration on the Georgian Black Sea coast, the logistics and industrial section of the zone is envisaged as the initial economic engine and supplement to the Anaklia Deep Sea Port.

The project aims to utilize the unique mix of competitive advantages and opportunities that will grow along with the commencement of the new state-of-the-art port and road and railway infrastructure to be arranged by the state. Anaklia port's ability to handle larger vessels coupled with extensive investment on behalf of the government in upgrading the infrastructure through the country will significantly enhance the competitiveness and capacity of Georgia as a transit corridor. This will eventually lead to the growth in demand for transportation and logistics services to accommodate the new cargo flows for the immediate and wider region. Beyond that, this new infrastructure will accelerate the opportunities for local, regional and international companies, helping them to capitalize on Georgia's free trade access to markets comprised of over 2.3 billion consumers (EU28, EFTA countries, Turkey, CIS region and China) and upgraded quality infrastructure approximated to European standards. Currently, Georgia is the only country in the region that offers such a comprehensive and diverse mix of free trade

deals, which could one day become a trade and business bridge between the European Union, China and CIS markets.

To expedite this process, the Anaklia SEZ intends to introduce to Georgia anew concept and value proposition of modern industrial and logistics parks fully integrated with the deep-sea port, powered by the attractive regulatory framework/incentives, the use of cutting-edge technological solutions and managed by the leading international operator. The model is to create the kind of platform that will attract new, existing and emerging industries, currently not represented in Georgia and to ensure the future expansion and evaluation of these industries.

Currently, it's almost impossible to find modern industrial real estate areas and facilities in Georgia, as the vast majority of the existing supply is old-Soviet properties, part of which have undergone renovation. Meanwhile, 2017 marked the record high for the Central and Eastern European region where up to 3.7 million square meters of newly-built industrial and logistics space was supplied to the market. At the same time, the vacancy rates of such properties have decreased to a historic low of 5%, which reflects the significant demand for such facilities.

To address this gap, the first step was undertaken by procuring the leading professional consultancy consortium - the UK-based BuroHappold Engineering and Moffatt & Nichol - to study the demand and masterplan, as well as the industrial and logistics parks incorporating their experience from other countries and current trends of the industry. The masterplan and phased strategy will cater to the long-term development and growth of the zone. In addition, the Anaklia SEZ is undergoing active negotiations with leading industrial real estate development partners to become the co-developer of the parks, ensuring that the future facilities and infrastructure will meet the demands of local and international companies.

In addition, in order to foster and

invigorate the development of logistics and industrial parks, the Anaklia SEZ will offer a regulatory framework based on the best working practices from the most successful SEZs in the world. The planned regulatory, fiscal and legislative framework will cover the full scope of the successful startup phase and, more importantly, the future development of the zone with diversified industries and services clusters. It aims to stimulate a secured business environment and provide incentives for the companies seeking to expand their business in the region. The first layer of regulations will focus on the streamlining of trade, wholesale, manufacturing, transport and logistics activities and providing the framework for transit, re-export, distribution, bonded storage, custom free processing and supply chains traffics for the clients. The zone will be eventually export oriented and driven, capitalizing on the numerous opportunities of the neighboring markets, as well as tariff free access to the markets of the European Union and China. At the same time, the second layer of regulations will introduce the international framework in terms of business environment, the protection of investments and dispute resolutions in accordance with the rule of law and many other attractive incentives for local and international business communities. The legal part for the Anaklia SEZ will be drafted by the consortium of the leading Georgian and international law firms, recently enacted as special Organic Law.

To ensure smooth development and operations, the team in Anaklia is in the process of securing a leading international operator for the zone to manage the parks and provide "one-stop-shop" services for all future clients and tenants. There are thousands of different zones in the world, but time has proved that an experienced operator plays a vital role in the success of the project, providing significant added value to the development process.

The above-mentioned pillars of establishment the zone and particularly the industrial & logistics parks were identified

through the comprehensive negotiations with the multinational companies and study visits to the existing Special Economic Zones throughout the world.

One of the key drivers currently missing in Georgia is a pool of adequately trained and skilled labor force to match the demand of the industry. For this purpose, the Anaklia team has already initiated cooperation with the Government of Georgia and international donor organizations to launch the projects to develop modern professional training facilities to prepare the local population for future employment opportunities.

The zone will be designed to be attractive to both the international companies, as well as the Georgian business seeking to scale-up their activities to the wider region, become supply partners to the international companies residing in the zone and those who seek to internationalize their business. The goal is to establish an ecosystem where companies can focus on the expansion and internationalization of their core business, while all enabling services and infrastructure is being provided by the zone.

The Anaklia port project and the SEZ are envisaged to become a game changer in the transport and logistics sector, not only for Georgia, but for the regional corridor crossing the South Caucasus and Central Asian countries. However the agility of the process significantly depends on the stakeholders involved. To fully utilize the opportunities of the corridor, each country along it should play a more active role in the facilitation of the corridor's competitiveness and attractiveness. The demanded measures to be undertaken towards integrated trade and transport facilitation are deepened through the improvement of border crossing points, harmonized transport tariff policies and customs simplification. The development of the route could serve as a catalyst for trade expansion and economic diversification in the entire region and shift the landscape of regional trade paradigms and dependencies. 



THOUGHT LEADERS

GELA BARSHOV - CURRENT EVENTS

International Aspects of Georgia's Tax Legislation

Georgia is a developing, low-cost country with a growing economy and a stable, attractive tax system. This article provides a brief analysis and overview of certain international aspects of Georgia's tax legislation, specifically- the rules of residence and permanent establishment, the country's tax base, withholding tax rates, anti-avoidance rules, transfer pricing and tax treaty policy.



RESIDENCE

A natural person becomes a resident of Georgia for a fiscal year if they spend at least 183 days in the country during any 12 months that expire in this year. In addition, if a Georgian citizen is not a resident of any country in a particular year, they are considered a resident of Georgia if they request so.¹

Corporations are considered to be residents of Georgia if their management and/or incorporation is carried out in this country.²

PERMANENT ESTABLISHMENT

The definition of permanent establishment in the Georgian local tax legislation differs to some extent from the one provided by the OECD or UN.

Georgia's general definition of permanent establishment (PE) is a certain place (not necessarily fixed) where a non-resident entity fully or partially carries out its economic activity.³ An exception to the rule refers to foreign entities providing services that fall into the scope of the Georgian law on oil and gas.⁴ Such companies are exempted from PE obligation.

Another significant deviation from the OECD is the

definition of a dependent agent PE within Georgian legislation: the agent creates PE in the country if its control by a non-resident entity lasts for more than three months unless the following criteria are met:

- **A person holds** the status of professional agent, broker or mediator under the relevant legislation.
- **A person is not entitled** to conduct negotiations or sign on behalf of non-resident principle.⁵

In other words, even if an agent is not entitled to sign contracts and/or conduct negotiations, the possibility of the creation of a PE still remains if that person does not officially hold the status of professional agent, broker or mediator.

However, the local definition of PE is fully reliable only if a treaty does not exist with the residence country of a foreigner, otherwise the treaty is overridden and only the provisions of this article more extenuating than a treaty definition of PE will be applicable.

TAX BASES

Resident corporations are taxable on their worldwide income. Non-resident ones and natural persons pay taxes on Georgian sources of income only.⁶

¹Georgian Tax Code (GTC), Art. 34

²GTC, Art. 22 (Original version in Georgian language)

³GTC, Art. 29, Par. 1

⁴GTC, Art. 29, Par. 3

⁵GTC, Art. 29, Par. 4 and 5

⁶Resident natural persons are exempted from taxation on foreign source income. See GTC, art 82, Par. 1, sub. par. "u"

In January of 2017, a new corporate income tax system was introduced. It envisaged that the tax is due only at the moment of profit distribution to shareholders or in equivalent situations of such distribution.⁷

WITHHOLDING TAX RATES

Interest, dividend and royalties paid to nonresidents are subject to 5% withholding tax. On payments for other services, a 10% tax is due.⁸ The rate is 15% if the abovementioned payments (except dividends) are made to offshore-based nonresidents.⁹

FOREIGN TAX CREDIT

Article 124 of the GTC says that if a Georgian company receives profit independently from a Georgian source, when the profit is taxed, a tax credit is available on the tax paid abroad up to the amount of which would have been paid if the source were Georgian.

ANTI-AVOIDANCE RULES

Georgia has several anti-avoidance rules: general and specific. The general rule is prescribed in Article 73 of the GTC that enables a tax inspector to change qualification of a transaction based on its substance.

Notably, the substance over form principle is not frequently used by Georgian tax authorities. For example, to the author's knowledge, a loan has never been qualified as a capital contribution by them so far.

The most notable specific anti-avoidance rules are Transfer Pricing, higher withholding tax rates on payment to offshore-based entities (both discussed in different sections of the article) and limitation deductibility linked with non-resident entities.

Payment for a service provided by a nonresident is deductible based on cash method, only after the actual payment is carried out.

Georgia does not apply the rule of thin capitalization and limitation of interest deduction based on EBITDA. Only limitation of interest deduction is set by the decree of the Finance Ministry disallowing deduction

of more than 24% of the annual interest. In addition, that limitation does not refer to the companies operating within the financial sector.

TRANSFER PRICING

Transfer pricing legislation in Georgia has been effective since December 2013. It is regulated by Articles 126-1291 of the Georgian Tax Code and the decree of the Finance Ministry dated December 18, 2013, #423. The legislation is mostly consistent with the OECD transfer pricing guideline 2010, but with minor deviations:

The required minimum involvement in the shares for considering associated persons is 50%.

Transfer pricing applies not only to the transactions between associated entities, but transitions between a Georgian resident and an offshore-based person, regardless of their association.

If such information is available, comparable financial results are searched from the same year in which a transaction took place rather than the average of the previous few years.

Georgia does not have any safe harbor rules regarding Transfer Pricing and does not apply a simplified approach on intra-group services yet. TP documentation has to be provided by a taxpayer within 30 days upon the request; no special penalty applies to non-provision of such documentation, although shifting of the burden of proof is the result in the situation.

In addition, the decree makes reference to the 2010 OECD guidelines regarding the Transfer Pricing topics that are not regulated by it (for example, cost-contribution arrangement).

No MAP and APA are applicable in the country as of today. However, it is expected that those rules will be activated shortly.¹⁰

TAX TREATY POLICY

Georgia is a contracting state with 55 tax treaties being in effect today. The distribu-

tion rules on dividend, interest and royalty differ among the treaties.

Approximately 30 treaties allocate taxing rights to Georgia with regard to interest and royalty payments (when a source is Georgia). The number is about 45 in the case of dividend payments. However, in that case, the taxing right depends on the percentage of shares non-residents hold in a Georgian company and the amount of capital contributions made by them.¹¹

Those treaties limit Georgia's taxation usually up to 10%. However, as highlighted above, domestic tax rates on such payments are 5%. Therefore, the 10% limitation does not have any effect and 5% is applied anyway.

Georgia still does not apply the Authorized OECD Approach (AOA) in Article 7 of its treaties. Most treaties imply the wording similar to the previous or 2008 version of the OECD model convention.

In other words, in many situations, permanent establishment is not considered a separate independent entity for tax purposes, but cost allocation takes place between the head office and PE without mark-up.

Besides, Article 14 - 'Independent Personal Services' - is included in most or all treaties.

In its domestic legislation, Georgia applies limited force of attraction. However, most of the treaties signed by the country limit the application of the rule.

CONCLUSION

Georgia's tax system is one of important factors among several which make the country an attractive destination for foreigner investors. One of the main attractions is that the legislation is relatively simple and provides a considerable number of incentives and minor withholding tax rates. In addition, the country has a rich tax treaty network and lenient anti-avoidance rules. Lastly, there is the possibility of advance tax ruling which ensures certainty for tax payers. **F**

⁷See article 97 of GTC.

⁸4% applies on payments to nonresidents engaged in oil and gas transactions. See article 134 par. 1. Sub. par. "d".

