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# Russian Capital in Georgian Business

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## Introduction

The Russian Federation is the only country with which Georgia has been in conflict throughout its 24 years of independence, and none of the Georgian government has so far managed to settle the relations. The foreign policy course of the country was outlined to a greater extent during the government introduced by the Rose Revolution of 2003. The President, as well as the government, permanently stressed in their statements the importance of cooperation with the West, and were actively working on Georgia's Euro-Atlantic integration. On December 17, 2004 State Minister Apparatus on Issues of Integration to European and Euro-Atlantic Structures was established, with the main purpose of deepening Georgia's cooperation with NATO and the EU; promoting political, legal, military, economic and cultural integration.

Enhancement of cooperation with Europe entailed response of the Russian side- imposition of ban on the selling of Georgian wine, mineral waters and agricultural products in 2006, followed by the establishment of the so-called "political embargo". At the time major part of the given production was exported to Russia, hence the heavy impact the embargo had on Georgian economy.

The economic sanctions were followed by a military conflict in the Tskhinvali region in 2008. It was the direct involvement of the President of France, EU presiding country at the time, that made it possible to stop the Russian aggression several weeks later. The same year Russia recognized the independence of Abkhazia and South Ossetia.

Georgia, on the other hand, officially designated Abkhazia and South Ossetia as "territories occupied by the Russian Federation", and adopted the respective legislation suggesting that the economic activity on the given territories must be realized in accordance with the Georgian legislation, with the imposition of sanctions on both the companies that pursue such an activity and individuals that directly or indirectly own capital in the given companies, or influence in a certain way decisions made therein.

The concept of strategic object had been abolished several months before the war, and only 5 objects were given the status of special property, while the others were subject to privatization.

The government at the time was stressing it was making a lot of efforts to increase the inflow of foreign investments into the country. However, it's worth mentioning, that major part of investments in the important spheres such as electric power, water supply, ore, mineral waters, come from Russian companies.

As of 2015, the "INTER RAO" company, shareholders of which are represented with Russian state companies, own Georgian energy distribution company TELASI, MTKVARI ENERGY TPP, KHRAMI HPP 1 and KHRAMI 2 HPP. The country's most powerful ENGURI

hydroelectric dam also under the management of INTER RAO. ENERGY LLC that owns DARIALI HPP, LARS and SHILDA HPP is also under the ownership of a Russian citizen. Several other objects owned by Russians are AVANI HPP, ALGETI HPP, SKURDIDI HPP. Meanwhile SAKRUSENERGO, running the country's electricity transmission system, is jointly owned by Georgian and Russian side.

Russian citizens are also in ownership of ZHINVALI HPP and GEOGIAN WATER and POWERS (GWP), a company supplying Tbilisi, Rustavi and Mtskheta.

The same situation is with the oil companies- LUKOIL, GULF, POTI OIL TERMINAL, precious metals mining companies RMG Gold and RMG Copper, mineral water producer BORJOMI, DC main line electric locomotive manufacturer JSC ELMAVALMSHENE BELI, VTB BANK GEORGIA, cellular company BEELINE, and many other companies.

It should be noted that while Iranian and Indian businessmen encounter difficulties in Georgia, Russian companies that have been imposed sanctions by the U.S. and EU- including LUKOIL, VTB BANK and ROSNEFT, the latter running Poti oil terminals and petrol station network through offshore companies, are operating absolutely unhindered.

Soon after the beginning of the occupation of the Crimean Peninsula, on March 6, 2014 the U.S. President Barack Obama made a decision allowing the U.S. to freeze bank accounts and impose travelling restrictions on persons having participated in the separation of the Crimea from Ukraine.

Shortly following the decision, the EU and Canada imposed the first set of sanction on Russian Federation, namely Russian politicians and companies associated with the Russian government, on March 17, 2014. The decision was taken after the March 16 occupation of the Crimean Peninsula, representing part of Ukraine's territory, and the announcement of the results of a referendum conducted in the Crimea.

The European Union has denied entry on its territory and has frozen assets of 21 Russian and Crimean officials, including several Duma deputies.

The U.S. Treasury Department, meanwhile, apart from imposing sanctions on Russian MPs, has as well [sanctioned](#) companies directly associated with the Russian authorities<sup>1</sup>

That hasn't brought an end to sanctions towards Russia. The developments in Ukraine have prompted non-member countries of the EU to also impose sanctions on Russia. Those included Norway, Switzerland, Ukraine, Moldova, Australia and Japan.

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<sup>1</sup> USA Department of The Treasury, 2014, Ukraine-related Designations.

During the course of 2014, the U.S.<sup>2</sup> and EU<sup>3</sup> enhanced sanctions against Russia a few times, by reason of Russia's support of insurgents in eastern Ukraine and escalation of the conflict. The most sweeping set of sanctions were declared by [the U.S.](#) and [EU](#) in September 2014.

According to the sanctions, American and European companies are banned to cooperate with sanctioned Russia, and provide it with oil-producing and exploration technologies, as well as granting long-term loans, etc.

The sanctions have mainly been applied to energy, oil and banking sectors. Among those sanctioned appeared major Russian banks, including VTB BANK, and the major oil companies ROSNEFT and LUKOIL<sup>4</sup>

Despite that Georgia has had the practice of joining international sanctions, in the case of Russia the government was unable to take such a decision. For instance, several years ago Georgia joined the sanctions imposed by the international community against the Islamic Republic of Iran, by also imposing sanctions on Iranian companies and businessmen<sup>5</sup>. However, that didn't take place with Russia. In 2014, the ruling Foreign Minister of Georgia Maia Phanjikidze clarified<sup>6</sup> with reference to the imposition of sanctions against Russia- "that's only sufficient to resolve the crisis situation".

The above research lists Georgian-based companies owned by Russian citizens in accordance with the sectors, and contains the analysis of how and when various objects went under their ownership. The information provided in the research is based on official documentation and media-distributed information.

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<sup>2</sup> Thomson Reuters, 2014, U.S. intensifies sanctions on Russia over Ukraine, <http://www.reuters.com/article/2014/09/12/us-ukraine-crisis-usa-sanctions-idUSKBN0H71N320140912>

<sup>3</sup>Official Journal of the European Union, 2014, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:271:FULL&from=EN>

<sup>4</sup> Financial Times, 2014, US targets Gazprom in new round of sanctions, <http://on.ft.com/1ABwLno>

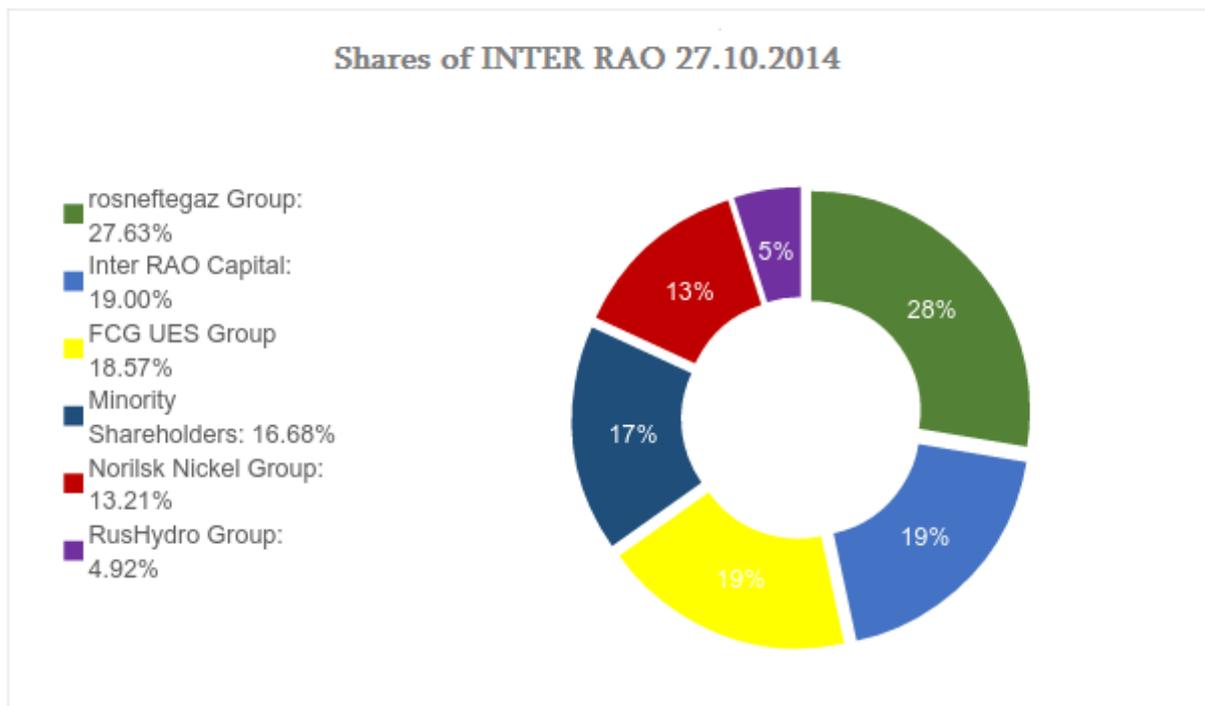
<sup>5</sup> Netgazeti.ge, 2013, UN sanctions and Iranian business in Georgia <http://www.netgazeti.ge/GE/105/News/21217/>

<sup>6</sup>Civil.ge, 2014, Phanjikitze "clarifies" comment on response sanctions between the West and Russia, <http://www.civil.ge/geo/article.php?id=28577>

# 1. Electric Energy

## 1.1. INTER RAO

Significant part of Georgian electric energy market is held by the major Russian company INTER RAO. Its main shareholders are members INTER RAO Supervisory Council<sup>7</sup>



INTER RAO Supervisory Council consists of – Russian deputy minister of energy Vyacheslav Kravchenko, one of the GAZPROM directors Denis Fedorov, ROSNEFT president Igor Sechin, deputy director of State Corporation of Russian Technologies Dmitry Shugaev, head of Russian State Corporation- VNESHECONOMBANK Vladimir Dmitriev. The governing council is headed by Boris Kovalchuk, head of Russian Government Priority Projects department in 2006-2009.

