



Λευκωσία 16.2.2015

Προς: Όλους τους Ενδιαφερόμενους  
Θέμα: Επενδυτικές ευκαιρίες στη Γεωργία και Επενδυτικά Ταμεία

Κυρίες/Κύριοι,

Κατά τη διάρκεια συνάντησης μας με τον Εμπορικό Σύμβουλο της Γεωργίας κ. Revaz Lominadze μας ενημέρωσε για διάφορες επενδυτικές ευκαιρίες και Επενδυτικά Ταμεία στη Γεωργία τα οποία σας κοινοποιούμε.

#### Επενδυτικές Εταιρείες

- **The JSC Georgian Oil and Gas Corporation – Feasibility Study – Technical, Financial and Economic Viability of the Strategic Energy Project – Underground Gas Storage.**

Εσωκλείεται σχετικό έντυπο που αναφέρεται στην πρόσκληση υποβολής προσφοράς. Σημειωτέον ότι η σχετική προσφορά θα πρέπει να φθάσει στη διεύθυνση που αναγράφεται στην επιστολή το αργότερο μέχρι τις 27.2.2015 και ώρα 5.30 (τοπική ώρα Γεωργίας).

- **Request for expression of Interest for the development of the Oil Refinery Project**

Εσωκλείεται σχετικό έντυπο με πλήρη στοιχεία αναφορικά με το πιο πάνω έργο. Σημειώσατε ότι η ημερομηνία υποβολής της προσφοράς καθορίζεται για τις 10.3.2015 και όχι στις 10.2.2015 όπως αναγράφεται στα σχετικά έντυπα.

- **Cold Storage Project Development in Georgia**

Εσωκλείεται σχετικό έντυπο για ενημέρωση. Τελευταία ημερομηνία υποβολής των προτάσεων είναι η 20.3.2015 και ώρα 14.00 (τοπική ώρα Γεωργίας).

#### Επενδυτικά Ταμεία

Τα εσώκλειστα έντυπα αναφέρονται στα Επενδυτικά Ταμεία **Georgia Co-Investment fund και JSC Partnership Fund (PF).**

Σας αποστέλλεται η σχετική πληροφόρηση για ενημέρωση και ενδεχόμενες ενέργειες.

Με εκτίμηση



Χρήστος Πετσίδης

Διευθυντής Υπηρεσιών και Εμπορίου

საქართველოს ნავთობისა და გაზის კორპორაცია  
GEORGIAN OIL AND GAS CORPORATION



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Tel: (+995 32) 224 40 40, Fax: (+995 32) 224 40 41

№ 1401-16-15-05/1

14 01 2015

## LETTER OF INVITATION

January 14, 2015

Dear Mr./Ms.


1. The JSC Georgian Oil and Gas Corporation (GOGC) is commissioning a feasibility study (the "Feasibility Study" or the "Study") having to assess technical, financial and economic viability of the strategic energy project - Underground Gas Storage (UGS, the "UGS Project" or the "Project"). UGS is primarily intended for the optimization of the guaranteed supply of natural gas to "Social Sector" of the Georgian market comprising of the household customers and thermal power generation units (the "UGS Project" or the "Project").
2. The GOGC now invites proposals to provide the consulting services for Feasibility Study of Underground Gas Storage in Georgia (UGS). More details on the services are provided in the Terms of Reference.
3. Part I of the RFP, Instructions to Participants set forth the rules and procedures for identification and selection of the best Proposal and Participant to be contracted under the Simplified State procurement procedures.
4. This RFP has been addressed to all eligible Participants. (See the first section of the Instructions to Participants). After downloading the RFP and the Registration Form (with related documents) from GOGC's web site [www.gogc.ge](http://www.gogc.ge), please register your firm as Participant by filling out the Registration Form and sending it to [ugspanel@gogc.ge](mailto:ugspanel@gogc.ge) in PDF format. The registration should be done by close of the business day in Georgia on February 26, 2015.
5. Please be advised that registration is not complete until the Participant receives a confirmation e-mail. Please also inform us thru the same Form, whether you will submit a proposal alone or as part of a consortium.
6. Proposals, submitted by Participants that have not registered, will not be considered for evaluation.
7. Contract value is to be quoted in U.S. Dollars ("US\$").

8. The RFP includes the following documents:  
Letter of Invitation  
Part I - Instructions to Participants  
Part II - Qualification and Evaluation Criteria  
Part III - Technical Proposal - Forms  
Part IV - Financial Proposal - Forms  
Part V - Terms of Reference  
Part VI - Form of Contract
9. Upon receipt please inform us in writing, or by electronic mail, at the address provided in paragraph 11:
- (a) that you received the Letter of Invitation or related information from any other sources; and  
(b) whether you will submit a proposal alone or with another firm(s) as a consortium (please also indicate whether you are a lead or a member of such consortium).
10. Please note, that a pre-proposal meeting (and subsequent site visit) has been arranged for 11:00 am Georgia time on January 30, 2015 at the address provided in paragraph 11:
11. Proposals must be submitted no later than 5:30 pm local time on February 27, 2015 at the following address:

JSC Georgian Oil and Gas Corporation  
21 Kakheti highway, Tbilisi 0152, Georgia  
Attention: UGS Evaluation Panel  
Tel: +(995 32) 224 40 40  
Fax: +(995 32) 224 40 41  
E-mail: [ugspanel@gogc.ge](mailto:ugspanel@gogc.ge)

Yours sincerely,

David Tvalabeishvili  
General Director  
JSC Georgian Oil and Gas Corporation



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## THE GOVERNMENT OF GEORGIA



### REQUEST FOR EXPRESSION OF INTEREST FOR THE DEVELOPMENT OF THE OIL REFINERY PROJECT

#### 1. INTRODUCTION AND SUMMARY

Georgia is fully dependent on imported oil products and there is no refinery plant operating in the country at the moment. Increasing demand for oil products on the local and regional markets, the infrastructure development in progress, together with the proximity of crude oil production regions serve as a sound basis for oil refinery development in Georgia.

The Government of Georgia (the “GOG”) intends to select an investor (the “Investor”) to develop a modern oil refinery (the “Oil Refinery”), with a minimum refining capacity of two (2) million tons of crude oil per annum on the coast of the Black Sea on a build, operate and transfer (BOT) basis (the “Project”) pursuant to an agreement to be entered into with the Investor (the “Agreement”).

Accordingly, by this Request for Expression of Interest (the “Request for EOI”), the GOG acting through the Ministry of Economy and Sustainable Development of Georgia (the “MoESD”) invites local and international companies (“Candidates”) to submit their expressions of interest (“EOI’s”) to act as Investor in relation to the Project.

#### 2. LOCATION

The location of the Oil Refinery shall be Poti, left embankment of river Rioni.

#### 3. PROJECT DESCRIPTION

*Main Project Requirements:*

- a) Construct the Oil Refinery with minimum refining capacity of two (2) million tons of crude oil per annum, till the end of the year 2017 in accordance with the timetable agreed between the parties prior to execution of the Agreement;
- b) Obtain oil refinery license (the "License") and start production no later than December, 2018;
- c) Ensure oil refining to produce no less than Euro 5 standard and/or equivalent or the standards established by the Georgian Legislation (whichever higher) light and middle distillates and other oil products in accordance with the License term and conditions;
- d) Offer at least 20% of annual production of each type of light and middle distillates at the local market to the parties designated by the GOG;
- e) Guarantee that the EXW price of oil distillates offered to the local market under clause "d" above, constituting 20% of annual production of each type of light and middle distillates, is at least at 10% discount compared to mean/average value of identical oil distillates for 10 publication days at PLATTS EUROPEAN MARKETSCAN.
- f) Ensure the compliance with the License terms and conditions and related regulatory requirements in order to keep the License valid for no less than twenty-five (25) years;

g) Ensure that at least 90% of employees are completed by the citizens of Georgia;

h) Prior to signing the Agreement, present to the seller an irrevocable and unconditional bank guarantee in the amount of twenty million (20 000 000) USD, issued by the bank from the OECD member country and confirmed by the National Bank of Georgia or by a local commercial bank, which should guarantee obligations under the Agreement and be valid till 1 May, 2019.

*Term:*

The envisaged term of the BOT arrangement is thirty (30) years from signing the Agreement but no longer than twenty-five (25) years from obtaining the License.

*Financing and Recourses:*

The winning participant will be responsible for providing equity and/or attract debt financing for the Project, as well as for procuring crude oil necessary for operating the Oil Refinery in accordance with the conditions outlined in the Agreement.

#### 4. UNDERTAKINGS OF THE GOG

The GOG will provide the Investor with up to 3 258 926 sq. meters of state owned land located in Poti, left embankment of river Rioni (Land (immovable property) cadastral code 04.01.02.826) (the “**Property**”), fully or partially as required for the Project, under BOT basis and with the mandatory conditions presented as “Main Project Requirements” in section 3 above. The legal framework for provision of such land is to be finalized prior to execution of the Agreement.

#### 5. CONDITIONS PRECEDENT FOR TRANSFERRING THE PROPERTY

In order that the transfer of the Property would occur the Investor should fulfil the following conditions precedent (the “**Conditions Precedent**”):

- a) Sign the Memorandum of Understanding (the “**MOU**”) with the GOG within three (3) months from adopting the GOG Decree announcing the winner in EOIs (the “**Decree**”);
- b) Pay the Signing Bonus (see definition below) within fourteen (14) calendar days from the date of signing the MOU;
- c) Undertake a full technical and economic feasibility study of the Project (the “**Feasibility Study**”), including an environmental and social impact assessment (the “**ESIA**”) within twelve (12) months from signing the MOU;
- d) In case the Feasibility Study proves the Project feasible, within three (3) months from the completion of the Feasibility Study but no later than fifteen (15) months from signing the MOU request transfer of the Property under BOT;
- e) Submit the copy of the Feasibility Study to the GOG within one (1) week from its completion;
- f) Prior to signing the MOU, increase the amount of the Prequalification Bank Guarantee (see definition below) up to two hundred and fifty thousand (250 000) USD, which will guarantee fulfilment of the Conditions Precedent a – e above.