⁹This is the same rate as corporate income tax rate in Georgia.

¹⁰However, advanced tax ruling system (except TP issues) is very active in the country which guarantees certainty to tax payers.

¹¹For instance, see article 10 of Georgia-Germany treaty



THOUGHT LEADERS

LEVAN KOKIASHVILI - CUISINE

Khachapuri's Great Potential



AS MY WIFE AND I sat in the restaurant during a recent trip abroad, our waiter approached with our order. As he laid our plates on the table, he announced with great pride that it was the national dish of his country.

It was simple, yet very delicious.

At that point, I decided to get back to the question that I had recently devoted much thought to - a question that remained unanswered: What is the main dish that our country can pride itself on, draw attention to and consequently use to promote Georgian cuisine?

Immediately upon my return, I posed this question to my friends and acquaintances, while simultaneously taking a closer look at the Georgian feast (supra), our nation's eating habits, and regional peculiarities. Eventually, we all agreed that khachapuri was destined to become the country's signature dish since it acts as an integrator of Georgian cuisine as a whole. This is largely because this often decadent cheese-filled bread is made in all parts of Georgia and is not a dish specific to one particular region.

During this process, I came up with simple questions such as: Where? When? How? Who? And when I failed to get answers to these simple questions, I realized that it was time to delve deeper into the matter.

Some answers I found myself, others found me and gradually we - a team of 14 people - set out to explore the types and origin of khachapuri. In the process of our exploration, which is still ongoing, we could not hide our astonishment as we came upon 53 different types of cheese-filled bread. Before that, we could not name more

than ten!

Our exploration of the types of cheese-filled bread led to many simple, as well as philosophical questions. For example: what is the main ingredient in khachapuri - dough or cheese? Or was it curds and bread?

The answer?

It's the filling.

The filling for khachapuri is prepared differently in every region of the country. In addition, there is also the dough-preparing technique and the quality of the wheat. The taste of khachapuri is different based on the regions of Georgia because the technique of preparing each type is also unique. The writer, historian, botanist, gastronaut, cheesemaker and the other professionals involved in our study arrived at the conclusion that khachapuri was born in Georgia and is indeed a Georgian dish. This is not simply the opinion of people obsessed with national pride, this is a verified answer based on research and concrete sources.

Based on these sources, the history, taste and preparation technique of khachapuri varies from region to region. Nevertheless, each type of khachapuri has a common character, friendship and preparation ritual.

You probably know people that cannot hide their amazement when they taste homemade khachapuri. Why can't khachapuri also be as tasty in the eateries, as it is when it's plucked straight from the oven at home? The likely answer is that the eateries do not prepare khachapuri with as much love, passion and diligence, as the ones that make it in the home.



Every corner of Georgia has its own khachapuri with its own unique composition, attitude, rules and recipes. Observing the various fillings that Georgians use, suggests that our predecessors have wrapped almost everything in dough, and the fact that the dough type with curd and cheese filling prevails, is indicative of how Georgians feel about this particular dairy product. Cheese has a very rich history and the tale of preparing this 'good-hearted' dairy product - as they refer to cheese in some local dialects - dates back to ancient times.

Everything needs to be renewed and upgraded, provided that it is done with care and protection for the old. What I am trying to say is that, I believe that in the 21st century we should continue experimenting with various recipes of khachapuri. But before doing so, we must take proper care of khachapuri's potential based on its history.

Just imagine that chefs from all over the world come to Georgia, look for the recipes for preparing khachapuri, observe how Georgian housewives make khachapuri, taste it and then take this experience with them and start making khachapuri in their own countries. This research will serve as a roadmap and inspiration for local and

international businesses. These so-called khachapuri eateries will turn into far more classy and promising businesses. Many business entities will have an opportunity to launch new types of khachapuri that are yet unknown to the majority of people and thus attract customers.

We are all proud when the world applauds and admires the Sukhishvili National Ballet. It would not be an exaggerated comparison to predict the same future for khachapuri, which certainly has the magical power to win the hearts of gourmets the world over.

Khachapuri must become the flag-bearer for Georgian cuisine and in the process, promote the popularization of other prominent Georgian dishes.

You are probably wondering why we chose khachapuri and not another Georgian dish?

The answer is because khachapuri is so different in every region, and this underscores the authenticity and culture of Georgian gastronomy. Other national dishes in Georgia are mostly specific to certain corners of the country, while khachapuri unifies the Georgian feast and embodies the country's national cuisine as a whole.

The culinary world is in search of new authentic tastes. One could even say that the culinary world is in a crisis in terms of discovering new dishes. Therefore, we should take advantage of this opportunity to introduce the main dish of our national cuisine to the world. Even though there are Georgian restaurants in many countries of the world where khachapuri enjoys popularity, it is still not enough. More fundamental work needs to be done. We must relay precise information regarding khachapuri to the gastronomic world, let them taste it and appreciate its potential.

The introduction of khachapuri on the world market will prompt the popularization of the main ingredients of khachapuri (flour and cheese) since these ingredients determine its unique character and taste. We need to support the development and export of local products, where these ingredients will be used for making khachapuri.

The role of the state in this endeavor is crucial. As such, the government needs to support the popularization of khachapuri by presenting it in various gastronomic forums and festivals. Khachapuri will take care of the rest itself, since it has a huge potential to conquer the world. **F**

A EUROPEAN EDUCATION IN GEORGIA

The 23 national flags hung in the halls represent the multicultural nature of this learning institution; a place where students from various ethnic and religious backgrounds study together harmoniously, taking advantage of a plethora of first-class, state-of-the-art learning facilities the school offers its students.





Over the past 10 years, the European School has enjoyed a rich history of growth and development. Founded in 2007, the school initially offered instruction from preschool to ninth grade. The original purpose in establishing the European School was to provide Georgian children access to high-quality primary and secondary education with a strong foundation in English. This would give them the chance to succeed both at universities in Georgia and abroad, depending on the educational goals their parents had laid out for their children.

The European School quickly became a popular choice for families within the Georgian community. It proved to be an extremely successful school and has since experienced rapid growth across its first years. As a result of that success, the founders of the school decided to offer international programs to its students and parents.

In 2009, the European School received authorization to launch its International Baccalaureate Diploma Programme (DP), which spanned grade levels 11-12 and became an international IB World School. Later, the International Baccalaureate Middle Years Programme (MYP) was introduced, allowing children earlier access to obtaining an international education. In 2012, the school received its IB MYP authorization followed by the PYP authorization in 2016. Students began to transition into IB programmes rather than seek transfers into other international schools. The European School is currently authorized to offer all three IB programs.

As an international institution, the European School has become a school where Georgian and foreign students are able to learn in a

mutually supportive environment. The school's main objective is to help its students become internationally-minded global citizens.

With its modern infrastructure and facilities, up-to-date digital infrastructure and network, scientific labs and robotics classes, the European School is today proud to be considered one of the best educational institutions both in the country and the region.

The European School offers chemistry and physics laboratories, offices of science and biology, a multimedia language lab, SMART kids laboratory, Lego education, computer laboratories, robotics laboratories and a MAC laboratory.

The European School first opened its doors in 2007 to 311 students spanning grades 1 to 9. Today, the school has an enrollment of over 800 students comprising 23 different nationalities. This kind of rich, multicultural exposure complements the high level of education offered at the school.

"These past years have been precious to each and every European-schooler, a term we use to refer to the students (past and present) of the European School, their parents, teachers, and everyone who is passionate about the European School," notes the European School's Academic Director Sophio Bazadze.

"These past ten years reflect self-assertion, exploration, and of course, success. Not only has the European School obtained a dignified place in Georgia, but also within the international education community. The enrollment rates of European School alumni at national and international higher education institutions demonstrate the European School's reputability and indicate the school's commitment to excellence over the past ten years," Bazadze notes.

DESTINATION DEVELOPER

Giorgi Bitsadze's Alliance Group, in partnership with global hotel giants, is making history in Georgia's hospitality sector.

BY CYNTHIA PRISLEY
PHOTOS: DAVIT PHANTSULAIA

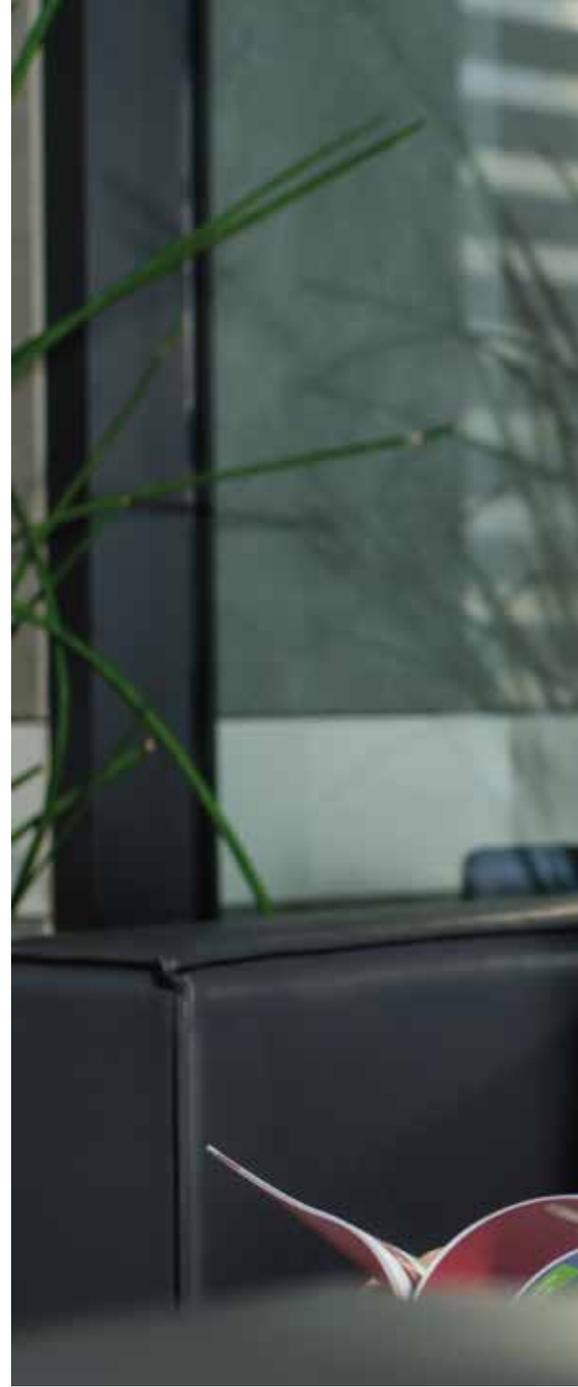
At Alliance Group, we're developing Georgia's richest zip codes," says Giorgi Bitsadze, the co-founder of the country's leading construction-development company, as we stop in front of an arch-shaped skyscraper in the beautiful seaside city of Batumi. The morning breeze blown in from the sea feels refreshing. It's 8am and the weather app on my phone screen shows 25°C and sunshine. For holiday-makers it's a perfect start to a leisurely day. For Bitsadze, it's another weekday. In this city of modern structures, business hours start early. Batumi looks like the renovated Dubai of early 2000s, a real-life SimCity. Alliance Group represents one big chapter of Batumi's story of it evolving into an international destination.

"This is the Alliance Palace, the first franchise project my company developed together with the world's leading hotel chain Marriott International," Giorgi Bitsadze says, as he points to the recently completed multifunctional complex we've come to see. The skyscraper has the Courtyard by Marriott brand name emblazoned on the 41th floor. In partnership with this global hospitality giant, operating 6,500 hotels in 127 countries and territories, the Alliance Group has already started building its other major-league franchise project - the Alliance Privilege, representing the first five-star Marriott hotel in Batumi.

"By developing modern-standard properties, we're putting the city on the global investor's map," says Bitsadze.

For the last 13 years, Alliance Group has built more than 20 large-scale projects in Batumi, including classy aparthotels across the coastline boulevard, which, in fact, is the longest in Europe. Bitsadze, 53, a serial entrepreneur since the late 80s, sees Georgia's construction-development sector as one of the most promising in the country. The highest destination Alliance Group has entered is the new ski resort in Goderdzi.