In Georgia INTER RAO owns energy distribution company JSC TELASI, TPP MTKVARI ENERGY, as well as major HPPs KHRAMI 1 and KHRAMI 2

<sup>7</sup> Interra.ru, Company Capital, <http://www.interra.ru/en/company/capital/>

### 1.1.1. JSC TELASI

INTER RAO owns JSC TELASI, one of the biggest distributor company on the Georgian energy market, and controls in Tbilisi and its adjacent areas high(110 kW), medium(35-10 kW), and low(6-0,4 kW) voltage networks. The given company provides electricity to the Georgian capital, with the overall number of subscribers totaling 416 500. The company's basic activity is electric energy distribution. Apart from that, TELASI as well pursues the following activities:

- Electricity transit;
- Technical service to subscribers;
- Billing and collection of payments for external service organizations.

In 1998, AES corporation bought 75% of JSC TELASI, and in 2003 100% of AES owner Silk Road Holdings B.V. shares was bought by Finnish company- JSC RAO Nordic Oy, the only shareholder of which is OJSC INTER RAO

According to data of 2015, INTER RAO holds 75% of TELASI shares, and approx. 25% owned by the Georgian state.

Head of JSC TELAVSI supervisory board is Dmitry Volkov- director of INTER RAO Central Asia and the Caucasus Asset Management Unit. Other members of the council are Pavel Okley – head of INTER RAO Block of Production Activities, Dmitry Palunin- head of INTER RAO Financial and Economic Center, Ilnar Mirsiipov – director of INTER RAO Strategic Development and Investment Block, and Alexander Pakhomov- head of INTER RAO Legal Affairs Unit.

The supervisory board also consists of 2 Georgian citizens- Temur Chincharauli and Vakhtang



Dmitry Volkov, Sergey Kobtsev, and Kakha Kaladze opening new business center, 2013. Source: telasi.ge

Jorbenadze. The latter is a lawyer at JSC Partnership Fund, a state company which supervisory body includes Georgian Ministers of Energy, Justice, Economic and Sustainable Development. It might be stated that Vakhtang Jorbenadze represents the Georgian state in TELASI supervisory board.

The last time the issue of the memorandum on TELASI's transfer concluded between the Georgian government and INTER RAO emerged in 2012. The energy

minister Kakha Kaladze in that period stated then he was going to launch negotiations for the lowering of electricity tariffs. According to him, as per the liability, INTER RAO had an obligation to realize investments of 370 million until 2015. “The realization of investments has begun: that concerns metering and rehabilitation of networks. They also had a liability of constructing new HPP, which will also be reflected in the electricity tariff. That’s the topic touching upon the issue of tariffs in talks with INTER RAO UES,”- Kaladze said<sup>8</sup>. Yet electricity tariffs haven’t been changed since.

### **1.1.2. MRKVARI ENERGY LLC**

INTER RAO also owns TPP MTKVARI ENERGY LLC. The main activity of the company is production of electricity and its realization. The production of electricity is carried out through LLC MTKAVRI ENERGY owned TPP which consists of two energy blocks (9<sup>th</sup> and 10<sup>th</sup>), 300 MW capacity each. One of the important parts of the TPP infrastructure is a headwork located on the surrounding area of Rustavi city – dam with a system of underground tunnels and open channels. The first and second energy blocks ( the old name- Tbilisresi ninth and tenth energy blocks) was purchased by INTER RAO energy holding in October 2003, together with other assets, and became the owner of 100% of its shares.



MKVARIENERGY TPP. Source: mtkvarienergy.ge

The sole owner of MTKVARI ENERGY LLC, as officially declared, is GARDABANI Holdings B.V. registered in the offshore zone of the Virgin Islands. It’s represented by a Russian citizen Dmitry Kniagin. Members of MTKVARI ENERGY supervisory council are representatives of INTER RAO, Russian citizens: Dmitry Volkov, Pavel Okley and Dmitry Palunin. They entered the supervisory council in 2014, however, entrepreneurial register didn’t recorded the given change due to technical issues. The aforementioned persons are also members of JSC TELASI supervisory council.

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<sup>8</sup> News.ge, 2012, Kaladze launches talks with Inter RAO on tariffs, <http://news.ge/ge/news/story/37512-kaladze-inter-rao-ees-tan-tarifebze-molaparakebebs-itsyeb>

Director of MTKVARI ENERGY from 2003 is Devi Kandelaki. He, together with former energy minister Alexandre Khetaguri, was detained on charges of document falsification by the new government that came following the 2012 parliamentary elections, yet their guild wasn't proved and the court removed the charges. Devi Kandelaki was also acting director general of JSC TELASI in 2012-2013.

### 1.1.3. HPP KHRAMI 1 and KHRAMI 2

As in the case with MTKVARI ENERGY, KHRAMI 1 and KHRAMI 2 HPPs are owned by Gardabani Holdings B.V registered in offshore zone. Members of the supervisory council of the given HPPs are INTER RAO representatives Dmitry Volkov, Pavel Okley, and Dmitry Palunin, with Devi Kandelaki holding the position of director.

Khrami-1 is a high-altitude HPP, located in the south-west part of Georgia, in the region of Tsalka. It consists of 3 hydraulic units, each of 37,6 MW installed capacity.



Devi Kandelaki. Source: IPN

Annual storage reservoir located in Tsalka and its underground and over ground triple pressure pipelines constitute important part of the HPP infrastructure.

KHRAMI HPP 2 is located in Georgia's south-west, at 115 km of the river Khrami. It operates in the regime of 24 hour regulation, and mainly uses water produced by Khrami HPP 1. In 2013, net profit of KHRAMI HPP 2 amounted to 1 594 000 GEL.

Georgian government concluded a memorandum with INTER RAO on the transfer of KHRAMI HPP on April 1 2011. The minister of energy in that period Alexandre Khetaguri reported to media, that "there was nothing new in the given memorandum, as INTER RAO acquired rights of operating KHRAMI 1

and HRAMI 2 HPP with the agreement concluded in 2000, valid for 25 years and expiring in 2014<sup>9</sup>

<sup>9</sup> 24 Saati newspaper, 2011, Inter RAO owner of Khrami 1 and Khrami

<http://www.24saati.ge/weekend/story/15458-inter-rao-khrami-1-isa-da-khrami-2-is-mesakutre>

According to a new memorandum concluded in 2011, INTER RAO was taking a liability to construct 3 new HPPs at HRAMI by realizing an investment of 193 million USD. The given project envisioned energy output of 85100 MW.

IDFI revealed that the amount obtained from the selling of HRAMI HPP ( 99 774 000 USD) was spent on the construction of new parliament building in Kutaisi<sup>10</sup>

It should notes that Mtsire Energy, a company owned by MTKVARI ENERGY, HRAMI 1 and HRAMI 2 HPP director Devi Kandelaki, owns MASHAVERA(0.8 MW) and ACHIHESI HPP (1MW). Mtsire Energy is the sole owner of Prime Energy which operates INTSOBA HPP (1.65 MW)

#### 1.1.4. ENGURI HPP



Enguri HPP

In December 2008, several months after the end of Russian-Georgian war, Georgian Ministry of Energy concluded another memorandum with Inter RAO, which implied joint management of Enguri HPP, the biggest HPP in Georgia, located on the Enguri river. It also includes the cascade of Vardnili HPPs, and has total capacity of 1300 MW. Enguri HPP dam is located on the Georgian-controlled territory, with the HPP itself located on the Abkhazian side of the

administrative border.

The first comment on the memorandum concluded between Inter RAO and Georgia was made by the Georgian side two weeks after the signing. On January 12, 2009 energy minister Alexandre Khetaguri told the media that Enguri HPP would be managed jointly by Russian and Georgian sides. As per information published by Inter RAO, the memorandum prescribed

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<sup>10</sup>IDFI, 2012, New parliament construction expenses and financing scheme

<https://opendatablog.wordpress.com/2012/12/10/axali-parlamentis-mseneblobis-xarjebi-da-dafinansebis-sqema/>

that parties develop at least a 10 year program for the purpose of “efficient exploitation” of Enguri HPP<sup>11</sup>

Alexandre Khetaguri stated that 100% percent of Enguri HPP shares were, is, and will remain under the state ownership. As regards the mutual management, that will be a joint council which staffed based on the parity principle- with representatives of both the Georgian state and Inter RAO. According to Khetaguri, the memorandum prescribes Inter RAO to pay the price of the electricity which is being supplied to the territory of Abkhazia via the given HPP. Enguri HPP owner hasn't indeed been changed, and according to data of 2015, remains under the Georgian state ownership.

Despite high public interest, the memorandum concluded with the Russian company hasn't been publicized. The real implication of the agreement remained unknown. The Rezonansi newspaper and Georgian Young Lawyers' Association (GYLA) as well didn't manage to obtain information through a court<sup>12</sup>. The document's content remained undisclosed even after the arrival of the new government following the 2012 elections<sup>13</sup>.

Director general of Abkhazian Chernomorenergo Aslan Basaria stated at a press conference on January 15, 2015 that negotiations on the issue of legal ownership of Enguri HPP with the Georgian side were underway<sup>14</sup>. The following day the information was denied by the Ministry of Energy which stressed that Enguri HPP was located on the Georgian territory, therefore belongs to the Georgian state and the statement of director general of Chernomorenergo doesn't correspond to the reality. Despite the conflict and existing political difficulties, Enguri HPP provides electricity to Abkhazia the same way it provides it to any part of Georgia. We'll stress that Enguri HPP was and will be operated by the Georgian state, we're monitoring rehabilitation and preventive works at the HPP. The Georgian government covers the full cost of Enguri HPP exploitation”, - the Ministry of Energy stated<sup>15</sup>.

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<sup>11</sup> Civil.ge, 2009, Enguri HPP to be jointly operated by Russian and Georgian side.