## 6. PROCEDURES OF EXPRESSION OF INTEREST

### *6.1 Prequalification Requirements*

In order to be qualified, candidates must meet the prequalification requirements (the “**Prequalification Requirements**”) provided below:

- A. submit the following information and relevant documents as part of their EOI's:
  - 1) Official name and address;
  - 2) Mailing address, contact persons and contact details;
  - 3) Duly certified abstract from the Company Register/Certificate of incorporation (and any certificate of incorporation and change of name);
  - 4) Certified copies of the Articles of Association/Charter;
  - 5) Company profile;

- 6) Experience statement, evidencing that the Candidate or the Candidate's named subcontractor(s) meet the Prequalification Criteria set out under Part A (*Experience*) of the Prequalification Criteria in Annex 1 hereto. Where the Candidate's experience statement relies upon the experience of named subcontractor(s), the Candidate shall include confirmation from each such named subcontractor of its willingness to participate in the Project. Experience statement shall be accompanied by the relevant documents and references;
- 7) Audited financial statements for the preceding 5 years for all parties involved in the Project, including consolidated financial statements in respect of the corporate group to which each such party belongs (where "corporate group" means, with respect to any corporate entity, the ultimate holding company of such entity and all subsidiary entities controlled, directly or indirectly, by that holding company);
- 8) Duly certified list of shareholders owning more than 5 percent of the Candidate's shares including ultimate beneficial owner information;
- 9) List of any litigation or arbitration proceedings to which any company in the Candidate's corporate group has been a party during the last 5 years; and
- 10) Where the Candidate is a consortium and/or has the subcontractor(s), a list of the consortium members and subcontractor(s) and the above listed information/documents for each of the members and subcontractor(s).
- 11) Information on the Project:
  - Proposed methodology for developing the Oil Refinery;
  - Proposed time required for the development of the Project;
  - Expected annual capacity of the refinery;
  - Potential suppliers of crude oil;
  - Size of investment estimated for the development of the Project;
  - Any other suggestions for development of the Project.

B. Present an unconditional and irrevocable bank guarantee issued by the bank from the OECD member country and confirmed by the National Bank of Georgia or by a local commercial bank in the amount of one hundred thousand (100 000) USD (the "Prequalification Bank Guarantee"), which would guarantee the fulfillment of the Conditions Precedent presented in section 5 above and should be valid for no less than twenty-two (22) months from the date of its submission;



C. Satisfy the Prequalification Criteria attached as annex 1 to this Request for EOI.

N.B. The Prequalification Criteria may be amended or varied in writing by the MoESD at any time prior to the Submission Deadline (see definition below), through an announcement on the MoESD's official website.

Only the proposals of those candidates who meet the Prequalification Requirements, presented in Section 6.1 A-C above will be considered.

Where a Candidate is a consortium, no member of the consortium may be a member of another Candidate. All EOI's must be drafted in Georgian or English.

Candidates may be invited by the GOG to make a presentation in Tbilisi.

### ***6.2 Submission of EOIs***

All EOI's must be delivered in 3 original executed copies and one electronic copy (PDF) in a sealed envelope no later than 14.00 Tbilisi time on or before **February 10, 2015** (the "Submission Deadline") to the MoESD to the following address:

Ministry of Economy and Sustainable  
Development of Georgia  
12 Chanturia Street, Tbilisi, 0108 Georgia

In the event that there is any discrepancy between the original executed copies of any EOI and the electronic copy, the original executed copies shall prevail.

### ***6.3 Evaluation. Procedure and Criteria***

The evaluation process will be conducted by the respective Governmental Commission (the "Commission") following the Submission Deadline.

The evaluation criterion among the candidates who meet the Prequalification Requirements set out in section 6.1 A-C above and the Prequalification Criteria outlined in Annex 1 of the MOU will be the amount of payment offered by the participants for signing the MOU (the "Signing Bonus").

The Commission will review the proposals, identify the winner and will prepare respective information for the submission to the GOG in order the GOG to approve the Commission decision regarding to the selection of the winner and the final ranking of the other candidates.

The Prequalification Bank Guarantees of the unsuccessful candidates will be returned after identification of the winner.

The timing for the selection process is 60 (sixty) days from the Submission Deadline.

## **7. EXECUTION OF THE MOU**

The GOG will issue written notice to the winner and invite for the MOU negotiations and execution.

The models of the MOU will be open for negotiations only to the extent that the outcomes of such negotiations do not affect the basic conditions including financial and guarantee conditions and are in compliance with Georgian legislation. At the same time, the MOU will be subject to the GOG approval.