"We're the first construction-developers here, 2,000 meters above sea level," notes



Giorgi Bitsadze



Bitsadze. Bitsadze's company is developing the project, which is a Ramada Hotel franchise, with another prominent international hospitality chain - the Wyndham Hotel Group, which operates 8,000 hotels in 78 countries. After Adjara's select seaside and highland resorts, Alliance Group has expanded its development activities to Georgia's capital. In Tbilisi, the company is building the Alliance Highline, a privileged multifunctional complex featuring the Wyndham Garden Hotel. Along with the hotel sector, the apart-hotel business plays a significant role in Georgia's hospitality market and the Alliance Group is the leading upscale developer of aparthotels. The

company's premium apartments are included in the international network of the world's leading vacation-exchange company, - RCI.

"Starting this summer, our apartment owners will receive the gift of luxury travel opportunities abroad," states Bitsadze.

The tourism industry in Georgia is one of the best performing. Between 2006 and 2017, Georgia recorded the world's third-highest growth rate in visitor numbers. With 4 million member families included in the RCI network, the local vacation industry is enjoying an historical opportunity to achieve global exposure. Currently, the RCI network in Georgia



Alliance Privilege.
Batumi, Georgia

includes the Alliance Palace with more than 1,000 apartments. Once completed, the Alliance Highline with up to 700 apartments will also be joining the network.

With \$210 million investment in the four ongoing internationally acknowledged projects (The Alliance Palace, the Alliance Privilege, the Alliance Resort and the Alliance Highline), the Alliance Group remains the main Georgian brand in the construction- development and hospitality sector on the local market. Since 2005 the company has invested \$200 million in already-completed projects. To get a closer look at the company and its insight, FORBES Georgia conducted a short interview with Giorgi Bitsadze himself.

The modern architecture catches the eye in the first place. What's unique about the Alliance Group skyscrapers in regards to exterior and interior design?

Exclusive architecture is our signature. The Alliance Highline and Alliance Palace projects have won awards within the Mixed-Use Architecture and Residential Architecture High Rise categories at the European Property Awards 2017-2018, one of the most prestigious industry events in the world. We are strongly focused on developing cutting-edge design. This commitment is obvious in our most recent project, the Alliance Privilege, a foam-white beach skyscraper. To say a property is special you must feel at home there. At the Alliance Group resorts we bring exclusive architecture inside. In terms of interior design, we're working with an Italian studio called D73. Recently we've had the designer himself, Andrea Vigano visiting the Alliance Highline construction field and the already completed Alliance Palace complex. He's doing a tremendous job. The Alliance Group property owners and tenants will soon have an opportunity to experience what it feels like to live in the apartments designed by this world-famous Italian architect.

What was it about Batumi that attracted Marriott and which has been the new destination for the world's top hotel market player?

Marriott International has worldwide experience and you cannot surprise them with a quality project only, unless it's located in an internationally attractive destination. Batumi is one of those. While starting work with an international company, we present a complex deal, a quality project and its opportunities as a part of the destination. This small port city with a population of only 180,000 people is visited by up to 2 million international tourists annually. Because of the well-developed gambling business, Batumi is called the 'Las Vegas of the Black Sea'. We have a lot of entertainment facilities here - night clubs, restaurants, cafés and bars, as well as international brand hotels. The Alliance Group has contributed a lot in the development of Batumi. In 2005, we built the very first modern residential building in the city. Later, we saw we had to think of some broader business model which would bring foreign investors to our local projects. In 2008, and for the first time in Georgia, the Alliance Group launched an aparthotel concept and it worked. Batumi was undergoing a renaissance, there were lots of new buildings appearing in the city. Marked on the international



Alliance Palace.
Batumi, Georgia

map of tourism and regional business, Batumi was ready to accept the challenge of world hotel brands. Part of this challenge we took into our own hands. In 2015, in partnership with Marriott International, we started building a multifunctional complex that combined premium apartments with an international brand hotel (Courtyard by Marriott). The Alliance Palace will be completed this summer while the hotel will be exploited in April, 2019. This year we have already announced the new project in Batumi - the Alliance Privilege, which can accommodate the 160-room Marriott hotel. This 54-story, state-of-the-art, multifunctional complex will be completed in 2020. High-end construction-developments like these that have sprouted-up along the beachfront, make Batumi a city of the future.

One of the main attractions about the Alliance Palace and other properties developed by your company, is the apartment hotel concept. How does this work?

Today, Batumi is a regional hub for the leisure property business. Up to 80% of the Alliance Group apartment owners are foreign citizens. International investors find Georgia the most attractive market

for real estate acquisition. Local liberal policy makes it possible to obtain a temporary residency permit on the basis of buying property with a value of over \$35,000. Compared to big metropolises, real estate in Georgia is cheap. For investors of all sizes, both international and local, the local aparthotel market is a good business and the most explosive of the cities in this regard is Batumi. The commercial benefit is also one of the most significant benefits our apartment owners receive. For instance, the starting price for a premium apartment at the Alliance Palace has increased by 210%. In addition to this, by letting an international management company rent their properties, apartment owners get rent income. The philosophy here is that you see not only fast investment return within 4-5 years, but you also have real estate in possession with a constantly increasing price.

The Ramada Hotel brand within the Alliance Resort complex, is the first to enter Goderdzi. What key features did Europe's fastest developing hotel brand owners find in Georgia's ski-mountain resort, which is still under development?

Goderdzi resort has a unique location - 2,000 meters above sea level tucked away in Adjara's



Alliance Highline.
Tbilisi, Georgia

highlands and is only 100 kilometers from the Black Sea coast. The mountains in this year-round resort are snow-covered from November to April. It's also known as the snowiest resort in Georgia (three times more snow depth than the Bakuriani and Gudauri ski resorts). This is what Wyndham Hotel Group loves about Goderdzi, its intact beauty, splendid views and four seasons, which is quite rare in mountain ski resorts. When it opens this year, the six-story future-trend Alliance Resort will have the capacity to host 250 visitors at any one time.

We see Alliance Highline banners all around central Tbilisi. Expanding business activities to the capital Alliance Group has started with the most prestigious Vake district. Tell us the story of the three skyscrapers you're developing in partnership with the Wyndham Hotel Group.

0179, under this most famous zip code, we're developing the Alliance Highline multifunctional complex at 49 Chavchavadze Avenue. This premium-class complex is impressive with its sheer scale and trendy architecture. The three-tower landmark project consists of 40 and 33 story apartment buildings and a 26 story mixed-type tower where Wyndham

Garden Hotel and apartments will be situated. The entrance of an international hotel brand will turn the district of Vake into the capital's new tourist center. Tbilisi, according to TripAdvisor, the world's largest travel website, is a 'Destinations on the Rise'. So, we need to reshape the city's hospitality sector and create new routes for tourists. Rustaveli Avenue, which has been the main hub for tourism, will maintain its position, being a central street in close proximity to many of the city's famous sights. Taking into consideration that up to 20 international brand hotels are being built and planned to be developed in Tbilisi, new locations have to be explored. We did look for the next best alternative and established it on Chavchavadze Avenue, a quiet and green area close to Tskneti forests. The Alliance Highline, because of its universal planning of residential, aparthotel and hotel concept, is best-suited for families, business people and tourists. This elite complex is planned with consideration of every detail, meeting the requirements of a modern citizen: cards instead of keys to access rooms, concierge service, technical personnel, spa center, swimming pool, fitness, as well as a four-story underground car park - all the facilities you will find in top European multifunctional complexes.



Goderdzi Ski Resort,
Goderdzi, Georgia

Just like the Alliance Highline, we're developing all the properties with ultramodern standards. Our flagship project in Tbilisi will be completed in 2019. Wyndham Garden Hotel will open in the complex a year later.

The Alliance Group recently announced an exclusive offer for its apartment owners - a vacation exchange to the world's quality resorts. What does your unprecedented deal with the global leader of property exchange RCI mean for the country, your clients and your company?

Georgia entering the RCI network of around 10 million potential tourists from all over the world is breaking news for the country. We're setting new standards for innovation in the local vacation industry. This comes as a fabulous surprise for our apartment owners, who have been gifted a vacation exchange opportunity to more than 4,300 international-class resorts in over 110 countries across the world. Properties developed by the Alliance Group enjoy Gold Crown Resort status, meaning an additional 200 elite holiday locations. What is new for Georgia is a 40-plus years of success story for the big part of the world. For Alliance Group, our

partnership with RCI is a new challenge, which we're confidently carrying out. An advertising campaign for the Alliance Group resorts and our country has already begun on various RCI platforms, and the first vacationers from Georgia will be able to benefit from this global network during the summer of 2018.

What's the next step for the Alliance Group?

There are several development ideas that the Alliance Group is planning to offer both existing and future customers. Apartment owners will receive Privilege Cards from the newly established Alliance Vacation Club, which will open the door to global travel for them. In addition, they will receive discounts and other benefits from a number of companies providing the best services or creating luxury products all over Georgia. This will include the best restaurants, clinics, entertainment centers, beauty salons, fashion shops, car centers and many others. Regarding the future projects, we have the same concept projects on a timeline, but we also plan to create a new concept for different kinds of investors, so follow us for the update. Therefore, upgrade, innovation and development, as always, are the next steps for Alliance Group. 



Georgia's **Postman**

Comprised of 2,818 employees, with an average salary of ₾914, the Georgian Post, led by Levan Chikvaidze, has successfully transformed its much maligned image, and in the process, has managed to funnelled more than ₾40 million into the state budget over the past six years.

BY ANITA MUSKARIA
PHOTOS: KHATUNA KHUTSISHVILI

In the 21st century, communication difficulties are hard to imagine. In the age of the internet, roaming and social networks, sending messages has become easy. Yet there are certain messages which always have and always will require the same service - the post. A lot has changed over the past few years, not least with regards to the options available to the customer, who can either choose to trust the national carrier, or a private courier service. For more certainty, packages can also be insured. Furthermore, whilst in the past, the Georgian Post was not considered a reliable alternative, today that is no longer the case.

Forbes Georgia has decided to put the spotlight on the company and its head, Levan Chikvaidze. Against the background of a recent well-publicized conflict with competitors, Mr. Chikvaidze speaks about the company's recent achievements and challenges in a broad context.

What are you exactly - a state company manager or a businessman?

Unfortunately, both.

Why unfortunately?

It would be much easier to have one clear role.

Chikvaidze admits that he is still not sure why he agreed to take on this role - whether it was because he could fully use both his business and public sector experience to manage the state company, or because he saw more challenges and risks than guaranteed successes along the route towards achieving his set goals. Despite this dilemma, he decided to take all his experience and direct it towards one cause, and agreed to become the director general of the Georgian Post.

Mr. Chikvaidze is familiar with working in both the state and private sectors. From 1996, he was a member of the local self-government, later becoming a member of parliament, before once again returning to self-government. In 2005, he tried his luck in the private sector: first, he led

one of the earliest American investment missions in Georgia, before himself moving to the United States and conducting business activities in Los Angeles and New York. In 2012, having returned to Georgia, he decided to accept the offer from the then Minister of the Economy to oversee the Georgian Post.

According to Mr. Chikvaidze himself, when he agreed to manage the Georgian Post, the company was lacking in two fundamental areas - a proper business model and consumer trust. Therefore, he viewed his job not as the continuation of an ongoing process, but rather as a fresh start. Resolving the aforementioned two issues is what he views as his greatest achievement as Director General thus far.

What does the new approach and business model look like?

A company that used to rely on indirect subsidies from the state has been transformed into a modern organization that is oriented towards new technologies, and is capable of providing a

would even wish to create competition for us. As for the profit-oriented segment, we have numerous competitors that include experienced, well-established companies such as DHL, FedEx and UPS. These international giants also have Georgian partner companies operating on the local market.

The subject of competition on the local market stood firmly on the agenda for the Georgian Post several years ago, when the company was increasingly being accused of trying to monopolize the market with help from the state.