<http://www.civil.ge/geo/article.php?id=20347>

<sup>12</sup> Civil.ge, 2010, Court of Appeals left the memorandum on Enguri HPP classified

<http://www.civil.ge/geo/article.php?id=22737>

<sup>13</sup> Gurianews.ge, 2012, Ministry of Energy continues keeping the Enguri HPP memorandum classified

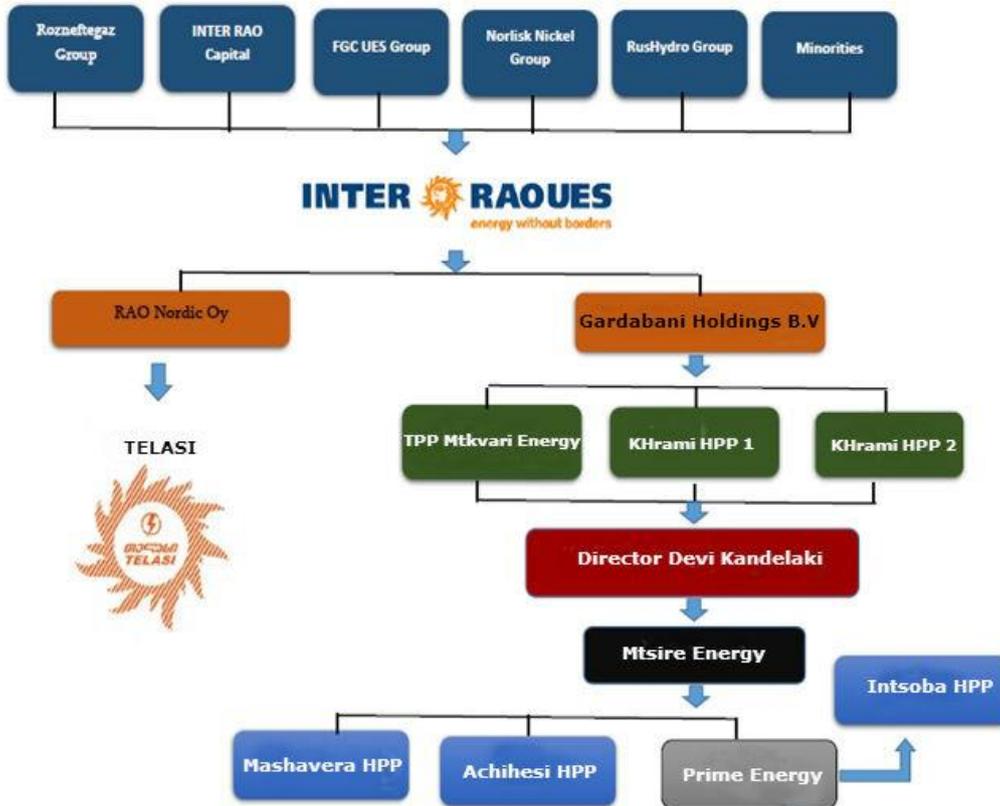
[http://www.gurianews.com/ /left\\_wide/6443\\_66\\_ka/energetikis\\_saministro\\_engurhesis\\_memorandums\\_isev\\_as\\_aidumloeb.html](http://www.gurianews.com/ /left_wide/6443_66_ka/energetikis_saministro_engurhesis_memorandums_isev_as_aidumloeb.html)

<sup>14</sup> Netgazet.ge, 2015, Arveladze: Abkhazian side has leverage for switching off Enguri HPP

<sup>15</sup> Tabula.ge, 2015, The Ministry denies the launch of talks on the ownership of Enguri HPP

<http://www.tabula.ge/ge/story/91694-saministro-uarkofs-engurhesis-kutvnilibis-shesaxeb-molaparakebebis-datskebas>

## Inter RAO Interests in Georgia



## 1.2. ENERGY LLC

Several HPPs are owned by Energy LLC, founded in Georgia in 2010. Russian citizen Mevlud Bliadze owns 70% of its shares, the rest 30% is under the ownership of Peri LLC. Energy LLC is a shareholder of JSC Dariali Energy. According to information provided by the National Statistics Office(GeoStat), Mevlud Bliadze's investment appeared among the largest ones coming from Russia in 2011.



Mevlud Bliadze. Source: pylon.ru

Mevlud Bliadze was born in Georgia. Later he moved to Russia for residence. In 1992 he came in charge of JSC Pylon. Today he's head of the company's board of directors. Pylon provides reconstruction and maintenance services for bridges and roads in Saint Petersburg, and is among the leading companies in the field. In 2012, the opening of another project of the company was attended by PM Dmitry Medvedev<sup>16</sup>. Mevlud Bliadze was awarded the title of "Honored Builder of the Russian Federation"<sup>17</sup>.

### 1.2.1. DARIALI HPP

On May 19, 2011 the Georgian government concluded a memorandum with Dariali Energy on the construction, ownership and operation of 109MW capacity Dariali HPP on the Tergi river<sup>18</sup>. The investment amounted to USD 135 million. Dariali HPP project envisages the construction of 109MW installed capacity HPP on the river of Tergi in the Dariali Gorge, the municipality of Kazbegi, near the Russian border. The HPP will be connected to the power system through 110 KW line connecting Russian and Georgian power systems.

In the period of the memorandum conclusion Dariali Energy was an LLC that belonged to American "Robins Company". Energy LLC wasn't among its founders in the beginning.

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<sup>16</sup> Pylon.ru, 2012, October 10, 2012, grand opening of the Western High-Speed Diameter(WHSD)  
<http://www.pylon.ru/?part=3&id=135>

<sup>17</sup> Pylon.ge, address of ZAO Pylon direction, <http://www.pylon.ru/?part=10>

<sup>18</sup> Ministry of Energy, Memorandum,  
<http://www.energy.gov.ge/projects/pdf/pages/Darilis%20Hidroelektrosadguri%2069%20geo.pdf>

On September 30, 2011 the organization transformed into a JSC, and Georgian Energy Development Fund(GEDF) became one of its shareholders. The capital of Dariali Energy increased from USD 100 000 to USD 33 333 333

In August 2013, JSC Dariali Energy stated that the development of the project was facing challenges due to financial issues and its completion might be postponed for uncertain period.

In its letter<sup>19</sup> to energy minister Kakha Kaladze from August 14, 2013 the company suggests the following as a solution to the situation: “ the completion of the project requires bank financing, on which the company has been working for a long time with Georgian and international financial institutions. As a precondition for approving the loan the banks require that the company to raises additional capital of USD 20 million. JSC Dariali Energy obtained the necessary resource- Energy LLC is ready to invest USD 10 million in the company’s capital and allot additional 10 million USD as a shareholder loan at 10% annual interest rate. In return, Energy LLC asks for an option to buy shares of Georgian Energy Development Fund (GEDF), after launching of the HPP, at 15 million USD. That’s currently the only way for JSC Dariali Energy to raise additional 20 million USD”.

On October 1, 2013 the Georgian government granted the request of “Peri”<sup>20</sup>.

Prior to submitting the letter to the government, Dariali Energy held a shareholders’ meeting on August 9, 2013, where 23.007% of the shares went to Energy LLC. Its founder, as mentioned above, is Peri LLC and its owner Mevlud Bliadze. The same day, after having bought the shares, Dariali Energy borrowed 10 million USD from the new shareholder. The loan must be paid off by the end of 2016. The completion of the construction of Dariali HPP is scheduled by the end of 2015<sup>21</sup>.

### **1.2.2. LARSI HPP**

Energy LLC is supposed to build Larsi HPP as well. Memorandum between Georgian government, the Electricity System Commercial Operator and Energy LLC was concluded on May 17, 2011, 2 days prior to the transfer of Dariali HPP. According to the memorandum, the company assumed a liability to invest 20 million USD in construction and exploitation of the

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<sup>19</sup> Green Alternative, 2013, energy projects and corruption in

Georgia, [http://www.osgf.ge/files/publications/2013/Energy\\_project.pdf](http://www.osgf.ge/files/publications/2013/Energy_project.pdf)

<sup>20</sup> Georgian government order № 1415 October 1 ,2013, <https://matsne.gov.ge/ka/document/view/2037590>

<sup>21</sup> GEORGIAN ENERGY NEWS, 2015, construction of Dariali 110mw HPP will be completed this year, <http://bit.ly/1JWHDBf>

HPP. The exploitation term of 20MW capacity HPP was defined December 31, 2013. The Minister of Energy officially opened Larsi HPP on January 24, 2014<sup>22</sup>.

### 1.2.3. SHILDA HPP

Energy LLC also owns Shilda HPP(5MW) located in the Kvareli Municipality, which was opened by Energy Minister Kakhi Kaladze in October 2013<sup>23</sup>. Memorandum on its



construction was concluded between Energy LLC, the Electricity System Commercial Operator and JSC GGEDC on July 13, 2012. Prior to that GGEDC(that merged with Georgian Energy Development Fund) had already been doing certain works. The memorandum reads that the overall cost of the investment was defined as 5 500 000 million USD.

### 1.3. ENERGO INVEST LCC – AVANI HPP

Russian Citizen Ali Maraev is the owner of Energo Invest LLC, which is supposed to build Avani HPP. As per (#545)decree of the Georgian government from April 2, 2014, Energo Invest was named the winner<sup>24</sup> in the expression of interests for the construction, ownership and operating of Avani HPP, and the Ministry of Energy was assigned to prepare an appropriate memorandum with it. It should be noted that the memorandum concluded with Energo Invest, apart from other memorandums, hasn't been published on the Ministry's website, and it remains uncertain whether the given memorandum has been concluded or not.

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<sup>22</sup> Netgazeti.ge, 2014, Larsi HPP launched in Kazbegi, <http://www.netgazeti.ge/GE/105/News/27337/>

<sup>23</sup> Georgian State Electrosystem, 2013, construction of Shilda HPP completed, <http://www.gse.com.ge/new/?p=797>

<sup>24</sup> Government's decree #545, April 2, 2014, [http://government.gov.ge/files/381\\_41625\\_302809\\_545020414.pdf](http://government.gov.ge/files/381_41625_302809_545020414.pdf)

According to the Ministry of Energy, HPP's installed capacity is 4.6mw, with the annual output -18.63 mln kwh, and the estimated investment cost of the project amounts to 7.8 million USD. The investor must submit analysis of the technical-economic implementation of the HPP within 12 months after the conclusion of the agreement, and launch the HPP within 24 months after obtaining construction permit<sup>25</sup>

Energio Invest was found in September 2013, several months prior to the expression of interest. Its director, Bekhan Alyev, like the owner Ami Maraev, is also a Russian citizen. The two also own Eurasia Minmetals LLC in Georgia.