## **8. GENERAL REGULATORY FRAMEWORK; WAIVERS**

- a. The MOU, the Agreement, the final design and construction of the Oil Refinery, as well as its licensing and operation are subject to certain legislative and regulatory requirements;
- b. Alienation, mortgage and lien of the rights of the Investor under the MOU and under the Agreement will require prior written consent of the other party;
- c. In case the study evidences the project unfeasible and/or the winner does not request the Property transfer under BOT within the respective timeframe the Feasibility Study should be transferred in the ownership of Georgia and it should be handed over to the GOG no later than two (2) months from its completion; The Signing Bonus will not be reimbursed.
- d. This Request for EOI, as well as all issues and procedures related to it, including but not limited to submission of EOIs, prequalification and

evaluation process are governed by and shall be construed in accordance with the laws of Georgia. Any dispute, controversy or claim arising out of or in connection with this Request for EOI shall be referred to the competent court of Georgia. By agreeing to participate in procedures of expression of interest, the candidates irrevocably and unconditionally waive any rights to any other form of dispute resolution, appeal, review or recourse to any state court or other judicial authority, in so far as such waiver may validly be made. The Parties undertake to implement without delay the provisions of decision of the competent Georgian court which is entered into force;

- e. Nothing in this Request of EOI shall be construed as granting to the winner any rights or exclusive rights to develop the Project (including construction and operation of the Oil Refinery and/or any related infrastructure) by the mere fact of participation in procedures set forth in this Request for EOI and/or following BOT arrangements.
- f. This Request for EOI does not constitute a commitment on the part of the GOG to select any Candidate, nor to reimburse any expenses to any Candidate. Furthermore, submission of the documents shall not entitle any Candidate to any claims against the GOG by virtue of such firm or consortium having responded to this Request for EOI. All costs incurred by respondents as a result of this Request for EOI and any subsequent requests for information shall be for the Candidate's account only.

## 9. IMPROPER INFLUENCE

Any attempt by any Candidate or their representatives to influence the EOI process in any way may result in the Candidate being disqualified.

## 10. RIGHTS OF THE GOG

The GOG reserves the rights to:

- waive or change the requirements of this Request for EOI (including the Prequalification Requirements and the Prequalification Criteria) from time to time without prior notice being given by it, through an announcement on the MoESD's official website;
- seek clarification or documents in respect of a Candidate's submission;

- disqualify any Candidate that does not submit a compliant EOI in accordance with the instructions in this Request for EOI;
- disqualify any Candidate that is guilty of misrepresentation in relation to its EOI;
- withdraw this Request for EOI at any time, or to re-invite Candidates on the same or any alternative basis, through an announcement on the MoESD's official website;
- choose not to award any contract, the MOU and the Agreement as a result of this process; and/or
- make whatever changes it sees fit to the timetable for EOI submission and evaluation process, or to the structure or content of this Request for EOI, through announcement on the MoESD's official website.

## 11. CONTACT INFORMATION

All Candidates must submit any requests for clarifications by no later than December, 1 2014 by email to the email address set out below. The MoESD will publish on its website and make available to all Candidates the responses to clarifications received within this time.

### **Contact information for inquiries:**

**Nino Tsetskhladze**  
**Acting Head**  
**Investment and Export Policy Department**  
Ministry of Economy and Sustainable  
Development of Georgia  
12 Chanturia Street, Tbilisi 0108 Georgia  
Tel: +995322991093  
Email: [ntsetskhladze@economy.ge](mailto:ntsetskhladze@economy.ge)

## Annex 1 – Prequalification Criteria

### *A. Experience*

The experience statement and information submitted with the Candidate's EOI must demonstrate that it, or any of its named subcontractors which have confirmed their willingness to participate in the Project, together has or have:

- (a) at least five (5) years of experience in the development, operation and/or financing of projects of similar nature; and
- (b) experience in the development and operation of one or more oil refinery project(s).

### *B. Financial Standing*

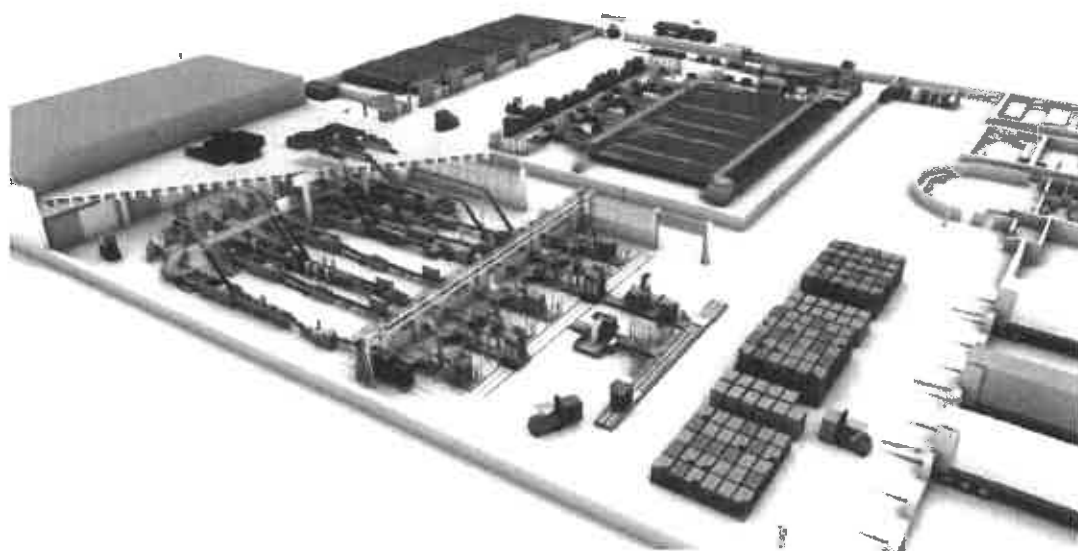
- (c) The consolidated financial statements submitted by the Candidate with its EOI must demonstrate that it has (or, where the Candidate is a consortium, that its consortium members together have) financial standing better than or equal to act as Investor in relation to the Project, in the opinion of the Governmental Commission.
- (d) The Candidate with must not be exposed to any claims, proceedings or liabilities (either pending or within the previous five (5) years) which could cause its financial standing to fall below the permitted level referenced in (c) above, as evidenced by the list of litigation and arbitration proceedings disclosed together with its EOI.