What happened then?

We did not communicate properly. We did not manage to explain to the public that we had the right to act the way we did until 2019, and that by doing so, we were acting in accordance with European practice, rather than contrary to it. Some of our competitors took advantage of the circumstances and attempted to further weaken the national operator in order to maintain the status quo and high tariffs on the market.

Does the Georgian Post currently enjoy any privileges on the market?

The Georgian Post enjoys certain advantages, rather than privileges. Our competitors are in a more privileged position, since they have no obligation to provide universal postal service, meaning that they operate only in those segments and territories where they can make substantial profit with low operating costs. The universal postal service costs our company €7 million each year on average. However, obtaining information at an affordable price and in a convenient location is a UN-recognized human right, and we are happy to deliver it.

Your competitors are still talking about your privileges - namely, the section of the State Procurement Law which states that public institutions may purchase services from you without a tender, while in the case of your competitors, a tender has to be announced. The industry is awaiting a decision from the Constitutional Court in this matter, and it is

being said that there has been a considerable delay in the decision making process.

The legislation allows organizations to choose whether to purchase services from the Georgian Post, or to announce a tender. The section that you are referring to is designed to help the regional state organizations whose use of the postal services is so limited that should a tender be announced, I can assure you that no one would take part in it. This is a loss-making service for the Georgian Post. The lawsuit is destructive in its nature, as it aims to leave regional state organizations without a postal service altogether. People who brought the lawsuit know perfectly well that nobody would pay €50 to participate in a tender for postal services worth €100 per year, then travel to Mestia twice a week for the remaining €50. Once again, this is an attempt to present reality from a skewed angle.

According to Chikvaidze, it is evident that his company is not afraid of competition. Even though the company is no longer being subsidized, and is operating on a free market, burdened with the obligation to provide universal service, it has still managed to develop itself, and has already drawn up plans for the future. Chikvaidze sees the company's main advantages not only in its infrastructure, but also in its technologically sophisticated products, such as hybrid post - an open electronic platform where corporate clients can register and track their mail. For Mr. Chikvaidze, another competitive advantage lies in the low cost of its services (for example, €3 for mailing a package anywhere in Georgia), as well as the low tariffs on electronic commerce.

Chikvaidze views e-commerce as a major challenge for postal services both in Georgia and throughout the world. Soon, he plans to offer entrepreneurs an open platform through which the Georgian Post will deliver electronically purchased products to any place in the world.

How can the Georgian Post respond to the challenges associated with the rise of e-commerce?

We need the appropriate technology and





Levan Chikvaidze

infrastructure. As of 2016, e-commerce accounted for more than a billion packages a year, but technological advancements mean that this number is growing rapidly. Therefore, we will need to do everything we can – from expanding the rapid logistics network to taking advantage of our geographic location. We must work on transit routes to ensure that mail sent from China and other Asian countries to Europe passes through Georgia.

What is the priority for the Georgian Post in 2018?

To establish a logistics network that will allow us to process the mail enroute from Asia to Europe.

Chikvaidze believes that the company will not be truly successful until Georgia implements a culture of postal communication that is similar to Europe. The European Union statistics are indeed impressive: according to Eurostat, the postal sector accounts for a 1% share within the EU economy, which translates into 91 billion Euros. Letters alone account for EUR 44 billion – 0.34% of GDP. With regards to e-commerce, it accounts for a growing volume of postal services (more than 6 billion packages, according to the latest data). Universal postal service companies alone employ millions of people.

The Director General attributes the aforementioned numbers to the postal service culture that exists in the EU. Therefore, it is necessary to establish a similar culture in Georgia. To this end, the Georgian Post was chosen to host the 2018 PostEurop Plenary Assembly session and business forum in Tbilisi. The event will mark the 25th anniversary of PostEurop, and will be attended by up to 200 delegates from across Europe. The member countries of this organization boast impressive statistics of their own: 175, 000 post offices, 2.1 million employees and services that connect 800 million people to each other every day.

Chikvaidze believes that if Georgian society can accept and relate to European values, then the postal culture will easily gain a foothold here over time. To this end, the Georgian Post has installed mail collection boxes across the country, although by far the largest share of the mail placed into these boxes still belongs to foreign tourists, i.e. those who are familiar with the tradition of using postal services as a communication method. According to Chikvaidze, the establishment of a similar culture in Georgia will be aided by creating a proper registry of postal addresses and installing individual post boxes at all of these addresses, as is the case in Europe.

Chikvaidze firmly believes that undertaking the appropriate steps will enable the Georgian market to post vastly improved figures. Only then, according to the Director General, will his decision to follow his personal interest in reviving the postal sector (rather than any pragmatic calculations) and take charge of the Georgian Post, finally be justified:

“We wished to bring the spring season into this sector. Choosing the Georgian swallow as our company logo supported this idea.” **F**

Creating a Blockchain-based Platform for the Green Community

Oxyn links consumers, businesses, and the environment through a smart blockchain-based Corporate Social Responsibility platform. Its CEO Bacho Khachidze and CTO Lasha Kvantaliani talk with Forbes' Inge Snip about their groundbreaking initiative.

BY INGE SNIP
PHOTOS: KHATUNA KHUTSISHVILI

Setting up a time and place to meet with Oxyn's founders isn't easy. The three impact entrepreneurs fly around the world to run their latest impact-driven project Oxyn. We finally manage to find time in early May, and I meet with its two founders Bacho Khachidze and Lasha Kvantaliani, the company's CEO and CTO, in Fabrika - a post-industrial design hostel and art community in a charming old neighborhood of Tbilisi, Georgia.

"I know flying is extremely bad for the environment," Bacho laughs, "I understand the irony. But reducing your carbon footprint - even if you have to travel - is one of the things we are working on to simplify for people."

Bacho just came back to his home country after several months in Silicon Valley, where he secured funding and designed a solid business plan with the help of their advisors. He is about to set out again, this time with his family, to Padova in the Venice area of Italy - where Oxyn takes part in the ECOSTAR Nature accelerator, a program co-funded by the European Commission and powered by the internationally well-known impact accelerator Fledge.

And while Bacho spends time in Italy with experts in entrepre-

neurial, technical and scientific fields to boost the development of Oxyn, Lasha is planning to travel to LA, while the company's third founder, Leo Dvalishvili is in New York.

Oxyn is Bacho and Lasha's second green initiative, they explain to me. Their first one is Treepex, an innovative tree-planting platform allowing businesses to plant trees in endangered forests through their loyalty programs. But in their efforts to expand their successful startup Treepex outside of Georgia's borders, they soon understood that - with their knowledge and background - they could do much more than just planting trees.

"We founded Treepex, because we were concerned about disappearing forests and increased emissions," Bacho says, "but running Treepex, and working directly with companies and consumers to make the world a bit greener, we realized that there was one major issue with the current CSR world: as customer you don't really know what kind of projects are being supported, and you also can't influence which - specific - projects the company includes in their CSR strategies."

And that is what Oxyn aims to solve, Lasha adds immediately,





Bacho Khachidze

explaining me how Oxyn handles smart contracts for social responsibility.

The Oxyn founders explain how the CSR field is not fully understood and commercialized enough, especially by Small and Medium Enterprises (SME). “We take CSR as a new marketing tool,” Bacho says, “a key for brand’s reputation as well as customer equitization and retention.”

But I wonder why the team has chosen blockchain technology to base their platform on.

Well, we have to get into how the platform works, Bacho tells me, as there are two aspects of their platform - interlinked with each other - which utilize this groundbreaking technology.

First of all, consumers buy products and services from brands through Oxyn. Instead of banking fees, businesses are charged a 0.5% transaction fee which is donated directly to environmental initiatives. And consumers can choose which of the vetted environmental initiatives receives that donation. Blockchain provides the perfect structure and transparency for this, Lasha says.

Secondly, Oxyn works as CSR platform and dashboard for managers to plan and implement better CSR campaigns. This fully customized dashboard allows CSR managers to build loyalty programs,

distribute loyalty points among their customers, and it allows them to understand which environmental causes matter to their customers most. The dashboard provides full access to blockchain based analytics, measures end-user involvement and helps marketing managers to design specific offers for each cluster of brand’s users.

“The underlying technology of cryptocurrencies, the blockchain, actually is a technology undeniably the future of transactions, registration, id-verification, and much more,” Lasha explains.

For Oxyn, the fact that blockchain works as a database, comprised of an organized and globally distributed network of computers working together to establish a transaction ledger that is completely secure and transparent, is what makes the technology so fitting for Oxyn. “There is no need for payment processors, or any third-party verifiers, for that matter,” Lasha tells me, “so we can cut costs by cutting out the middlemen, while offering a incredibly transparent and secure system.”

However, crypto and blockchain are known to need to generate a lot of computing power, which in turn, needs a lot of electricity.

And the founders are well aware of this issue, but have figured out a way around. Not only do financial institutions use a similar amount of computing power, they explain me, but Oxyn itself is



Lasha Kvantaliani

developing a new algorithm to even lower the amount of computing costs necessary. They call it TACT.

"It's a specific consensus algorithm to match our network and node requirements using smart allocation, distribution and the timely matching of signers and transactions within predetermined chunk of time," Lasha says, explaining it "allows for immediate transaction validation and execution." My mind boggles a bit, and I ask him to explain it to me in non-tech terms. He laughs.

"Sure, so, it basically works faster, and because of that, it needs less power," he tells me.

It is clear from our conversation that Oxyn benefits consumers and businesses, there are lower transaction costs - and these costs go straight to environmental organizations instead of financial institutions. So it actually supports green initiatives. But how does Oxyn make money if they don't take transaction costs themselves?

Bacho says that they are working on several different revenue streams, but the most important one currently are monthly subscriptions for a fully customized dashboard for brands' managers: where brands can access all kinds of analytical tools to measure the success of their campaigns, eliminating time and costs, while simultaneously increasing the effectiveness of their campaigns.

Currently, Oxyn is working hard on fundraising for their platform. That is why the founders are travelling all over the world. Because other than most blockchain-based initiatives, Oxyn isn't planning on a regular ICO, when people can buy your tokens (cryptocurrency) to support your project.

"Many cryptocurrencies are used by people for manipulation and speculation," Bacho says, "But we have a radical approach to ICOs. We understand how markets work, but instead we are only inviting impact driven funds, research institutions, and people who appreciate and value Oxyn, to be part of it." And that is how the founders believe they can take Oxyn to the next level and radically change the CSR landscape. Bacho adds proudly that they are already have involved a major research institution.

The impact entrepreneurs see a bright future for their platform, but they are not only in the game to create a scalable and profitable business. They are in it to create a better future for next generations.

"There's no planet B, we don't have another, this is our only one," Lasha says towards the end of the interview. "And we share this planet. It's not mine, or yours. It is ours. And it's our responsibility to take good care of it. And I really believe that with Oxyn we can make a real difference." 

VISION OF THE FUTURE

“Bixtrim is us, Bixtrim is you, Bixtrim is the future” - with these words every single employee of the company is motivated everyday. The company, founded only 7 months ago, focuses not just on the Georgian market, but has set itself the goal of gaining international recognition. As one of the founders of the company says, their main trump card is the team that lays a brick every day to support the development of the digital economy. One of the founders of Bixtrim, Mr. Artur Arabiani, tells us that in order to make their business fully operational, the founders of the company donated almost 2 million from their own pockets. They also applied their knowledge of the investment sphere and set a common goal - to simplify daily access to the digital economy for ordinary people.

BY ELENE CHOMAKHIDZE

When did your team begin to realize the idea of establishing a company working within the digital economy?