#### **1.4. G.B.G. ALGETI HPP**

G.B.G. LLC owns 1.25mw Algeti HPP, 50% of the company is owned by Russian citizen Solomon Chkhaidze, the rest 50% is under the ownership of Georgian citizen Eliso Koridze. The company was founded by Solomon Chkhaidze and Zaza Koridze in 2011.

#### **1.5. PSHAVI HYDRO LLC- SKURDIDI HPP**

Pshavi Hydro LLC is under the ownership of dual citizen of Russia and Georgia Raul Kurdadze, who's supposed to build Skurdidi HPP. Kurdadze bought 75% of the company from Nodar Sabanidze for 750GEL on January 20, 2015. The rest 20% is owned by Zaza Ardishvili, holding the position of the company's acting director general. The Georgian government concluded a memorandum<sup>26</sup> with Pshavi Hydro LLC on January 19, 2014. The company was established several months prior to the given period- January 17, 2014 Pshavi Hydro registration date.

The memorandum implied the construction, ownership and operating of an HPP on Adjara's Skurdidi river. However, the given memorandum as well prescribed that Pshavi Hydro takes a liability to conduct various types of researches, on the basis of which the sides would decide to start the construction or reject it.

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<sup>25</sup> Ministry of Energy, 2014, expression of interest for the construction of HPPs is over, <http://www.energy.gov.ge/show%20news%20mediacenter.php?id=215&lang=geo>

<sup>26</sup> Ministry of Energy, 2014, memorandum on mutual understanding <http://www.energy.gov.ge/projects/pdf/pages/Skurdidis%20Hidroelektrosadguri%20675%20geo.pdf>

In the case of the positive decision an agreement on the construction of the HPP will be concluded four months later. The investment cost the project is 198,800.00 USD. According to the information published on the website of the Ministry of Energy, the stage of research hasn't been completed yet<sup>27</sup>

## 1.6. SAKRUSENERGO

The Energy System of Russia is one of the shareholders of JSC Unified Energy System (UES) Sakrusnergo, which operates electricity transmission networks in the country. The total length of the transmitting lines of Sakrusenergo's authorized capital is 908km, with 605 km part on Georgian and 305 part on the Russian territory. The property's overall cost is 230 000 000 GEL.

JSC UES Sakrusenergo was founded on May 27, 1996 on the basis of a joint decision of the Georgian government and the Unified Energy System of Russia. Today the shareholders of the JSC are the Georgian State, represented with the Georgian Ministry of Energy, and open JSC Federal Grid Company of Unified Energy System of Russia(FGS UES)

Currently the supervisory board is headed by Russian citizen Alexei Molski. Members of the



Kakha Kaladze and Andrei Murov, 2014. Source: Ministry of Energy

board are also Russian citizens Maria Pichugina and Madina Kaloeva. The Georgian side is represented by Georgian citizens Avtandil Tevzadze, Ivane Rostiashvili and David Mujiri. From February 26, 2013 Romeo Mikautadze holds the post of director general.

Head of FGS UES Russia board of governors Andrei

Murov's last visit to Georgia was in June 2014, when he met with Georgian Energy Minister Kakhi Kaladze. At the meeting they discussed the issue of the construction perspective of the new 500 kV "Kazbegi" power line connecting Russia and Georgia from Ksani substation and through the Dariali Gorge, as well the construction of a 500/100 kV substation. According to

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<sup>27</sup> Ministry of Energy, current investment projects

<http://www.energy.gov.ge/projects/pdf/pages/Mimdinare%20Sainvestitsio%20Proektebi%20945%20geo.pdf>

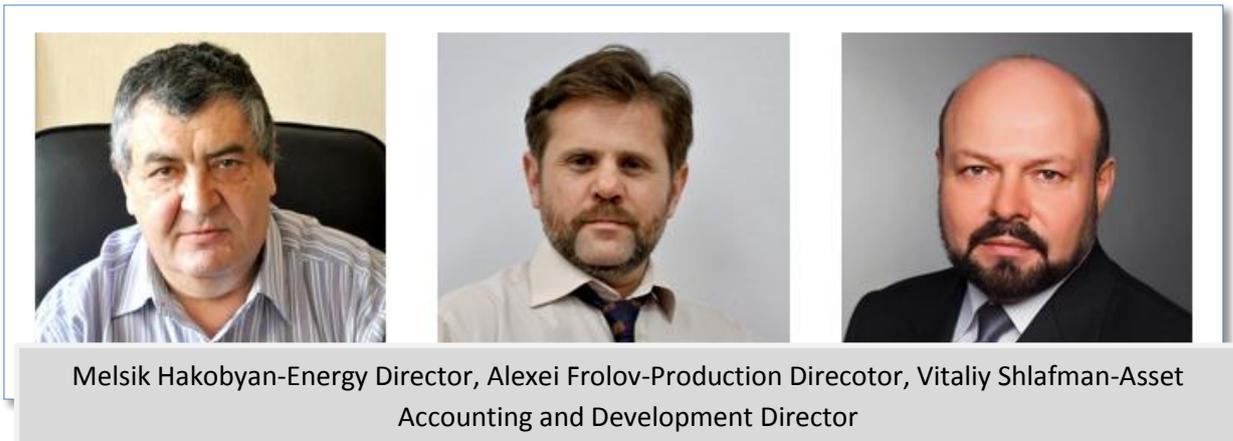
the Ministry<sup>28</sup>, “the project will facilitate the sustainability and reliability of the Russian-Georgian energy systems. The estimated investment cost of the project is several million EUROS”.

## 2. WATER SUPPLY

### 2.2. Georgian Water and Power

Georgian Water and Power is a supplier of drinking water to Tbilisi population. It’s officially owned by Georgian Global Utilizer LLC registered in the offshore zone. The company has 3 directors- Gocha Megrelidze Mikhail Tuzov and Vladimir Kozin.

According to the information obtained by International Transparency-Georgia<sup>29</sup>, Mikhail Tuzov was working in Inter RAO subsidiaries at various times. Production director of GWP is also a Russian citizen Alexei Frolov, former deputy technical director at Rosvodokanal LLC”.



The appearance of the company founded by Russian citizens in Georgia’s water supply sector started in May 2008. At the time the Georgian government, Ministry of Economy and Tbilisi Mayor’s Office had sold “Tbilisis Tskali, Rustavtskalkalani, and Mtskhetatskalkanali to Multiplex Energy Limited LLC, registered in the offshores. The agreement suggested that the overall share purchase price totaled 80 011 208 USD equivalent in GEL. The money transfer

<sup>28</sup> Ministry of Energy, visit of Federal Grid Company of Russia

2014, <http://www.energy.gov.ge/show%20news%20mediacenter.php?id=290&lang=geo>

<sup>29</sup> International-Transparency-Georgia, 2014, water from offshores: who owns “Georgian Water and Power”? <http://transparency.ge/blog/tsqali-opshorebidan-vin-plobs-georgian-water-and-power?page=2>

was realized in two tranches. The company's management was changed shortly after and Russian citizen Yuri Les appointed as the director general.

Under the name of Georgian Water and Power the company has been operating since 2009. The company owner Multiplex Energy Limited's name was also changed the same year, and became Georgian Global Utilities.

In December 2014 head of the Bank of Georgia Supervisory Board Irakli Gilauri stated to media<sup>30</sup> that Bank of Georgia Holding had bought 25% of GWP, and plans to take it to London Stock Exchange in 2016-2017.

GWP provides water supply and sewerage services to the population of Tbilisi, as well state organizations, industrial and commercial facilities.

The company transforms raw water in a suitable, quality product, and provides it to more than 430 000 subscribers, up to 800 budgetary organizations, 16 200 commercial enterprises, and residents in the capital. The company also provides sewerage services, and removes the consumed waters through sewage networks.

GWP's owner Georgian Global Utilities also owns Rustavistskali, which supplies water to 49 932 subscribers in Rustavi city, 4 713 subscribers in Gardabani, 62 in Marneuli, including budgetary organizations and commercial enterprises.

Mtskhetsi Tskali LLC is a member of the same investment group. It provides drinking water to 2 520 subscribers in the city of Mtkheta, as well as to 90 budgetary organizations and commercial enterprises. Mtskhetsi Tskali receives monthly 490 992 m<sup>3</sup> drinking water from GWP and distributes it among its subscribers.

Rustavtskalkanali LLC, Mtskhetatskalkanali, Saktskalkanali, and Tbilisis Tskali LLC were handed to Georgian Global Utilities(formerly Multiplex Energy Limited) by #325 order of the Georgian government from May 14, 2008. Green Initiative NGO could neither obtain through a court the agreements the government had concluded with the given organizations. The complete text of the agreement is considered owner's commercial secret by one of its articles<sup>31</sup>.

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<sup>30</sup> Netgazeti.ge, 2014, Gilauri: "we'll trade GWP on London Stock Exchange"

<http://www.netgazeti.ge/GE/105/business/39292/>

<sup>31</sup> Green Alternative, 2011, water from Presidential Palace to our water tap, or Georgian style privatization 3

[http://www.greenalt.org/webmill/data/file/publications/privatizeba\\_qartulad\\_3.pdf](http://www.greenalt.org/webmill/data/file/publications/privatizeba_qartulad_3.pdf)

Georgian Global Utilities also owns sewage networks exploitation operator, Gardabani treatment facility and Saguramo Energy LLC. Director General of the latter is Russian Citizen Melsik Akobyan.

GWP also produces electricity. It owns Zhinvali HPP of 134 000 kW/h capacity and Tetrichevi HPP. Its installed capacity is 12 MW, and mean annual output- 20-25 mln kW/h

### **3. OIL**

There are several tens of oil companies operating in Georgia. However, major part of the market is occupied by 5 largest companies that have their own petrol station network. Lukoil Georgia is among them.