# **PARTNERSHIP FUND**

## **Invitation for Expression of Interest**

For selection of suitable Partner for  
**Cold Storage Project Development in  
Georgia**



**JANUARY, 2015**

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## OVERVIEW OF GEORGIA

Georgia is located east of the Black Sea, bordering Turkey and Armenia to the South, Azerbaijan to the southeast, and Russia to the north. The country is located on the gateway between Europe and Asia. It has population of approximately 4.5 million.

Over the last decade Georgia has experienced rapid economic growth. In 2013, Georgia's nominal GDP reached US\$ 16.1 billion and US\$ 3,600 per capita. Georgia's investment climate is one of the most investor friendly in the region. According to the World Bank's Ease of Doing Business, the country is ranked number 15 in ease of doing business. The Heritage Foundation ranks Georgia as 22<sup>nd</sup> in Economic Freedom Index.

Georgian investment environment improved considerably in recent years with fewer taxes and simplified procedures starting business. Georgia has also made great strides in eradicating red tape across all levels.

## BACKGROUND

JSC "Partnership Fund" (PF) is a state owned investment fund, established in 2011, (with the Fitch rating "BB-; Outlook Positive", equal to sovereign ceiling). PF has two main directions: Asset Management and Private Equity Financing.

Asset management – PF owns the following strategic assets:

- Georgian Railway - 100% of shares
- Georgian Oil and Gas Corporation (GOGC) - 100% of shares
- Georgian State Electro system - 100% of shares
- Electricity System Commercial Operator - 100% of shares
- JSC Telasi - 24.5% of shares

Private Equity – PF co-invests with private investors in equity as a minority investor in commercially viable projects if it has a clear exit strategy.

For PF, it is of paramount importance to unlock development potential in Agriculture Industry in Georgia to ensure wealthy rural, provincial and national economy. Georgia's diverse climate and sound business environment are amenable to the production and processing of a wide diversity of fruit and vegetable crops. Georgia's proximity and transport links to Europe and other regions, together with growing local and regional demand for fresh produce make it an attractive agribusiness production, storage and export hub.

Georgia is rich in agriculture tradition and there is considerable potential for growth. In 2013, agriculture accounted for 9.3% of the country's economy. It contributes to more than 50% of employment. For



comparison, in 1990 agriculture accounted for 31% of country's economy. Now the industry is in a period of transformation and growth, which creates a vast number of investment opportunities.

Cold Storage and Warehousing is a critical value driver in agriculture. Georgia's almost all major fruits (grapes, apple, pomegranate, mandarin, orange and lemon) and vegetables (potato, carrots and others) depend on effective cold storage facilities. It is estimated that significant share of the fruits and vegetables is lost due to the lack of adequate cold storage facilities. Respectively, non-seasonal fruit and vegetable consumption is filled with import. To address this shortage in the market, PF aims to develop the Ultra-Low-Oxygen and Active ventilation storage facility in Georgia, which will allow Georgian fruits and vegetables, be available during non-seasons.

PF has engaged several consultants for concept studies in different areas. One of such studies completed in 2012 was for a Fruit and Vegetables cold storage.

The study will be reachable for all firms/organizations which will respond to EOI procedure.

Contact person: Tariel Gabunia

Email: [tgabunia@fund.ge](mailto:tgabunia@fund.ge)

Add: 6 Vukol Beridze Street, Tbilisi, 0108 Georgia

PF is looking for suitable Partner(s) to further develop the cold storage (the Project), therefore it invites all interested parties to submit the "Expression of Interest" by the conditions below.

## 1. Project description

The study has shown a need for a 4,700 ton Fruit and Vegetables Cold Storage, which will serve Tbilisi (the capital of Georgia), Kvemo Kartli's regional center Rustavi and other adjacent areas accounting 31% of Georgia's consumption of food products. Beyond cold storage operation, the proposed business model also includes fruits and vegetables collection from the small scale growers to respond to the inefficiencies and ineffectiveness of the value chain.

### Market Description

Based on the study (see disclaimer):

- Value share of fruits and vegetables in food consumption is estimated at 15-20%;
- Fruit and vegetable consumption is price sensitive. Products supply and consumption are highly correlated to product prices with correlation coefficient being 80% and 73% respectively;
- More than 60% of fruits and vegetables are sold in agricultural markets;

- Estimated 30% of fruits and vegetables are sold in various types of shops and shop adjacent areas;
- In Tbilisi and Rustavi there are 1500-2000 shops and retail points that require fruit and vegetable delivery services.