In 2016 our team started mining and from that moment on we became familiar with the industry. As owners of cryptocurrency, we tried to be aware of the issues and innovation around it, especially its relation to exchange. Of course we also wanted to have crypto in our everyday lives and make it global by giving it a multi-functional use. At first, that was the exact reason why we initially decided to create our own exchange platform, so we could provide our innovational ideas and make decisions about it. As our team members met and exchanged ideas, they started to have a growing urge to realize these ideas. We decided to commence the ICO and provide liquidity to the functions we had in mind. We have created a platform that can promote an increase in the use of crypto currency and we also added some new features, such as Pawnshop, Futures, Escrow and the exchange of cryptocurrencies. We also plan to create our own crypto currency in the near future, but these will not be tokens. Our crypto currency will be based on an independent block chain and it will have the capacity to carry out over 100,000 transactions per second. The ultimate goal is that in the future we can pay with crypto currency in stores.

What was your start-up capital when you founded the company and how large is Bixtrim's profit at the moment?

We invested between \$1.5-2 million to create the company and this money was apportioned through all the stages of the company's development in order to ensure its efficient functioning. At this point, the company has not moved to profit yet, since all the investments that were required for the creation of the company came from personal funds. In other words, we did not receive any outside financial support. Our company launched sales on June 1, 2018, and thus it is too early to talk about profits yet. However, the number of people willing to invest is already fairly high.



Artur Arabiani

Tell us a little bit about your team. Who are the people that by your own account are creating innovations and making the company successful?

At the present moment, there are 20 people working at the Georgian office of the company. We also practice outsourcing from Belarus and Ukraine, as well as several European countries. The management of the company is based in Tbilisi. Both professionals and enthusiasts have shared ideas that have helped us and inspired us to make the use of cryptocurrency easier for people who haven't even had contact with this



Bixtrim team (left to right):
Roman Akopov, Artur Arabiani,
Nodar Lomaury, Yuri Sadoev,
Paata Avdaliani

part of the world or on the contrary, those who have had a lot of contact. We founded the company in December of 2017 and despite the fact that we have been operating on the market for less than a year, we have managed to gain recognition and the trust of our customers - not only in Georgia, but also in the post-Soviet space, as well as some European countries as well. During the past six months, we have attended various international conferences, where people recognized us and moreover, a lot of people have shown interest in investing in Bixtrim. All of this is thanks to the people who united around one idea and who have spared no efforts in seeing to it that we succeed.

What is the specificity of your work?

Our specific approach to work rests on the principle that no matter what position a person holds in the company, they are still a leader. We encourage and embrace initiatives offered by all our employees, regardless of whether this person is a developer, a call-center operator or a janitor. By the way, on a number of occasions, brilliant ideas came from the least expected people in the company and these ideas eventually materialized. What I am trying to say is that we have a very liberal approach to work. We have often been compared with smaller version of Google. We have a very open and liberal approach to many issues within the company, but at the same time we respect the principle of subordination and I believe that the success of the company largely depends on it.

Is your company focused only on Georgia or are you planning to expand your operations to the international market in order to attract foreign investors and consumers with your platform - particularly in view of the fact that the industry you operate in is becoming increasingly competitive?

When we founded this company our goal wasn't to operate only on the local market, but we initially wanted to enter the international market as well, since the interest for crypto currency is very high in these countries. As for the competition, it is rather high. The ICO trends began to emerge in 2017 and since then, these trends have increased. There are quite a few ICOs now, but most of them have nothing to do with the blockchain system. On the other hand, our company is shifting from crowdfunding to the ICO method. Our idea is entirely based on the blockchain system and one of the components of this idea is to promote the development of crypto currency, not just in Georgia, but also on the world market. Owing to our innovative ideas and functions that we offer our customers, we basically have no competitors.

Perhaps you will agree that the risks in your area of work are very high and the public trust is rather low. This public scepticism is mainly due to low awareness. How do you assess these risks?

As you well know, any business activity involves certain risk. Each member of our team works hard to make this product stable and to increase public interest from year-to-year. You are probably wondering how we manage to raise interest among the public. We manage to do that by the tokens that people can buy from the Bixtrim website. Those who buy tokens are offered discount coupons on our platform.

Tell us about the project, that you're implementing now?

Our project presents itself as a universal crypto exchange platform with fully innovational and universal functions, which have not been introduced to this sector before. The project itself will be divided in stages. The first one is preparing and

carrying out the ICO, which will be going on until the autumn of this year. This is divided into four parts. 10, 800, 000 tokens will be sold in discount packages, including: Private sale from June 1-20; Phase I sales (June 21-30); Phase II sales (July 1-15) and Phase III sales (July 16-31). The regular sales process begins from August 1- September 30 and the second stage is the one where the platform itself will commence and all functions can be accessed.

What are your predictions?

Our ICO sells 50, 000, 000 tokens. As I mentioned earlier, we launched sales on June 1 and the starting amount was 20 cents. By the completion of the trade in early or maximum mid-October, we estimate to earn the equivalent of \$51 million in crypto currency.

Since you are so motivated and work diligently to succeed, I assume that your plans for the future must be large-scale and quite interesting. Could you tell us a little bit about the next level of development of your company and its strategy?

First of all, let me explain to you why we transitioned to ICO and decided to attract investment. In order to position our company on the market with our current functions, we absolutely need to have liquidity. That is exactly why we decided to go to ICO. In approximately 2-3 months, after the completion of the ICO, we plan to launch our platform. As for our long-term plans, starting from next spring, we plan to expand our company on the international level and open offices abroad. We have tried to identify the countries that demonstrate more interest towards our sphere and our observation revealed that France, Britain, Finland, Ukraine, Russia and Kazakhstan are all good options. Obviously, it would be hard to expand our operations in all the listed countries next year, but I know for sure that we will open our representative offices in six countries. At the same time, we also plan to expand on the local market and open two regional offices in Kutaisi and Batumi.

I would also like to mention that some of our other goals include the issue of a new coin and a plastic card in order to improve payments and transactions. 

In Georgia, Blockchain Technologies Provide Significant Opportunity to Innovate, Improve Services for Citizens

With 5.0% growth in 2017, and a projected growth of 4.5% in 2018, Georgia should take full advantage of new digital technologies to innovate and improve its services, says a new World Bank report entitled Cryptocurrencies and Blockchain: Europe and Central Asia Economic Update.

BY NINI LONGURASHVILI



Blockchain technologies are widespread in Georgia, thanks to a highly supportive environment for technological innovation and the mining of cryptocurrencies. As the world's third largest miner of cryptocurrencies, Georgia is home to one of the largest mining companies in the world, and surveys indicate that up to 5% of households in the country are engaged in cryptocurrency mining or investment.

"While many countries in Europe and Central Asia are experimenting with blockchain technologies, Georgia is at the forefront in mining of cryptocurrencies," said Hans Timmer, World Bank Chief Economist for Europe and Central Asia, at the report's launch in Tbilisi.

"Georgia's prevalent use of cryptocurrencies is driven largely by tax exemptions and low electricity prices. Going forward, therefore, it will be important for the government to ensure financial oversight, protection of consumers, and tax administration."

The mining of cryptocurrencies has had a major impact on electricity consumption in Georgia, turning the country from a net exporter to a net importer of electricity. Estimates of the share of Georgia's electricity demand devoted to cryptocurrency mining range from 10 to 15%. Per capita electricity consumption in Georgia in 2016 was almost three times higher than in countries with similar levels of per capita income.

A multi-billion-dollar industry today, cryptocurrencies continue to evoke widely divergent views, says the report. The extreme volatility of cryptocurrency values raises doubt about their viability as an alternative to legal tender, while the increasingly high electricity costs associated with mining cryptocurrencies are cause for concern.

The underlying blockchain technology, however, is being adopted more broadly, with several governments in the region already experimenting with blockchains to digitize and streamline public services, in order to make them more secure, transparent, and efficient.

"Blockchain technologies are putting competitive pressure on private financial sectors, while also triggering creative ideas and approaches within governments," added Mr. Timmer. "At the same time, they have introduced a range of policy challenges

for countries."

Some of the key challenges include ensuring financial oversight and combatting money laundering, tax evasion and illicit transactions. In addition, governments need to address the massive use of electricity involved in the mining of cryptocurrencies, while determining how much they should support start-up companies that specialize in blockchain technologies.

The report finds that economic growth has been strong in Europe and Central Asia, the fastest growth in a decade. However, reduced unemployment and rising inflation indicate that growth in the region will likely decelerate going forward.

The author of this research, Hans Timmer, the World Bank's Chief Economist for the Europe and Central Asia regions, spoke to Forbes Georgia in a little more detail about cryptocurrencies and blockchain technologies.

Mr. Timmer, it is nice to have you here with us.

Thanks for having me. It's always nice to be here in Georgia.

Georgia is ranked among the top mining countries worldwide. What does it mean to be among the top and is this designation something we should be proud of?

First of all, it means that there is a lot of mining here. The top country is China. After that, it's Georgia, the U.S and then Sweden. It is shifting to other countries as well at the moment - countries where the electricity is cheap like Iceland or Canada. I think it is something to be proud of because it is not only the mining of cryptocurrencies, it is a lot of activity in blockchain. There's a lot of innovation going on - both in the private sector and in the government. It is good to be prepared for all the new developments. But this designation also comes with challenges. One of the challenges is the huge use of electricity in Georgia because of the mining and so that has to be addressed at some point.

As you mentioned in your report, as well as in your presentation - electricity consumption is increasing dramatically. How problematic can



it be for a small country like Georgia?

There are a couple of challenges. The first challenge is whether the prices that are being paid for the use of electricity cover the marginal costs. Often there are long-term contracts with low prices, but as demand has increased, Georgia has now shifted from being a net exporter to a net importer of electricity so the marginal costs are higher and whether you get those costs back with those long term contracts is a question that needs to be asked. There are areas in Georgia where electricity is free - in the mountainous areas - for good reasons, because people don't have a lot of money to pay for the electricity. But now you see that people from cities are coming in. They are renting rooms and using them for mining cryptocurrencies. That is not what you want, so that's one big problem with the cost. Another problem is the future planning of the capacity for electricity. This is a demand that is quite uncertain if you try to look years ahead. It's quite possible that this activity

move to other countries and it's quite possible that the cryptocurrency market will change dramatically. That means that it's very difficult to plan. For the government, it means that when they guarantee the future demand in public and private partnerships, they have to be very careful about liabilities, and then there is always the challenge this poses to the environment. In many countries including Georgia, we try to help the countries become more energy efficient and this is not an efficient industry.

According to the report, 15% of consumed energy comes from mining. Where does this number come from? Based on what research and calculations did you get this statistic?

The report says that it's around 15% because it's not certain. There are two ways to try to calculate this figure. One is trying to measure how much [energy] is actually being used, but you can only do that by looking at the big mining companies - for example

BitFury in Gori and here in Tbilisi, so that's already a big part - almost 7% of total electricity demand. Then you have a couple of big companies in Kutaisi. You can add it up, but then you have not measured the personal use. That's very difficult to measure. We are doing it also from the other side, we are looking at the overall demand increase and whether we can explain that by increasing income. In just 2015 and 2016 the demand increase was so large that it couldn't be far explained by income increase, and so, if you take that unexplained part in the macro data it comes to 15% of total electricity use. So, we feel pretty confident that it's in that order of magnitude.

The National Bank of Georgia has talked about regulations. How important is it to establish regulations for miners and the industry itself?

It's more about regulating the industry rather than the miners. The electricity use by the miners could be addressed by creating a different kind of energy market, where the prices react more quickly to changes in demand. What the central bank is talking about is the regulations on cryptocurrencies, the transactions using cryptocurrencies and the new financial products... We think that in the long run it will be necessary for the cryptocurrency market itself. As for the existing banking industry, ultimately what you want is a level playing field, so that the same kinds of regulations hold for both industries. That means that if you have regulations for anti-money laundering or tax evasion, it shouldn't only be applied to one part of the system, it should also apply to the other parts. And so, that is what the central bank is working on, to see what can be changed and broaden the regulations that not only apply to the banking sector but also to the non-banking sector - and that is a good thing. Although in the beginning, you of course want a lot of freedom for new innovations and new developments, but ultimately your end-goal is that you want to create a level playing field.