#### **3.1. Lukoil Georgia**

The company has been functioning under the given name in Georgia since 2002. Lukoil Georgia imports fuel in Georgia from Bulgaria, and is a major oil importing company- operating 62 filling stations in Georgia.

Lukoil Georgia is a subsidiary of Russian Lukoil JSC. Lukoil is one of the largest oil and gas companies in the world, ranking second in the world with its confirmed oil supplies, and ranking 6 in the production of oil products. Lukoil oil wells, refineries and filling stations are located in Russia, as well as in Eastern Europe, America, Asia and Western European countries.

The owner of Lukoil Georgia's 100% share is Lukoil Europe Holdings B.V. registered in the Netherlands in 1998.

The company's director is Georgian citizen Zaza Katamadze. Member of Lukoil Georgia's Supervisory Board, as of October 26, 2005, are Russian citizens- Sergey Fedortsev and Valeri Golovushkin. The board is headed by Russian citizen Pikret Aldajan Oglia. The given data remains unchanged in the public register's records since 2005.

According to International Transparency-Georgia tender monitor and State Procurement Agency's unified electronic system, in 2011-2013 Lukoil Georgia participated 33 state tenders on the purchase of fuel, and won 30 of them.

The estimated cost of the contracts won is 99 624 777 GEL. The given cost is an estimated



Lukoil head office in Moscow. Source: Lukoil.ge

value, as each contract provided for a change in the price of fuel to be purchased, in compliance with the market situation.

After the change in the government following the 2012 parliamentary elections, Lukoil Georgia became the winner in 3 consolidated tenders in December 2012, which implied providing petrol(two types) and diesel to state agencies. The first

contract concerned supplying of 767 714 liters of fuel(Super) to up to 18 state agencies for 1.84 GEL per liter. The estimated cost of the purchase totaled 1 412 593 GEL.

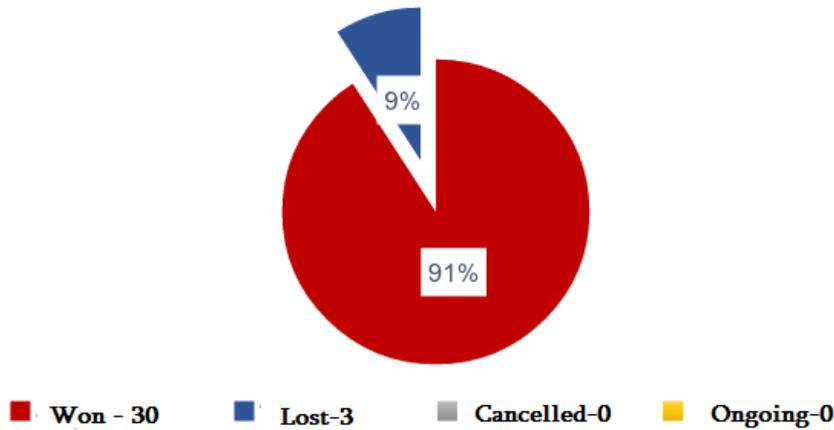
In December 2012 Lukoil Georgia won the second consolidated tender on the provision of 27 844 500 liters of Premium fuel to 167 state agencies. As Premium excels Super in quality, the cost of 1 liter of fuel, apart from the previous consolidated tender, was determined at a higher cost- 1.87 GEL

In the same period, after having won the third consolidated tender, the agreement concluded with Lukoil Georgia provided for the provision of 27 024 155 liters of EURO diesel(including 9000 000 liters in liquid form) for 175 agencies, at 1.93 GEL per liter.

Lukoil Georgia also won similar consolidate tender in December 2013, and assumed a liability to provide 27 844 500 liters of Premium fuel to 167 state agencies at 1.77 GEL per liter.

Apart from consolidated state tenders, Lukoil Georgia also won in various years the tenders announced by certain state agencies. For instance, in May 2012, Lukoil was the winner of 2 tenders announced by Georgian Ministry of Defense, and concluded with the state body an agreement of an estimated cost of 3 849 070 GEL. In addition, Lukoil Georgia also made contract on fuel supply with the President's Administration, State Chancellery, Ministry of Internal Affairs, and Intelligence Service in 2011-2013.

**Participation of Lukoil Georgia in state tenders in 2011-2013**



Overall, despite that its main rival, Rompetrol Georgia, has won a greater number of tenders (49), Lukoil Georgia has, nonetheless, received more money from the state budget. The total estimated cost of the contracts scored by Rompetrol Georgia is 19,182,031 GEL, while in the case of Lukoil the given index, as mentioned above, amounts to 99,624,777 GEL.

### 3.2. PETROKAS Energy Limited

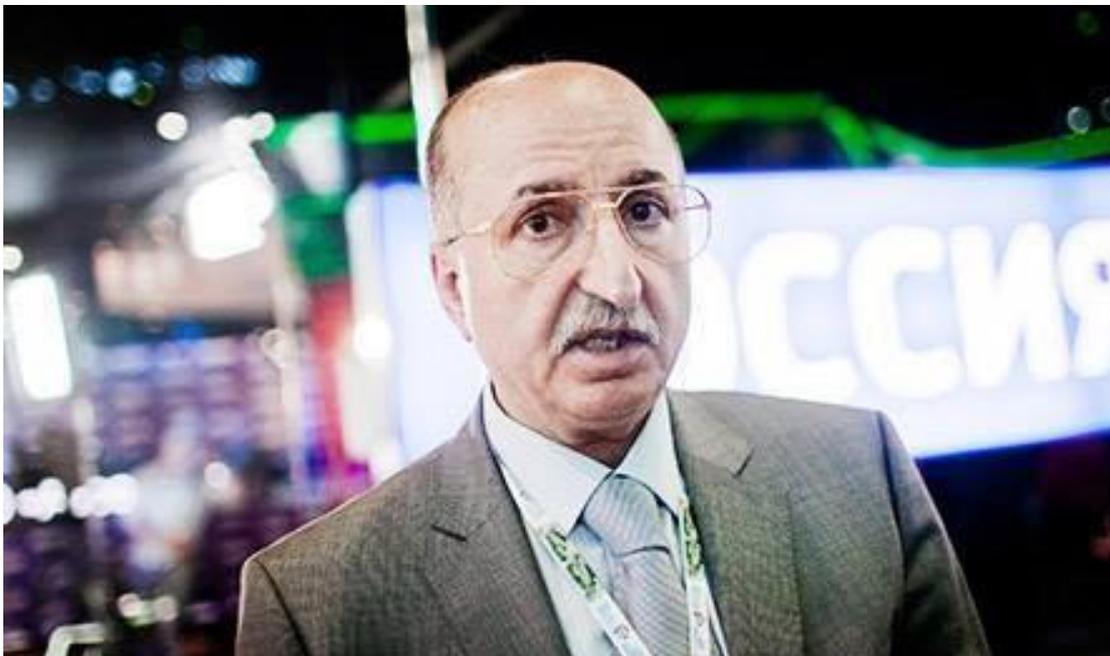
Petrokas Energy Limited is one of the major oil companies operating in Georgia that exports fuel from Europe and provides it to Georgia's filling station network. According to the company's representative, Petrokas Energy Limited owns Poti oil terminals and a filling station network in Georgia. The given ownership isn't, however, recorded at the Civil Registry of Georgia. The transactions are realized through companies registered in the offshore zone.

Public statements of the company representatives suggest that the main shareholder of Petrokas Energy Limited is Russian-based Georgian businessman David Iakobashvili, currently resident of Switzerland. In 2014 the Russian Forbes rated Iakobashvili 91<sup>st</sup> among Russia's richest businessmen, and assessed his property at 1.2 billion USD.

David Iakobashvili was one of the founders and shareholders of Russian juice and milk producing giant-Wimm-Bill-Dann. He also owns Milarm International Corp, through which he holds an advertising company Smod Advertising. In 2013, Iakobashvili's representative in Georgia Alexandre Beridze actually confirmed yet another ad company-Outdoor.ge being under Iakobashvili's ownership. Iakobashvili bought Adprojects offshore company, which is one of the owners of Outdoor.ge

David Iakobashvili as well bought Universal Capital Group(UCG) for 2 million USD through offshore companies<sup>32</sup>.

In addition, Iakobashvili owns various companies in Russia, and is the head of Bioenergy industrial holding's board of directors.



David Iakobashvili

### 3.3. ROSNEFT

On December 29, 2014 Russian Rosneft stated<sup>33</sup> it had bought 49% share of Petrokas Energy Limited. However, the information on the given transaction isn't registered in Georgia's Civil Registry. Presumably, the transaction was made between companies registered in the offshore zone.

As per Rosneft's information, the transaction helped the company to reinforce its leading position on the Caucasian oil market. Also, as suggested by Rosneft, cooperation with Petrokas

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<sup>32</sup> Transparency International-Georgia, 2013, who owns Georgia: David Iakobashvili, new owner of Kezerashvili's companies <http://www.transparency.ge/blog/vis-ekutvnis-sakartvelo-davit-iakobashvili-kezerashvilis-kompaniebis-akhali-mesakutre?page=3>

<sup>33</sup> Rosneft, 2014, "Rosneft" and Petrokas create joint enterprise in the field of logistics and retail sales <http://www.rosneft.ru/news/pressrelease/29122014.html>

will allow better development of the growing market of the Caucasus and Central Asia, as well as diversification of oil supply.

“I’m sure that the given transaction will ensure the region’s energy security,” - Rosneft director Igor Sechin stated.

According to Rosneft’s information, they bought 49% of Petrokas Energy Limited shares from David Iakobashvili, and the rest remained under the ownership of the latter. 69.50% of Rosneft is also owned by a Russian company-Rosneftgaz, 100% of which is owned by the Russian State.

The conclusion of agreement between Rosneft and Petrokas Energy Limited was followed by a protest of the parliamentary minority and part of society in Georgia.