### Land Plot

PF subsidiary (which is intended to be the project development SPV) owns<sup>1</sup> a Land plot, which is located at Southeast outskirts of Tbilisi in Gardabani Region, 25 kilometers (15, 6 miles) or 20 minutes' drive from the capital's downtown. Located next to Tbilisi bypass road and railway the land area is situated at a very center of important crossroads. It is 18 kilometers away from Tbilisi International Airport and only 9 kilometers away from Kvemo Kartli's regional center Rustavi. It is 44 km drive from Georgia-Azerbaijan border and 74 km drive from Georgia-Armenian border.

**Location:** Agtaklia village, Gardabani Region, Georgia

**Land Area:** 258,821 m<sup>2</sup> (25.8 hectares)

**Land Category:** Non-agricultural land

**Status of Ownership:** Private (owned by the subsidiary of PF), Registered at National Agency of Public Registry, free from tax and mortgage liabilities.

**Location Coordinates:** 41°36'35.90"N, 44°58'54.24"E

### Project Technical Description

Area for Cold Storage Project ~3 ha

Module area ~6500 m<sup>2</sup>

Method of Storing ULO and Active ventilation

Technical advantages: cold storage will be consisted of 23 isolated rooms (20 ULO and 3 active ventilation). This fact gives it an advantage to be flexible considering the market sensitivity in sales aspect.

**The indicative investment amount is approximately USD 7 million.**

### Financing structure / PF limitations:

PF connives together with a private investor. PF is limited to invest (by any form) more than the private investor's equity. PF is investing in equity on commercial terms. Equity investment will be made in form of Land and Property as well as cash contribution (if requested and if it's within limits described above). To ensure PFs exit, the private co-investor (interested party submitting this EoI) shall be liable to buy out PFs shares at a pre-agreed price (investment + agreed annual rate of return) after 7 years from the execution of

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<sup>1</sup> Ownership is registered in the National Agency of Public Registry

agreement between PF and the co-investor. The co-investor shall also have the right (but not an obligation) to buy out PF's shares any time before the deadline set above with a pre-agreed price. PF participation will only be limited to the equity investment above. No guarantees or other credit enhancement structures will be provided.

## 2. Information to be submitted

Interested parties ("Bidders") should submit their EOI together with the following information:

- Legal status of the "Bidder";
- Any experience that the "Bidder" deems relevant, including in development, construction, operation and/or financing of cold storages or projects of similar nature and complexity;
- List of construction or operation companies (if any) that the "Bidder" intends to engage;
- Intended financing structure with any important terms of financing already known;
- "Bidder's" financial statements for the last 3 years (if relevant);
- Requested PF participation (as % of equity and in absolute terms in USD);
- "Bidders" equity participation, assumed amount of debt and any other financing sources;
- Proposed rate of return for PF exit.

## 3. Submission of EOIs

All EOIs must be delivered in 3 executed copies (one original and two photocopy) in a sealed envelope, also, in electronic form, in an easily accessible format, stored in an electronic storage device (e.g. CD-ROM, DVD or USB stick), on or before 2015 March 20, 14.00 Tbilisi time, 2015 to the JSC "Partnership Fund" to the following address:

JSC "Partnership Fund"  
6 Vukol Beridze Street, Tbilisi, 0108 Georgia

## 4. Shortlisting of Candidates;

PF reserves the right to shortlist the "Bidders" based on any information requested in section 2 of this Invitation.

## 5. No Commitment Release

It should be noted that this Invitation does not constitute a commitment on the part of the JSC "Partnership Fund" to select any Candidate, nor to reimburse any expenses to any Candidate. Furthermore, submission of the documents shall not entitle any Candidate to any claims against JSC "Partnership Fund" by virtue of such firm having responded to this Request for EOI. All costs incurred by respondents as a

result of this Request for EOI and any subsequent requests for information shall be for the Candidate's account only.

## **6. Rights of JSC "Partnership Fund"**

JSC "Partnership Fund" reserves the right to:

- waive or change the requirements of this Invitation from time to time without prior notice, through an announcement on the JSC "Partnership Fund" official website;
- request clarification or additional documents in respect of a "Bidders" submission;
- disqualify any "Bidder";
- choose not to proceed with the project at any time during the process (including after submission of EoI's).

## **7. Governing law**

This Request for EOI and the EOI submission and evaluation process shall be governed by the laws of Georgia.

## Disclaimer

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This Invitation and its attachments contain certain forward-looking statements with respect to the PF and/or the Project and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the PF/Project regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "will continue", "may", "is likely to", "plans" or similar expressions, including variations and the negatives thereof or comparable terminology and include statements regarding:

- strategies, outlook and growth prospects;
- future plans, expectations and projections;
- expected future revenues and performance;
- expected future liquidity, capital resources and capital expenditures;
- expected future growth in demand for services;
- economic outlook and industry trends;
- market developments;
- the impact of regulatory initiatives;
- plans or intentions relating to acquisitions; and
- competitive strengths and weaknesses.