Georgia is ranked among the top-three worldwide, as this industry is very popular in the country. However, one of the issues that keeps coming to surface is trust in cryptocurrencies. There are many opinions on this. Can you offer some clarity on the subject?

If consumers invest [in cryptocurrency] then it's ultimately their responsibility. They make the decision. So, they should get all the information that is available from all kinds of sources. If you do that than you come to the conclusion that this is very risky sector. There has been a lot of volatility in the past. It is very likely that there will also be a lot of volatility in the future as well, and there's no guarantee that the value of cryptocurrencies will continue to go up. It can drop sharply or it can rise sharply. So, it's a risky environment. In the case of a sharp adjustment in the value of cryptocurrencies, where people have invested with borrowed money for example, they may not be able to repay their loans. People will ultimately turn to the central bank for help, and that's the reason why they feel responsible, and that's the reason why they gave warnings about investing in cryptocurrencies.

My final question is still about some major players on the local crypto currency market - for example BitFury. I know about two or three representatives of the local market who are investing millions in this field. From your point of view, what does it mean to have such a big, worldwide player like BitFury on the local market, and at the same time what are the conditions that will keep them here? We don't want them to move from here to Iceland or to Canada, where electricity costs might be cheaper than they are in Georgia. Does this present a dilemma for the country?

I think what you really want to keep in Georgia and what you want to develop in Georgia are the innovative activities. That means small blockchain companies that are thinking of new applications, new ways of creating financial instruments and faster ways of bringing those instruments to individual people. There are lots of opportunities there. These are the kinds of activities that you want. It might be that these activities are attracted because BitFury started here with mining, but it's not necessarily the mining activity that you want to keep in Georgia. You want to keep the applications in Georgia and for that you want a very vibrant private sector. Not necessarily with big companies, as often it's the small companies that are very innovative. You also want the government to be experimenting with applications and the government is doing that. F

Metamorphosis!

JSC Liberty Bank (the “Bank”) was acquired in September 2009 by Liberty Capital, a wholly-owned subsidiary of Liberty Investments Holding B.V., a Dutch investment company founded by the late Dinu Patriciu and Lado Gurggenidze. Subsequently, in October 2017, the Bank announced the change of control, whereby the European Financial Group B.V. (EFG), a company established and organized under the laws of the Kingdom of the Netherlands, purchased 74.64% of equity interest in the bank. The ultimate beneficial owners of the bank are Irakli Rukhadze (US Citizen), Ben Marson (UK citizen) and Igor Alexeev (US Citizen). But this is the new beginning for the bank and a new story, which focuses on the period between September 2009 and November 2017.

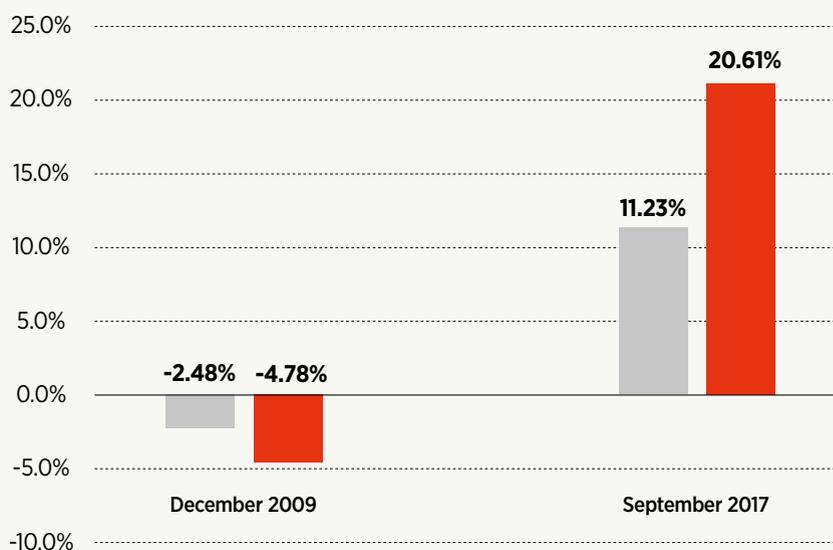
BY ALEKSI KHOROSHVIL



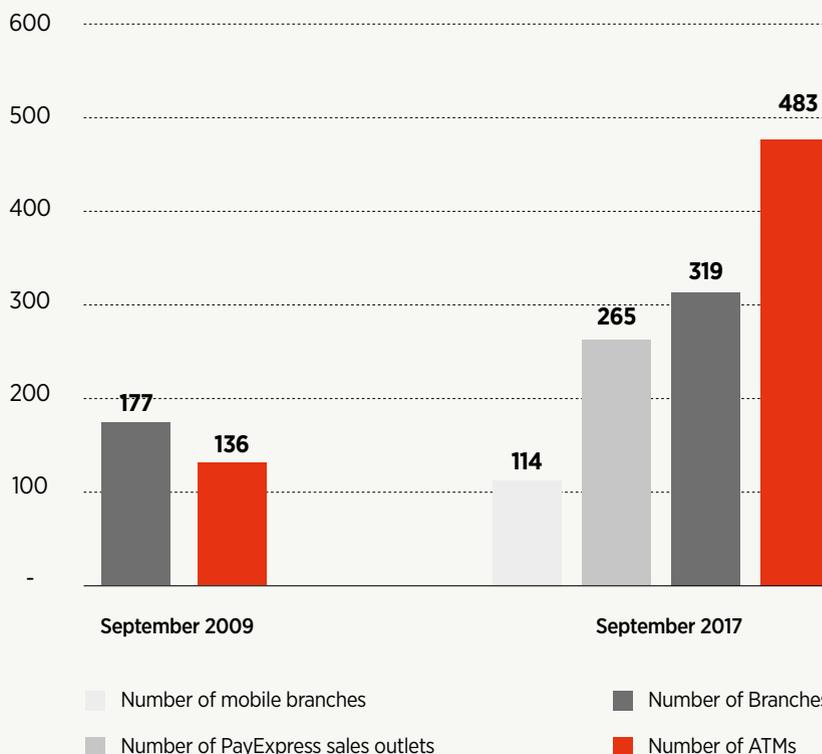
In the six years that have passed since it was acquired by Liberty Capital, the bank has undergone the most dramatic transformation in modern Georgian banking history. The key to such performance was the team of brilliant, talented, young Georgians, handpicked personally by Lado Gurgenidze, who under his leadership and mentorship commenced the turnaround of the bank.

At the time of the acquisition (September 2009), the bank was essentially insolvent after two years of heavy losses due to poor lending and operating decisions under its previous management. The bank has operated under the close oversight of the central bank since 2008, with restrictions imposed on lending and investments, as it had been in violation of virtually all prudential requirements. As of YE 2008 and 30 September 2009, the bank's Tier I capital (BIS) stood at negative €21.2 million and €15.8 million respectively, due to net losses of €45.7 million in 2008 and €5.4 million in 2009. NPLs to gross loans ratio reached 40.8% as of December 31, 2009. The €45.7 million net loss in 2008 was mostly driven by extremely high operating expenses, whereas the €5.4 million net loss in 2009 was mostly the result of provisions and write-offs of non-performing legacy exposures. The bank had not been in a position to lend meaningfully, and, by end of 2008, its liquidity had gotten to such a low level, as to make normal banking operations nearly impossible, with funds transfers regularly delayed for several days due to bank's lack of liquidity. While the Georgian banking sector overall has withstood the financial crisis and the economic downturn in the aftermath of the war with Russia rather well, by end of 2008, the bank became a serious threat to sector stability, given its systemic nature as the distributor of state pensions, welfare payments and payroll services to approximately 1.5 million people. All previous attempts to find a

CAPITAL ADEQUACY RATIOS (CAR)



LIBERTY BANK'S FOOTPRINT EXPANSION



IN SEPTEMBER 2017 THE BANK HAD THE FOLLOWING CREDIT RATINGS:

Credit ratings	Sep - 2009	Sep-2017		Outlook
FitchRatings	No rating	Long-term IDR 'B+'	Short-term IDR 'B'	'Stable'
Standard & Poor's	No rating	Long-term counterparty 'B'	Short-term counterparty 'B'	'Positive'
Moody's	No rating	Long-term IDR 'B+'	Counterparty Risk Assessment 'Ba3'	'Positive'

competent, well-capitalized buyer for the bank had failed up until that point.

From 2009 until October 2017, the shareholders of the bank invested €77.0 million of equity capital, and the bank, through dividend payments and share buybacks, returned €51.4 million to its shareholders.

The bank had the largest branch network and the largest retail client base, serving 1.6 million individuals through 698 branches and service outlets. From September of 2009 through September of 2017, the bank opened 142 new branches and installed 347 new ATMs in an effort to expand its retail footprint. In July 2010, the bank announced a significant boost to its distribution network by means of covering all remote areas of the country with a fleet of specialized minivans equipped to function as mobile bank branches - an innovative approach not previously tried in Georgia. As of September of 2017, 114 specialized minivans were rolled out. The bank operated banking network branded as PayExpress with 265 service outlets as of September 2017. Internet banking, which the bank had historically lacked, was launched in June 2010 (upgraded significantly in 2016) and significant improvements have been made to its card processing and electronic payments capabilities. In November 2010, KOR Standard Bank became the bank's first-ever card processing client.

After extensive market research, the bank decided to rebrand in March of 2010, a new name and logo was introduced, which was well received by the market. In 2010, Liberty Bank renovated Liberty Tower, one of the landmarks of Tbilisi's skyline.

The bank has since resumed lending to retail clients, disburs-

ing €18.3 billion in new loans from September 2009 through September 2017. The bank completely cleaned up its loan book from legacy non-performing exposures, which at the time of the acquisition comprised 32.4% of the gross loan book. For the past few years, the bank has focused on the issuance of the new generation of mass market lending products.

The bank is the leader in providing remittance services via 21 money transfer systems and maintains its leading market position in Georgia. In July of 2010, the bank rebranded its own proprietary money remittance service as Liberty Express, used by hundreds of thousands of people.

As client confidence returned, the bank has experienced high sustained inflows of new business, almost doubling its active payroll client base since September 2009 and boosting its SME/micro client base. By September of 2017, its liquidity ratio stood at a high level of 42.9%, indicating robust financial health and significant further lending capability.

In November of 2010, Fitch Ratings assigned the bank a long-term foreign currency Issuer Default Rating (IDR) of 'B', a short-term IDR of 'B', an individual rating of 'D/E', support rating of '4' and a support rating floor of 'B'. The outlook for the long-term IDR is stable. The bank was previously unrated.

In August 2015, another leading credit rating agency Standard & Poor's assigned the bank long-term counterparty rating of 'B' and a short-term counterparty rating of 'B' with a stable outlook.

In July of 2017, the leading credit agency Moody's assigned designated the bank a B-1 long-term local and foreign currency deposit ratings and Counterparty Risk Assessment of Ba3 with a

stable outlook.

As proof of the bank management's wise strategy and its implementation quality, the bank has been upgraded by all three agencies in 2015 - 2017 by one notch despite the uncertainties at the shareholder level during the same period.

The bank has implemented cost optimization measures and improved its efficiency, resulting in a cost/income ratio decrease to 57.7% in Q3 of 2017 as compared to 103.4% in 2009.

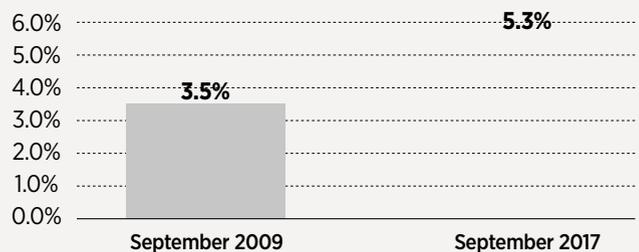
From 2010 through Q3 2017, the bank reported aggregate net Income of €170.0 million, after the heavy losses incurred in 2008 and 2009.