The parliamentary minority demanded of the Georgian government to prevent selling of Poti oil terminal to Russian state company. Part of the country’s citizens even drew up a petition for that matter, which reads<sup>34</sup>:

*“From 2009 Rosneft, an addressee of the West’s economic sanction following Russia’s annexation of the Crimean Peninsula, has been operating the Black Sea shelf of the occupied autonomous republic of Abkhazia for the purpose of oil and natural gas production in violation of the Georgian legislation and the norms of international law.*

*Georgian Law on the Occupied Territories prohibits any kind of economic activity in the waters and continental shelf of the Autonomous Republic of Abkhazia, which requires permission or license from the Georgian State. “The Georgian Law on Permissions and Licenses”, due to the fact that Georgia has exclusive and sovereign right on conducting prospecting and exploitation works at oil and gas resources located on its land and continental shelf, special license of the state is required not only for oil and gas production, but also in the case of prospecting. Rosneft doesn’t have such license, which means that any economic activity it conducts is considered illegal.*

*According to the requirements of Article 322(2) of the Georgian Criminal Code, pursuing of the economic activities prohibited by the Georgian Law on the Occupied Territories is punishable by a fine or imprisonment of 3-5 years. The Georgian authorities have a liability to use all the mechanisms provided for by the Georgian legislation and international law to ensure protection of Georgia’s legitimate interests and security.”*

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<sup>34</sup> Tabula, 2015, petition by Georgian citizens demands Rosneft be sanctioned

<http://www.tabula.ge/ge/story/91457-saqartvelos-moqalaqeebi-peticiit-rosneft-is-sanqcirebas-moitxoven>

Position of the Georgian government representatives suggested they were unable to prevent conclusion of an agreement between two business entities.

“The transaction was executed on offshore accounts. Unfortunately, we do not possess any means of controlling it. We’re being accused of selling something to Russian companies. It can be clearly seen who sells Georgian property to Russian state-authorized companies, therefore accusations thrown at us are completely unreasonable,” - stated Georgian Minister of Economy and Sustainable Development Giorgi Kvirikashvili<sup>35</sup>.



Abkhazia’s de facto President Sergey Bagapsh and Rosneft’s President Sergey Bogdanchikov at the launch of the construction of Rosneft’s first fuel station in Abkhazia, 2012. Source:kavkaz-uzel.ru

“We do not have any leverage to either prevent or hinder the given transaction, as it has been realized in the offshore zone,” - Minister of Energy Kakhi Kaladze stated<sup>36</sup> to journalists.

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<sup>35</sup> Netgazeti.ge, 2014, Kvirikashvili: we cannot admit the accusation that we sell property to Russian companies, <http://www.netgazeti.ge/GE/105/News/39974/>

<sup>36</sup> BPN, 2014, Kakha Kaladze: we do not have any leverage to cancel transactions associated with Rosneft <http://bit.ly/1Iyo8kd>

The transaction made with Rosneft was also assessed<sup>37</sup> by Petrokas owner David Iakobashvili: “Why Rosneft? That’s because BP holds a significant share in Rosneft. It’s a well-developed company with great capabilities. I do not interfere in politics and believe that the government should also refrain from it. The government’s role is to facilitate doing of business activity for everyone. In this way more people will be employed. My company is staffed with 2000 employees, and another 1000 vacancies and investments worth of up to 200 million USD is expected in the future”.

**As regards Rosneft, the company indeed has business activity<sup>38</sup> going on Abkhazia’s occupied territory. The company owns several filling stations in Abkhazia and prospects oil supplies.**

In addition, as mentioned in the beginning, the U.S. has imposed economic sanctions on Rosneft and Lukoil (which subsidiary is Georgian-based Lukoil Georgia), as a response to Russia’s annexation of the Crimea and the launch of military operations in Ukraine. The companies haven’t been imposed any sanctions in Georgia and continue functioning unobstructed.

### **3.4. Channel Energy (Poti) Limited**

The official owner of Petrokas Energy Limited, as recorded at the Civil Registry, is Nextra Services Limited registered in Cyprus, represented in Georgia by Georgian citizen Rati Chelidze. Director of Petrokas Energy Limited is Georgian citizen Archil Khelashvili.

Khelashvili is a representative of another offshore company-Channel Energy (Poti) Limited. The company owns 32% of Poti oil terminal owner Poti Terminal Holdings LLC.

The documents at the Civil Registry on Poti Terminal Holdings LLC say that in 2012, share distribution agreement among the partners specifies Archil Khelashvili, Director of Petrokas Energy Limited, as a representative of Channel Energy(Poti) Limited.

Furthermore, other owners of Poti Terminal Holdings are Danedo Management Corp (16%), registered in the offshore zone of the Virgin Islands, and Otor Trading LLC(51%).

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<sup>37</sup>Netgazeti.ge, 2015, Iakobashvili: Rosneft to invest up to 200 million USD in Poti Oil Terminal <http://www.netgazeti.ge/GE/105/business/40497/>

<sup>38</sup> RN-Abkhazia <http://www.abkhazia.rn-card.ru/ru/>



Director of Channel Energy(Poti) Limited is UK citizen Kelvin William Aldus, Domestic Relations Director- U.S. citizen Joseph Francis Crowley, Financial Director-Russian Citizen Sergey Vorontsov, Director of Commerce and Marketing-Georgian citizen Alexandre Beridze.

Channel Energy(Poti) also owns 50% of Poti Oil Services LLC. The company's activity is reported as offering terminal services and transportation of oil products.

The rest 50% of Poti Oil Services LLC is owned by Channel Energy(Era) Limited. Channel Energy(Era) Limited in turn owns 75% of Channel Energy(Poti) Limited, with the remaining 25% held by Poti Sea Port Corporation JSC.

### **3.5. Sun Petroleum Georgia- Gulf**

Sun Petroleum Georgia LLC owns 140 Gulf filling stations in Georgia. It started functioning in 2010.

Director of San Petroleum Georgia LLC is Georgian citizen Giorgi Devadze, 100% of the company is owned by Energy Investment Venture Holdings registered in the U.S.

When Rosneft bought 49% of Petrokas Energy Limited from David Iakobashvili, the company stressed in its statement that apart from oil terminal, Petrokas also owned 140 branded filling stations in Georgia.

Shortly after the 2012 parliamentary elections, on November 26 Gulf made a statement which said<sup>39</sup>: “well-known businessman and philanthropist, Mr. David Iakobashvili, the largest shareholder of Gulf, had recently increased his share package.

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<sup>39</sup> Gulf.ge, 2012, well-known businessman David Iakobashvili increased his share in Gulf [http://gulf.ge/index.php?lang\\_id=GEO&sec\\_id=33&info\\_id=159](http://gulf.ge/index.php?lang_id=GEO&sec_id=33&info_id=159)

Prior to the given period, Gulf's largest shareholder was former Minister of Defense David Kezerashvili, on whom the current Georgian government has launched a number of criminal investigations, and who's currently wanted by the Prosecutor's Office of Georgia.

Statement of Gulf from November 26, 2012 also says: "Gulf Georgia's management states that David Kererashvili is not currently listed among the shareholders of Gulf Georgia. We also stress that part of Gulf management team, which consists of professionals from Israel, remains in the company's management.

## **4. Ore**

### **4.1. RMG Gold and RMG Copper**

RMG Gold and RMG Copper are precious metals mining companies solely owned by Rich Metals Group registered in the Netherland's offshore zone. Its owners are Russian billionaires Dmitry Troitsky and Dmitry Korzhiev. The companies working at the only gold mine in Georgia had other owners before Rich Metal Group, and their own history dates back to 1990s.

In 1994, with equal share participation of the Georgian State and Australian company Cropwood Limited was founded Quartzite LLC(current RMG Gold). The owner of the state share was Madneuli JSC(current RMG Copper). Quartzite LLC made its first gold casting in 2007.

In 2003, approximately 3 weeks after the change of government following the Rose Revolution, the Prosecutor's office launched a probe into all the precious ore mining companies operating in Bolnisi, including Quartzite, Madneuli and other companies associated with them. On December 15, 2003 financial documentation was withdrawn by court order from those companies, due to the launch of investigation of a criminal case on the issuance of fake invoices. Soon after that, Ivane Machavariani, brother of Mikheil Machavariani- then a member of the ruling party and head of the parliament, was appointed as authorized representative of the Australian company at Quartzite.

In November 2004, Russian-based businessman Koba Nakopia was appointed Quartzite's and Madneuli's director general, as well as the head of both organizations' supervisory board. In 2008-2012 Nakopia became a member of Georgian parliament, and was a member of the ruling party United National Movement (UNM).

In a conversation with the Liberali Magazine Nakopia recalls that in 2004 he was working at Industrial Investors(Promishlenie Investori)-a company of Russian billionaire Sergey Generalov, when got a call from the Ministry of Economy, on behalf of Kakha Bendukidze-then Minister of Economy, and was offered<sup>40</sup>to arrive in Georgia. According to Nakopia, Bendukidze offered him the post of director at either Chiaturmanganumi or Madneuli.

The Georgian government commissioned Koba Nakopia to prepare state-owned precious metal mining enterprises for privatization, and put them up for sale in 2005. The companies attracted big interest, however, Madneuli and Quartzite were ultimately bought by GeoProMining(Stanton Equities Corporation)- subsidiary of Nakopia's former partner Sergey Generalov's Industrial investors, for approx. 33 million USD. GeoProMining is officially registered in the Virgin Islands, however, the fact that Quartzite's and Madneuli's real owner was Industrial Investors is confirmed by information still present on the company's website.

As regards the owner of Industrial Investors, Russian billionaire Sergey Generalov, he remains an influential person in Russian politics and business. In 2015, Forbes rated him 184<sup>th</sup><sup>41</sup> among wealthy businessmen in Russia.



David Iakobashvili and Sergey Generalov

Apart from business, Generalov also has a political experience. He was Russian Minister of Oil and Energy in 1998-1999, and a Duma deputy in 2000-2003.

According to the company's statement, privatization of Madneuli and Quartzite has significantly increased precious metal mining, with the output reaching 8% of the Georgian export<sup>42</sup>.