The forward-looking statements in this Invitation (together with its attachments) are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, consultants and management's examination of historical operating trends, data contained in PFs or any of its consultants records and other data available from third parties. Although PF believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and which are beyond its control, and PF or the Project may not achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein, important factors that, in PF's view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to:

- overall economic and political conditions globally, in the Caucasus region and within Georgia and the continuing effects of the global financial crisis, the duration and magnitude of which cannot be ascertained;
- Project's ability to overcome competition;
- Project's ability to continue operation without or otherwise freely react to market forces;
- operational limitations, including equipment failures and maintenance and rehabilitation issues;
- exchange rate, interest rate and inflation fluctuations;
- unplanned events or accidents;
- changes in laws, regulations, taxation or accounting standards or practices in Georgia; and
- the Company's success at managing the risks associated with the aforementioned factors.

The foregoing list is not exhaustive. When relying on forward-looking statements, potential investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Project will operate. Such forward-looking statements speak only as at the date on which they are made. Neither PF nor any of its agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Invitation.

The forward-looking events described in this Invitation may not occur.

"Bidders" should be aware that forward-looking statements are not guarantees of future performance and that the Projects actual business, financial condition and results of operations and prospects, as well as the development of the industry in which it operates, may differ significantly from those made in, or suggested by, the forward-looking statements contained in this Invitation. In addition, even if the Projects business, financial condition and results of operations and prospects, as well as the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Invitation, those results or developments may not be indicative of results or developments in subsequent periods.

The consultants have prepared a study (report attached to the invitation) for JSC Partnership Fund ("PF").

The attention of recipients of this document is drawn to the comments (by the consultant) in the letter to PF in the document. It is emphasized that the information in the study is, in general, as at December 2011 or earlier and thus is out of date.

Provision of this document to recipients, other than PF, is intended only for information purposes and it does not represent any form of investment advice or recommendation by PwC to any such recipient or any other person. PwC accepts no duty of care (whether in contract, tort (including negligence) or otherwise) to any person other than PF.

The study (Report) has been prepared solely for PF and the project purposes referred to in it. Any copies made are subject to the conditions described therein. PwC will not accept any duty of care (whether in contract, tort (including negligence) or otherwise) to any person other than PF.



# Georgian Co-investment Fund

## 1. General Overview

The Georgian Co-Investment Fund ("GCF") is a USD\$6bn private investment fund, established in September 2013. The fund is managed by management company–GCF Partners. The Fund will invest 25 – 75% of the total equity investment, with a minimum size of USD\$5m.

The Fund intends to allocate capital for investments in the following sectors and industries:

- Energy – up to USD\$3bn
- Hospitality and Real Estate – up to USD\$1bn
- Agriculture and Logistics – up to USD\$0.5bn
- Manufacturing – up to USD\$1.5bn
- Other – up to USD\$0.5bn

Hence, the Fund will focus on investing in the following categories of projects:

### Agriculture

- Import substitution opportunities (Dairy production; Pork & beef production);
- Export opportunities (Wine and mineral water; Fruits and vegetables);
- Storage and distribution infrastructure; processing plants; Greenhouses;
- Grain storage elevators; Animal feed production

### Energy & Infrastructure

- Hydropower (Medium and large scale hydro projects; Greenfield<sup>1</sup> and Brownfield<sup>2</sup>);
- Coal (Proven reserves 400mln tones: Large scale mining/resource realization projects; Thermal Power projects > 300MW; Conventional coal resource commercialization);
- Transit infrastructure (Ports, Logistical infrastructure)

### Hospitality & Real Estate

- Hotels located in Tbilisi;
- Seaside hotels;
- Mountain and alpine ski hotels;
- Spa hotels;
- Regional hotels;
- Various leisure, entertainment and commercial facilities

### Manufacturing

- Import substitution projects
- Value chain integration
- Large industrial projects

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<sup>1</sup>Green Field Investment -form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees. This is opposite to a brown field investment;

<sup>2</sup>Brown Field Investment –form of foreign direct investment when a company or government entity purchases or leases existing production facilities to launch a new production activity.



GCF's investor base includes: Dhahi Group, RAK Investment Authority, State Oil Fund of the Republic of Azerbaijan, Batumi Industrial Holdings Limited, Calik Holdings A.S, Milestone International Holdings Group Limited, Mr. Bidzina Ivanishvili, Mr. Alexander Mashkevich, Estate of Mr. Badri Patarkatsishvili and other investors.

## 2. Approved Investments on the Projects

### Hospitality and Real Estate Projects

"Panorama Tbilisi" project will unite four multifunctional centers (1.Sololaki Hills, 2.Sololaki Rise 3.Freedom Square, 4.Erekle II Square) in Tbilisi.

The total investment size of the project exceeds \$0.5bn. The project will add to Tbilisi 270,000 m<sup>2</sup> of premium space, which includes hotels, serviced apartments, A-class office and commercial areas, exhibition and conference halls, health and leisure centers, sports arenas, pools and all the necessary infrastructure to make it a 24/7 tourist and business destination. We will see the first openings in approximately 2.5 year.