Since September of 2009, the bank has introduced several new attractive products, services and channels, which include the following:

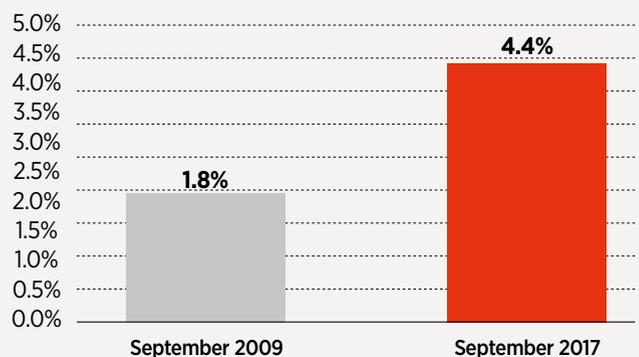
- **Liberty Account - a universal multi-currency current account, launched in May of 2010, which allows the client to configure their account according to preference, allowing for more than 500 tailored variations**
- **M7 deposit, an innovative deposit product the return on which is linked to seven leading Georgian banks' highest interest rates**
- **Launched in April 2010, Magic Card, a credit card which offers one of the lowest annual interest rate on the market**
- **Launched in November 2010, Smartivi©, a modern alternative to a conventional banking account and a user-friendly multi-channel bill payment tool**
- **Launched in November 2010, Patriot©, a flexible savings account with a high interest rate paid on lari balances**
- **Launched EasyPAY, a tablet-based merchant POS terminal with enriched capabilities; 2,380 terminals as of September 2017, PAY domestic payment system, H2H arrangements with other card processors**
- **As of September 2017, 955 ATMs and 16,562 POS terminals in Georgia accepted PAY® cards, including, respectively, 468 ATMs and 14,182 POS terminals not operated by the bank;**
- **Native integration with the top domestic digital wallet**
- **VISA virtual card**

LIBERTY BANK'S MARKET SHARE EVOLUTION

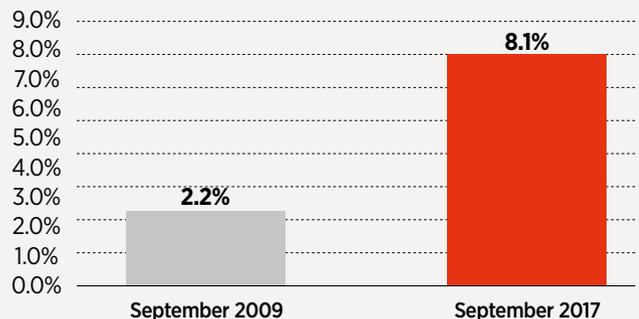
TOTAL ASSETS



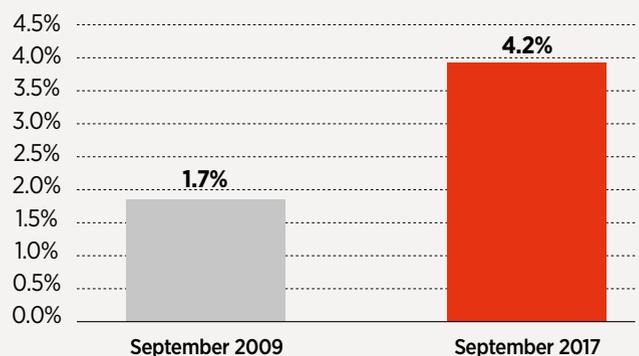
GROSS LOANS



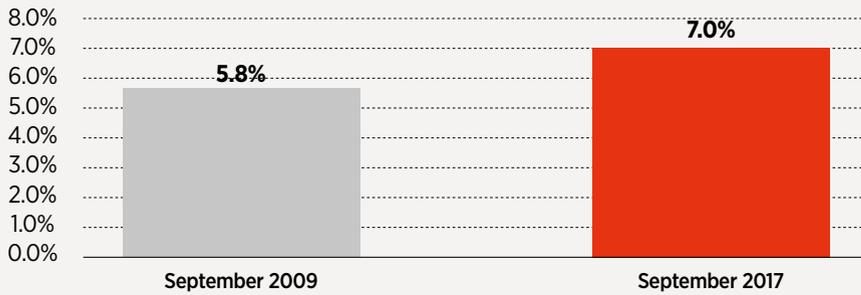
GROSS LOANS TO INDIVIDUALS



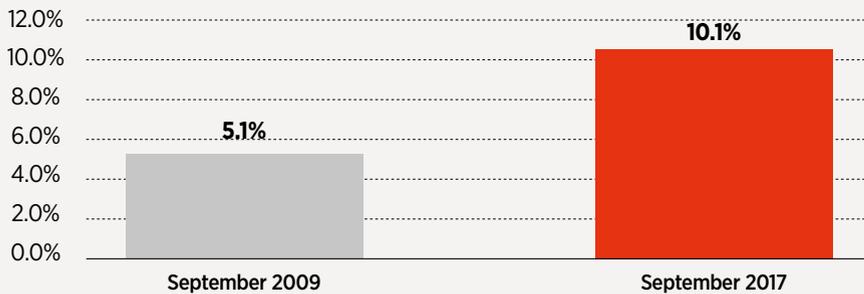
NET LOANS



CLIENT BALANCES & DEPOSITS



CLIENT BALANCES & DEPOSITS OF INDIVIDUALS



Note: Market share data are based on standalone accounts as reported to the National Bank of Georgia and as published by the National Bank of Georgia at www.nbg.gov.ge.

- **The bank was the first to launch a mobile banking application and made substantive updates in 2017**

- **The bank was the first to launch e ID-based ATM transactions**

- **The bank is the first and sole bank to use the USSD channel**

- **The first bank to launch online & car title-backed loans**

- **Embrace Your Client targeted client outreach (~1 million individuals reached monthly)**

From September 2009 through September 2017, the bank has significantly increased its market share, gaining 1.8% market share by Total Assets, 2.5% market share by Net Loans and 1.2% by Client Balances & Deposits. Liberty Bank holds market shares of 5.3%, 4.2%, and 7.0% by Total

Assets, Net Loans and Client Balances & Deposits as of 30 September 2017

Liberty Bank is the most dynamically growing bank in the country. From September 2009 through September 2017, the bank's total assets grew by 486.4% vs. a 310.2% increase in total assets of the entire Georgian banking sector. The bank's net loans increased by 816.3% from September 2009 through September 2017 vs. the

323.8% growth of the Georgian banking sector net loans. The bank's client balances & deposits grew by 721.5% from September 2009 through September 2017 as compared to 426.2% increase of the Georgian banking sector's client accounts & deposits.

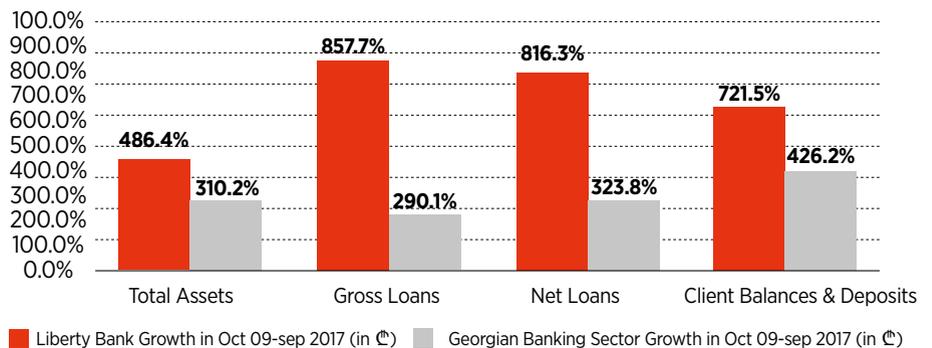
As of September 2017, the bank's total assets stood at €1,630.7 million, up 3.4% y-o-y. Net loans reached €703.6 million as of September 2017, up 19.0% y-o-y. Client accounts & deposits increased by 0.5% y-o-y to €1,277.3 million as of September 2017.

The bank has reported net income of €33.1 million in 9M 2017, whereas full-year 2016 net income amounted to €47.7 million (up 48.4% y-o-y).

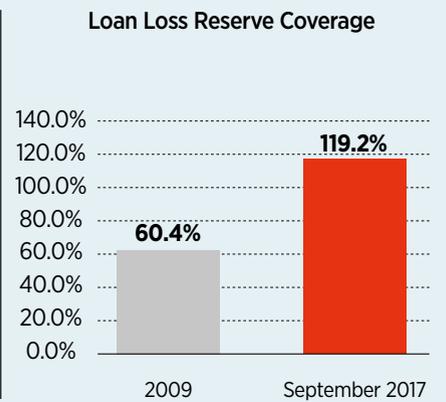
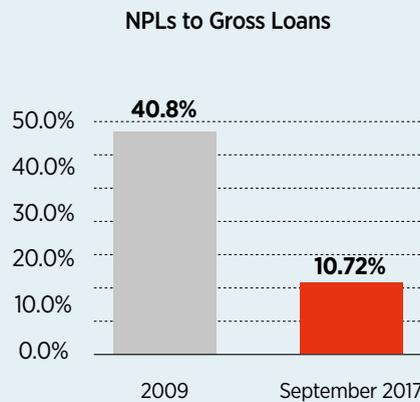
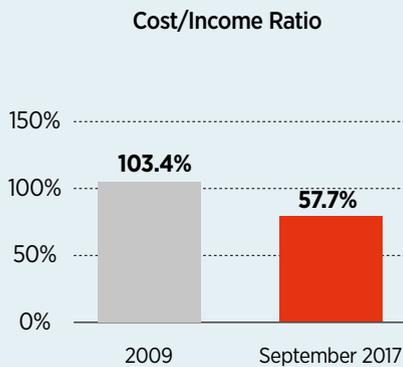
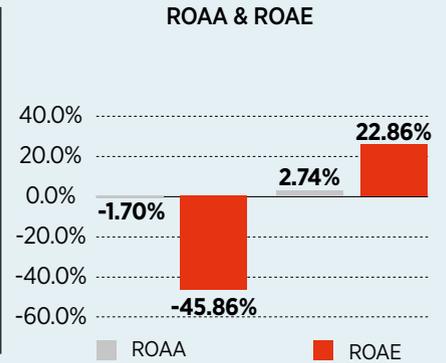
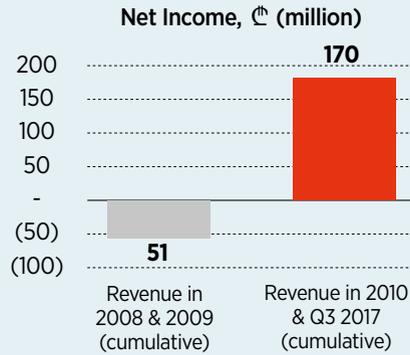
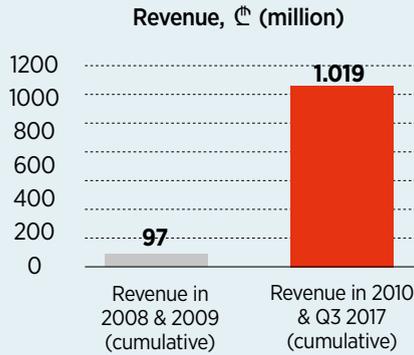
Obviously, the numbers speak for themselves and show the team's great success. However, what the numbers cannot show are the hours and hours of hard work, dedication, commitment and strong leadership demonstrated by Lado Gurgenidze, which made all of this possible. Each and every employee, from around 5,300 employees working in JSC Liberty Bank as of September 2017, has contributed to this success story.