GeoProMining stated on June 14, 2012<sup>43</sup> it had sold Madneuli JSC and Quartzite LLC, bought for 33 million USD, to Rich Metal Group for 120 million USD. The company called the government's selling of licenses to other companies as the reason behind such a decision. GeoProMining also noted that working on the gold mines of Armenia and Russia had now become its new priority.

Rich Metals Group registered in the offshore zone of the Netherlands is the sole owner of Madneuli JSC and Quartzite LLC. The real owners of the mentioned

<sup>40</sup> Liberali, 2012, Madneuli-cheap treasure <http://www.liberali.ge/ge/liberali/articles/113284/>

<sup>41</sup> Forbes.ru, <http://www.forbes.ru/profile/sergei-generalov>

<sup>42</sup> RMG Cooper, <http://www.madneuli.itnovations.ge/static-38-4.html>

<sup>43</sup> GPM, 2012, Announcement of the sale of assets of Georgian-based GeoProMining Group <http://bit.ly/1zmjDqI>

company are also Russian businessmen Dmitry Troitsky and Dmitry Korzhiev. After the deal had been concluded Quartzite LLC was renamed to RMG Gold, and Madneuli JSC to RMG Copper.

According to Forbes data from 2015<sup>44</sup>, Dmitry Troitsky ranks 135<sup>th</sup> among Russia's richest businessmen. He has been pursuing business activity in Russia with his friend Dmitry Korzhev since 1993. The two are the owners of Mega Auto dealer company which sells BMW, Volkswagen, Audi, Hyundai, and vehicles of some other brands in Russia. In addition, Korzhev and Troitsky own O'KEY hypermarket chain in Moscow. Juice producing company Multon, founded by them, was bought by Coca-Cola in 2005 for 500 million USD.

After Korzhev's and Troitsky's Rich Metal Group bought precious metal mining enterprises in 2012, the businessmen personally engaged in their management- Dmitry Troitsky became head of the supervisory board, and Dmitry Korchev became a member of it.



After that, RMG Gold and RMG Copper merged with various small companies working on Madneuli's ore. According to Rich Metal Group<sup>45</sup>, the production of RMG was bought by large international trader companies. Metals obtained through affination (refinement) (Gold, Copper, Silver) are afterwards sold at London Stock Exchange. RMG Gold and RMG Copper are the major employers in Georgia and Bolnisi region. Both companies have up to 3000 employees, 90% of which are local residents.

Management of RMG companies has undergone several changes from 2012 to April 2015. Currently members of RMG Gold and RMG Copper supervisory board are Russian citizens

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<sup>44</sup>Forbes.ru, <http://www.forbes.ru/profile/dmitrii-troitskii>

<sup>45</sup> Rich Metals Group, <http://www.richmetalsgroup.com/index.php?a=main&pid=9&lang=geo>

Sergey Eganov, Alvidas Brusokas, Marina Vovk, and Georgian citizen Vakhtang Paresishvili. The supervisory board of RMG Copper has the same composition.

Former MP and RMG Gold director general Koba Nakopia stated in 2015<sup>46</sup> that he sold his shares to the current owners of the company in June 2013. The shareholders' list hasn't as yet been published. As per information by the Ministry of Economy, in 2014 RMG Gold appeared among those 20 largest companies that had made direct foreign investments in Georgia.

### 3.2.2. Destruction of Sakdrisi-Kachagiani archaeological monument

Georgian-German archaeological team headed by Dr. Thomas Stollner of Bochum's German Mining Museum was investigating Sakdrisi-Kachagiani hill in the Bolnisi district, where RMG company is currently carrying out ore mining works. The group of scientists concluded that Sakdrisi's gold mine, dating back 5000 years, was the oldest gold mine, which they confirm on the basis of the laboratory research results<sup>47</sup>. For that reason they together with civil activists called on the government and RMG not to launch gold mining works on the location, and allow scientists to thoroughly explore the territory and set up a museum therein.



The Sakdrisi monument carried the status of national heritage from 2006 until July 5, 2013<sup>48</sup>. On July 5, 2013 Ministry of Culture and Monument Protection ordered to withdraw the status of archaeological monument from it. And by PM's order from October 7, 2013 the

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<sup>46</sup> Rustavi 2, 2015, Koba Nakopia denies holding of any shares in RMG Gold <http://rustavi2.com/ka/news/13630>

<sup>47</sup> Ein 5000 Jahre altes Goldbergwerk in Georgien, <https://www.youtube.com/watch?v=WtgUKOQUdnQ>

<sup>48</sup>Netgazeti.ge, 2014, RMG Gold resumed mining works at Sakdrisi Kachagiani N1 location, <http://www.netgazeti.ge/GE/105/News/39404/>

Sakdrisi monument was deprived of its status.

RMG's intentions to launch works at Sakdrisi entailed a litigation. The court banned Sakdrisi to launch full-scale works at Sakdrisi until passing of the final judgment. However, on the ground of the order of the Ministry of Culture and Monument Protection from December 12, 2014 the company commenced ore mining activities in Sakdrisi and blew up the archaeological site.

In a response to the resumed protests due to the blowing-up of Sakdrisi, Georgian PM Irakli Garibashvili stated<sup>49</sup> that he wouldn't allow to stop works in Sakdrisi and leave 3000 person jobless.

"The company employs 3000 families, and taking responsibility before these people is of utmost importance for me. You suggest that we preserve the object and deprive 3000 families of their job. I cannot and will not assume such a responsibility, but will defend those 3000 families, and yes, we will provide them conditions to work there," - PM stated.

On April 2015 Georgian Young Lawyers' Association (GYLA) appealed to the Prosecutor's Office of Georgia to launch a criminal investigation into the case, as it believes<sup>50</sup> RMG Gold didn't have the appropriate permission of Technical and Constructions Supervision Agency to carry out blowing at the Sakdrisi-Kachagiani#1 licensed location, hence its activities were illegal.

In April 2015 Georgian Ministry of Environment and Natural Resources Protection published<sup>51</sup> a report on environmental impact, which also mentioned RMG Gold. The report reads the company's actions, without due decision of the ecological expertise, entailing pollution/degradation of the soil as a result of ore leaching, had caused 29 153 880 GEL worth damage to the environment. The same report also suggests that RMG Copper's pouring of open-cast acidic water into the river Kazretula had caused 1 078 188 GEL worth damage to the environment.

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<sup>49</sup> Netgazeti.ge, 2014, Sakdrisi, as an example of government's attitude to cultural heritage, <http://www.netgazeti.ge/GE/105/culture/39888/>

<sup>50</sup> GYLA, 2015, Prosecutor General's Office to launch investigation into blowing up of Sakdrisi-Kachagiani archaeological object, <https://gyla.ge/geo/news?info=2481>

<sup>51</sup> Liberali.ge, 2015, the Ministry: damage caused to the environment by the enterprises estimated at 394 million GEL <http://www.liberali.ge/ge/liberali/news/125000/>

## 5. MINERAL WATERS

### 5.1. Borjomi

IDS Borjomi Georgia produces mineral waters- Borjomi, Likani, as well as drinking water- Borjomi Springs and Bakuriani. The given company is the one that holds license to produce Borjomi water, and owns pouring factory N1 and N3.

IDS Borjomi was formerly known as Georgian Glass and Mineral Waters Co. In 2014, international company IDS Borjomi was established on the basis of the Georgian company. It affiliated Ukrainian Industrial Distribution System LLC and Morshin mineral water factory. Later, the union was joined by Russian mineral water producing company-Edelweiss L.

Director of IDS Borjomi is Zaza Kikvaidze, the official owner is IDS Borjomi Beverages Company registered in the offshore zone. Its director is Russian citizen Vladimir Ashurov, who's also in charge of IDS Borjomi International.

IDS Borjomi International was founded by Salford Capital Partners, a company established by businessman Badri Patarkatsishvili with two other Russian Businessmen-Boris Berezovsky and Boris Abramovich. After Badri Patarkatsishvili's decease, a litigation between Patarkatsishvili's heirs over Salford Capital Partners' shares was launched in 2008, which ended up with conciliation in 2012, and Berezovsky officially relinquished the disputed shares, including IDS Borjomi, to the Patarkatsishvilis family.



Russian President Vladimir Putin and Mikhail Friedman. Source: rusmafia.com

By the beginning of 2013 the Patarkatsishvilis stated they had sold IDS Borjomi International's control stock to Alpha Group owned by Russian billionaire, Mikhail Friedman, for 300 million USD. Alpha Group also owns 44% of Vimpelcom

company. Member of this group is the mobile operator Beeline(legal name Mobitel) operating in Georgia.

During the selling, all the shares of IDS Borjomi in Russia and Ukraine were arrested by the court. For that reason part of analysts believe that IDS Borjomi, the real cost of which is estimated at 700-800 million USD and yields annual net profit of 250 millions, was sold for a quite low price.

## **6. Communication**

### **6.1. Beeline**

Communications company Mobitel entered Georgian Market in 2007 under the Beeline brand. The company is a member of Russian Vimpelcom. Beeline provides its subscribers cellular communication services. According to Georgian National Communications Commission(GNCC), Mobitel's cellular subscribers share on the market had already amounted to 22.6% by 2013. Magticom owns 42.8% of the market, and 33.9% is held by Geocell. February 2015 data reads that the number of its subscribers is 1,205,647.

The number of investments realized by Russian Vimpelcom is among the largest Russian investments- it rated first in 2010 and second in 2014, outdone only by David Iakobashvili's investment in Wimm Bill Dann.