### Energy Projects

Five hydroelectric power plants will be built in the South and the North-West of the country, with a combined total investment size of over \$750m and the total annual expected energy capacity generation in the range of 2,000 GWh. In particular:

- "Mtkvari HPP" is a brownfield hydroelectric project located in the South Georgia, Akhaltsikhe Region, on river Mtkvari. Its planned capacity is 53.3 MW with 255.2 GWh of annual energy generation. The project's total investment size is \$100m;
- "Tskhenistskali Cascade of HPPs" will be built in North-West Georgia, in the regions of Lentekhi and Tsageri, on river Tskhenistskali. The total installed capacity of HPPs will be 347 MW and the annual energy generation will equal to 1,744 GWh. The total anticipated investment size of the project is \$679m.

### Agriculture Projects

- Dairy farm and processing plant will be developed in the West Georgia in cooperation with the leading Dutch dairy company – "The Friesien". The dairy farm is intended for 2,000 cows with the production capacity of 50 tons of milk per day. The project envisages creation of state of art milk collection and dairy processing facilities with the processing capacity 100 tons of milk per day. With its scale and quality the project will substitute 25% of dairy products imports to Georgia and create up to 400 permanent jobs. The project's total investment size is \$45m;
- Greenhouse Investment Project, with USD \$40M investment size will develop a 35 hectare greenhouse in Gardabani of the Kvemo Kartli region. The construction of the greenhouse will permanently employ 80 people from the Gardabani area and when fully complete will have the capacity to grow over 15,000 tons of produce annually and contribute 435,000 Georgian Lari per annum to the local municipality. The project will also reduce the country's reliance on tomato imports by 30%. The project will be developed in two stages, with the first 12 hectares of construction to be completed by July 2015 with an annual output of 4,000 tons.

### Manufacturing

Investment in BitFury - GCF subscribed for the US\$10m convertible note issued by BitFury, at a US\$250m pre-money valuation. The proceeds from the financing will enable BitFury to roll out its next generation proprietary semi-conductors, ASICs (Application Specific Integrated Circuits) and custom servers, supporting the world's largest bitcoin mining data center development in Georgia.

Source: [www.GCFund.ge](http://www.GCFund.ge)



## JSC Partnership Fund (PF)

JSC Partnership Fund (PF) is a state owned investment fund, established in 2011. The fund is assigned Fitch rating "BB-", which is equal to sovereign ceiling of Georgia.

**PF's main objective** is to promote investment in Georgia by providing co-financing (equity, mezzanine, etc.) in projects at their initial stage of development.

**PF is split in two separate business units:**

1. **Asset management** – PF has assets under management with combined annual turnover of over USD 750 million in 2012. PF's portfolio is comprised of Georgia's strategically important assets:

- Georgian Railway - 100% of shares
- Georgian Oil and Gas Corporation (GOGC) - 100% of shares
- Georgian State Electrosystem - 100% of shares
- Electricity System Commercial Operator - 100% of shares
- JSC Telasi - 24.5% of shares

Georgian Railway and GOGC are the main source of financing for PF's investment activity.

2. **Investment activity** – the number of the projects implemented or under implementation in various sectors with a total value of over USD 1 billion. PF has a **mandate to invest only in Georgia**. Energy, agriculture, manufacturing, real estate/tourism and logistics/infrastructure sectors are on the top of the priority list. PF co-invests in commercially viable investment projects. Fund provides Greenfield as well as Brownfield financing. PF co-finances companies and assists its partners and management teams in developing plans to create sustainable long-term value. PF also assists in attracting senior financing from commercial sources or IFIs. **PF provides equity financing, mezzanine and in some cases subordinated loan** (both convertible and non-convertible). PF's participation in projects is limited to minority share (up to 50%).

Project conceptualization and initiation processes may be twofold:

- Private investor seeks participation of the Fund in its commercially viable project, or
- PF initiates projects based on preliminary feasibility studies and then looks for private investors able and willing to fund it, either entirely or partially.

#### JSC Partnership Fund Projects:

- **Projects completed in 2013:** Hotel Gino Wellness Spa, Livestock Breeding Farm Kalanda, Hotel Royal Batoni;
- **Ongoing projects:** Construction Material Factory, Cold Storage, Anaklia Black Sea Port, Nenskra HPP, Gardabani Thermal Power Plant, Hotel Rixos Borjomi, Sairme Resort, Hotel Radisson Tsinandali.

#### Facts and Figures in Brief

##### About The Fund:

- Established in 2011
- 100% State Owned
- Equity Value = \$1.4 Billion
- Fitch Ratings BB- (Outlook Stable)

##### Priority Sectors:

- Agribusiness
- Energy
- Infrastructure & Logistics
- Manufacturing
- Real Estate & Tourism

##### Type of Operations:

- Strategic Management
- Investment Activity

##### Partnership Principles:

- Only Commercially Viable Projects
- Participation: Maximum 50% of the Capital
- Only Experienced Partners/Operators
- Clear Exit Strategy