Every beginning has a logical ending, I wish success and further prosperity to the bank, which has entered new phase of development with a new group of shareholders and management! 🇧🇪

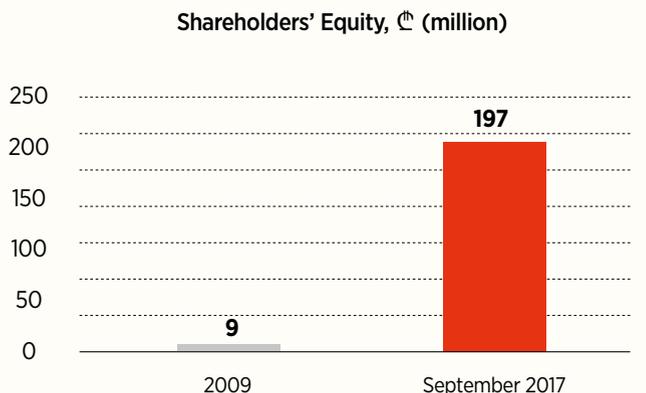
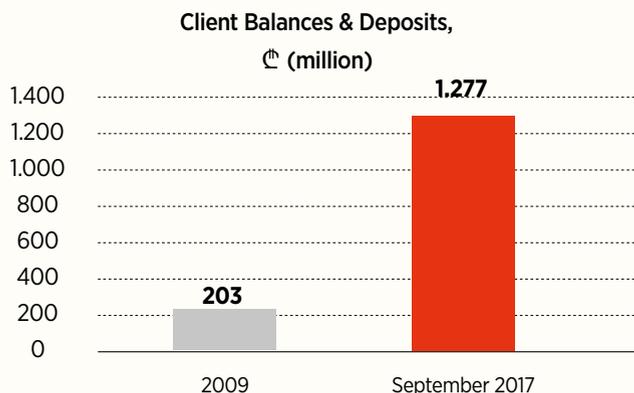
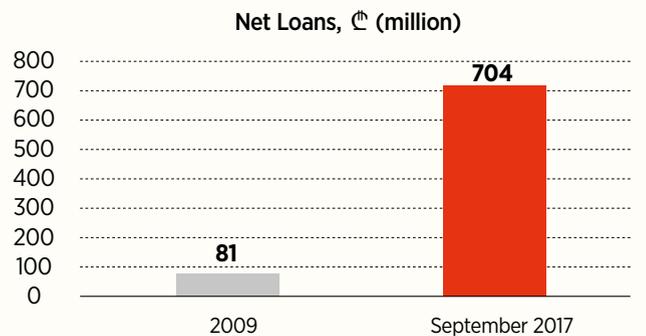
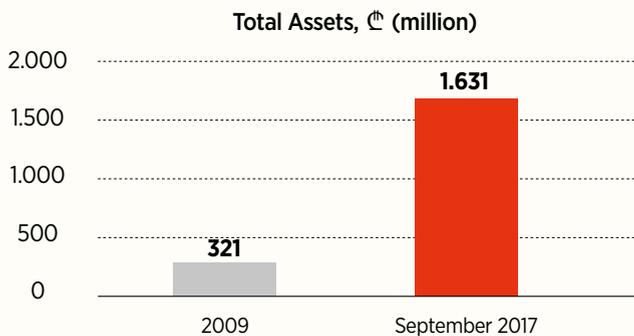
THE CHART BELOW SHOWS THE SUPERIOR GROWTH RATES OF THE BANK SINCE THE START OF THE TURNAROUND IN SEPTEMBER 2009:



LIBERTY BANK'S PROFITABILITY, EFFICIENCY AND ASSET QUALITY



LIBERTY BANK'S BALANCE SHEET GROWTH



George “Coby” Kobakhidze from Tkhmori

Grigol Kobakhidze's journey is a long one, taking him from Racha to Tbilisi, from Tbilisi to the United States, from the United States to great business success.

BY EMIL AVDALIANI

Grigol “Gigo” Kobakhidze was born into a peasant family in the village of Tkhmori, Ambrolauri Raion, in 1883. He received his primary education at home, before studying with a priest in a local parish. The young Kobakhidze eventually began working at the newly opened glass factory in Borjomi, where his older brother Levan was a senior machinist.

He spent four years in Borjomi, learning every technique employed at the factory, while devising a method to boost productivity. Kobakhidze then moved to a glass factory in Tbilisi, and in 1902 to he moved to Odessa. From 1903, he worked at the French-owned Konstantinovka glass factory in the Donbass Industrial Center. During the course of Russia's 1905-1907 revolution, Kobakhidze was arrested and threatened with deportation. It was during this period that he met his future wife Dasha Nodvikova, who was of Swedish origin, and became friends with Evgeni Ignatiev, who would later become his business partner in the United States.



In 1907, Grigol Kobakhidze moved to Germany via Poland, settling in the Bavarian city of Munich. With help from German glass manufacturing specialists, he opened a small glass production unit there. However, in 1908, he decided to relocate to London, where he was employed as an ordinary worker at a local glass factory. A year later, he travelled to the United States together with his wife. At the time, there was already a community of Georgians (including Rachvelians) in America. They helped Kobakhidze settle in New York, as he earned his living by baking bread. Kobakhidze then spent nine years working for General Electric together with his wife. During this time, he invented and patented several new types of fountain pens.

In 1919, Kobakhidze opened a large factory near Boston, Massachusetts. By 1922, the Coby Glass Products Company, which manufactured 45 types of goods (including medical, chemical and construction glass products), had become renowned across the east coast of the United States. Various data shows that his company had a \$15 million turnover and made a \$4 million in profit in 1929.

Parallel to his business activities, Grigol Kobakhidze never distanced himself from political and social life, eagerly supporting the independent Georgian state that briefly existed between 1918 and 1921. He always maintained his desire to return home, but in 1918-1921, his business was still in its infancy. Even after Georgia was occupied by the Russian Bolsheviks, Kobakhidze continued with his attempt at establishing a large glass factory in his native country. However, negotiations with Soviet authorities ultimately stalled and his idea never came to fruition. Between 1924 and 1928, he visited Georgia twice. In his home region of Racha, he built a school, a hospital, a priest's house, two bridges over the Shareula River, as well as several commercial markets, which he also supplied with goods.

Between 1929 and 1933, the United States underwent the Great Depression. George Coby's company lost millions of dollars, which led to his business partner Eugene (Evgeni) Ignatiev taking his own life. In spite of the mounting problems, Coby managed to overcome the critical situation by establishing a minor factory, manufacturing small glass items. He once again began producing stationary items, and managed to find a patron for his firm. Another renowned US-based Georgian manufacturer named George Matchabelli, helped Coby's expansion by ordering perfume bottles for his firm Prince Matchabelli.

On December 7, 1941, when the United States entered the Second World War, Kobakhidze appealed to the U.S. government for financial aid to restore his glass manufacturing enterprise and assist in military production. He soon received a state license and \$2 million. His new factory in Pawtucket, Rhode Island, manufactured products for chemical and medical labs, as well as field hospitals. His products were supplied to Canada and other allied countries. Two of his most prominent inventions - waterproof concrete and the glass construction block - are connected to the state of Florida, where Kobakhidze also resided.

After the war, Kobakhidze introduced a new product in his manufacturing line in the form of Christmas decorations. He created electric lamps that would replace real candles on Christmas trees. Colored glass ornaments of various shapes were sold in boxes of 12 and 24, carrying the name "Coby".

George Coby and his wife did not have any children. Their commercial activities were carried on by the Paglia brothers from Italy, who became the Coby's business partners.

Grigol Kobakhidze died in 1967, at age 84. The Paglias did not allow his name to be forgotten and maintained the company name. F



Matchabelli - The Prince of Perfume

In 1955, Georgians residing in the United States numbered around 300. Despite its small size, the Georgian diaspora made a substantial contribution to five different fields. George Coby (Grigol Kobakhidze) established a glass production company and manufactured glass Christmas tree decorations. Alexander Kartveli (Aleksandre Kartvelishvili) was an influential figure in US military aviation, while George Balanchine (Giorgi Balanchivadze) is regarded as the father of classical American ballet. However, the subject of this article is George Matchabelli (Giorgi Machabeli), who became a giant in the fragrance industry.

BY EMIL AVDALIANI



George Matchabelli's father Vasili was the older brother of the writer Ivane Machabelli, who is famous for his translations of Shakespeare. Born in 1885, George studied at the school for nobility in Tbilisi, before travelling to Europe to further his education. Having graduated from the Prussian Royal Academy of Sciences, he went on to travel around the world. While in Sweden, he met the beautiful and talented Norina Gilli (Maria Carmi) - an Italian actress who found success for her role as the Madonna in the religious play *The Miracle*.

While living in Europe, Matchabelli dreamed about Georgian independence, and was a great proponent of the restoration of the monarchy. To this end, he planned to arrange the marriage of Joachim, the younger son of German Kaiser Wilhelm II, to a Georgian princess. The candidate whom he had in mind was Marina, the daughter of Mikheil Machabelli, a member of the Constituent Assembly of Georgia. This points towards the Georgian aristocracy's close ties to Germany, and reflects the belief that Germany would emerge victorious in the First World War. However, Matchabelli's plans did not materialize.

When Georgia became independent in 1918, following the collapse of the Russian Empire, George Matchabelli became First Secretary at the Georgian Embassy in Rome. His brief career in politics ended in 1921, when Georgia was absorbed into the Soviet Union. Together with his wife, Matchabelli moved to the United States.

At first, Matchabelli became involved in the antiques business, and went on to open a small antiques store, called *The Black and the Red* (*Le Rouge et le Noir*), at 545 Madison Avenue in New York. At the same time, he began mixing perfumes, and soon found that his patrons were more interested in fragrances than antiques. In 1926, on their 10th marriage anniversary, George and Norina Matchabelli founded the Prince Matchabelli Perfume Company.

Matchabelli himself was creating, packaging and advertising his perfumes. His company logo bore the image of his family crest and a royal crown. The

firm employed many of his friends - fellow Georgian noblemen who had fled to the United States - as well as their families.

The most popular of his perfumes was "Queen of Georgia," which came in a bottle designed in the shape of a golden crown, and was dedicated to Marina Machabelli, the aforementioned would-be queen. This was followed by the "Princess Norina" perfume, which was dedicated to his wife, the "Duchess of York" and "Golden Autumn" perfumes, the bath soap "Abano," the men's perfume "Wind Song," as well as face powder and lipstick products.

The perfume bottles were initially made of German porcelain, before George Coby's company began producing transparent glass bottles for Matchabelli's fragrances, with hand-made gold decorations and gold plating. Soon, Matchabelli's crowns were being bought across the country.

The Prince Matchabelli Perfume Company was among the five most important corporations in the US during the 1920s and 1930s. Of particular interest is the story behind the firm's first perfume - the "Queen of Georgia." Even though the idea to establish a German-Georgian royal family did not come to fruition, Marina Machabelli's name was still immortalized by George Matchabelli in his American exile.

Business activities did not distract Matchabelli from his social work. He was one of the driving forces behind the establishment of the Georgian Association in the United States in 1931, acting as its President from 1933-34, and as its Treasurer from 1934 until his death.

George and Norina separated in 1933 due to the latter becoming devoted to spiritual activities. George went ahead with his plans to expand his company, as he began preparations to open a new showroom on 5th Avenue by June 1935. In March that year, he travelled to Shanghai and California with a view to opening new branches there, but became ill during his travels and died of pneumonia in 1935 at the age of 50. The following year, his former wife Norina Gilli sold his firm to Saul Ganz for \$250,000, although the Prince Matchabelli Perfume Company still operates in the state of Connecticut. **F**

Where Exposure To Fake News Is Highest

WHEN IT COMES TO IDENTIFYING FAKE NEWS and separating fact from fiction, a high level of news literacy is paramount. This was a central theme of the latest edition of the Reuters Institute Digital News Report which focused on issues of trust and disinformation in news consumption. The research found that unsurprisingly, concern about fake news is generally higher among people with high levels of interest in news. Likewise, people with a good level of news literacy are more likely to spot satirical stories as well as spin or poor journalism.

When it comes to the prevalence of fake news, people in Turkey are most likely to say they have experienced it. The report found that 49 percent of Turkish respondents felt they were exposed to completely made-up news in the past week. Self-reported exposure to fake news is also high in the U.S, at 31 percent, no real surprise given its emergence during the 2016 presidential election and prevalence ever since. Surprisingly, given accusations of disinformation surrounding Brexit, the figure is rather low in the United Kingdom at just 15 percent.

% who say they were exposed to completely made-up news in the past week*