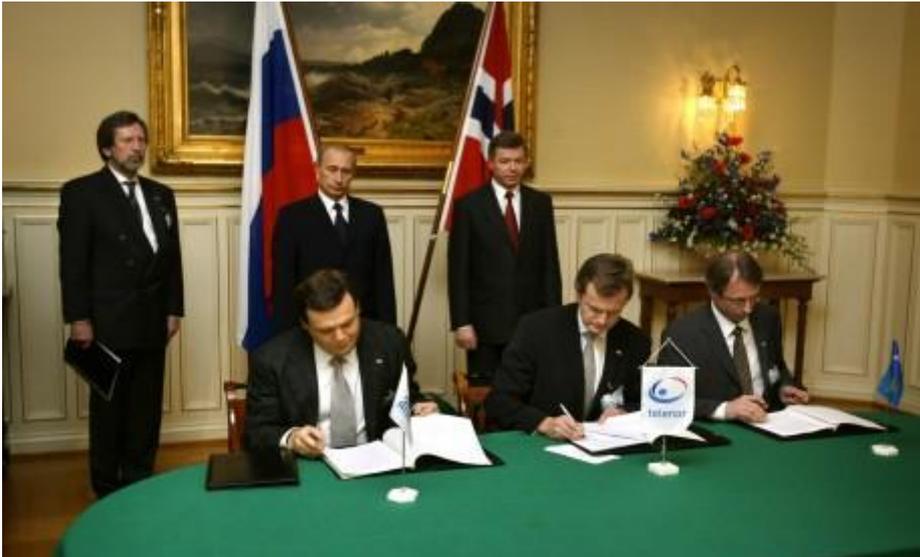
Mobitel is officially owned by offshore companies Watertrail Industries(51%), Investico Alliance(29%) and Miren Invest(20%).

According to Mobitel, Vimpelcom distributes its service on territory inhabited by approx. 739 million people worldwide. Companies of Vimpelcom Ltd provide services under the following brands: Beeline, Kievstar, djuice, Wind, Infostrada, Mobilink, Banglalink, Telecel and Djezzy. The total number of subscribers, as per June 30, 2014 data, amounts to 220 millions.

43% of Vimpelcom's shares/votes belong to Norwegian communications company Telenor. 47.9% held by Altimo, member of Alfa Group consortium owned by Russian tycoon Mikhail Friedman. Forbes 2014 data rates Friedman second among wealthiest Russian businessmen.

It also owns IDS Borjomi Georgia LLC, and IDS Borjomi's control stock was sold to Alpha Group by Businessman Badri Patarkatsishvili's heirs in 2013.

From January 2013 Director of Mobitel in Georgia is Giorgi Tkeshelashvili. The partners' meeting on which Tkeshelashvili was appointed the Director was also attended by one of the founders of Rustavi 2 TV company Levan Karamanishvili as a member of the supervisory board. The meeting held in June though, where Teimuraz Aronia and Khvicha Makatsaria were selected as the board's members, went without Karamanishvili's participation. However, the document mentioning Karamanishvili's leave isn't recorded at the Entrepreneurial Registry.



Mikhail Friedman and Telenor Director Jon Fredrik Baksaas at the signing at Telenor of an agreement on investment realization in Vimpelcom. Russian President Vladimit Putin at the background. Source: Telenor.com

According to data from 24 June, 2013 Mobitel's supervisory board consists of Russian citizens- Ilya Cheliukin, Dmitry Kromski, Zausher Lisitsina, and Georgian citizens-Teimuraz Aronia, Khvicha Makatsaria, with the letter entering the supervisory board in 2013.

Teimuraz Aronia and Khvicha Makatsaria own large businesses in Georgia. They were partners of well-known businessmen brothers- Merab and Revaz Sharangia. In 2013 Makatsaria and Aronia founded Caucasus Business Solution(CBS), where they united 11 companies<sup>52</sup>, with Caucasus online telecommunications company among them.

As per February 2015 data, Caucasus Online enjoys 156, 422 subscribers, and only falls behind Silknet on the Georgian market in the given index. Information on Caucasus Online's website suggests the company provides 55% of Internet in Georgia.

Tbilisi Micro-bus LLC is another company under Makatsaria's and Aronia's ownership, which was founded in 2011, and is a management company of the four declared winner companies in the competition of Tbilisi City Hall- Tbil Line LLC, Capital Group LLC, Public Car LLC, and

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<sup>52</sup> Caucas Business Solution, company group, <http://cbsgroup.ge/ge/group-companies?i=1>

Tbil Car LLC. The given companies obtained a 20-year period passenger transportation permit within the administrative boundaries of Georgia.

Members of CBS Holding are Europe-bet, telecommunications company Railway Telecom, Intourist Palace Hotel in Batumi, Mirzaani restaurant chain and brewery, GMC Group restaurant chain which unites and runs famous restaurants Dzveli Sakhli (Old House), Shemoikhede Genatsvale, Slovianka, Kalakuri, Matrioshka, Gurman, terrace-restaurant BOHEMA

CBS owns advertising agency Elephant, Teleti's meat processing plant, and the so-called Deserters Market.

## **7. Elmavalmshenebeli JSC**

Yet another enterprise owned by Russian Citizens is JSC Elmavalmshenebeli- DC main line electric locomotive manufacturer. According to information on Elmavalmshenebeli's website, electronic locomotives БЛ10У, БЛ11М, БЛ15 realize more than a half of all Russian railways freight transportation. The enterprise carries out modernization and complete overhauling of various modifications of main line and industrial electric locomotives in compliance with customer requirements.

The factory's history dates back to 1949. After Georgia's gaining of independence it belonged to Property Management Agency and Georgian Railways. Later, in 2012 Director of the enterprise Zurab Tsintsadze bought 75% of its shares for 155 000 USD. 24% remained under the ownership of State Enterprise Management agency, the rest 0.2% were held by the employees. Its authorized capital exceeded 50 million GEL.

Russian citizens start appearing in Elmavalmshenebeli's founding documents from 2005, when Russian Dema Computers purchased 51% of the shares. Zurab Tsintsadze remained with 36%



Strike of Elmavalmshenebeli factory workers in 2013. Source: Kavkasia TV company

, and 12,76% was the share of State Enterprise Management agency. Documents secured at the Civil Registry doesn't specify the sum at which Dema Computers bought the control stock.

The supervisory board also included 4 representative of Dema Computers. These were Russian citizens- Igor Tugbaev, working as head of spare parts supply in the

Russian Federation since 1998, Oleg Zirianov- Assistant Volgo-Don District Attorney throughout a number of years, Gennady Boyarskykh- head of Russian Federation Locomotive Industry Department prior to coming to Dema Computers, and Elena Alexandrova- financial director at spare parts manufacturer in the Russian Federation. Dema Computers has changed its name and is currently registered in the offshore zone as Loko Trans Holding. As of 2015, it owns 75% of Elmavalmshenebeli's shares.

The enterprise's supervisory board also embraces candidates nominated by Zurab Tsintsadze- Yuri Jishkariani, Konstantine Zaldastanishvili and David Beridze.

Konstantine Zaldastanishvili is Ambassador Plenipotentiary and Extraordinary of Georgia to the Republic of Austria and Georgia's permanent representative at the European Security and Cooperation Organization and Vienna-based international organizations. He was also a member of the Levan Mikeladze Foundation board. The composition of the supervisory board is unchanged in 2015.

Up to 1200 employees of Elmavalmshenebeli factory have expressed several times their discontent over payment delays and harsh working conditions, with the latest rally held in January 2015, where they stated that the factory hadn't been working for almost 7 months, the circumstance which the management ascribed to the existing situation, lost state competitions and development in Ukraine, from where it was expecting a major order.

According to data secured at tendersmonitor.ge, Elmavalmshenebeli has only participated in 5 tenders and became winner in 3 of them. The estimated overall cost of the contracts is 935, 200 GEL.

## 8. Banks

### 8.1. VTB Georgia JSC



Vasily Titov. Source: rsport.ru

VTB Bank Georgia was formerly known as United Georgian Bank. Data submitted to the National Bank in 2014 reads that 96.81% of VTB Georgia Bank shares is owned by Russian open JSC VTB Bank, and 58.99% of the latter's shares in under the Russian State's ownership<sup>53</sup>. Russian VTB Bank holds several tens of finance and credit organizations in European and Asian

countries, including Georgia-based VTB Bank.

Russian VTB bought shares of United Georgian Bank in 2005. The company was rebranded in December 2006, and it renamed VTB Bank.

Members of VTB Bank Georgia supervisory board are Russian Citizens. The board is headed by Vasily Titov, first Deputy President of Russian VTB Bank. Other members of the board are managers of the Central Bank- Vice President Mikhail Iakunin, Sergey Tsariov- Managing Director of Central Asia Banks Unit of CIS Banks Coordination Division of Subsidiary Banks Department, Slevolod Smakov- Retail Sales Unit Supervisor and member of the supervisory board of VTB Group banks in Belarus, Kazakhstan, France, Armenia and Azerbaijan.

Another member of VTB Georgia supervisory board is Georgian citizen Grigol Lomidze, who also heads Georgia Cattlemen's Association(GCA), is Director and 50% owner of Cover Corp

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<sup>53</sup> <http://www.vtb.com/group/>

LLC shares, and owner of 25% of Besik's Business Center LLC, 33 % of Iberula LLC, and 33.33% of Mali Group LLC. Since 2009, Director General of VTB Bank Georgia is Archil Kontselidze.

## 9. Largest Investments from Russia

As suggested by the National Statistics Office of Georgia (Geostat), in 2014 Russia realized direct investments worth 66 million USD in Georgia, and rates 8<sup>th</sup> in the number of FDS inflow in Georgia. The Netherlands, with its investment of 331 million USD, rates 1<sup>st</sup>. It should be noted that the Netherland's offshore zone mainly accommodates companies making large investments. These offshore companies are in fact managed by representatives of various countries, including Russia.

Geostat data also reads that in 2014 the largest Russian investments were made in the following companies: Wimm-Bill-Dann Georgia LLC, Mobitel LLC<sup>54</sup>, Energy LLC<sup>55</sup>, GLS LLC, Carlsberg Georgia LLC, Electron LLC, Club-2100 LLC, Georgian Hotel Management LLC, ELITE DEVELOPMENT LLC, Embawood Georgia LLC. In 2013 Tifliski Vini Pogreb, Stromos, and Tride were also on the given list.

### 9.1. Wimm-Bill-Dann Georgia LLC



Wimm-Bill-Dann Georgia is owned by Russia dairy products manufacturer Will-Bill-Dann JSC. It was registered in Georgia in 2008. The founder is Russian-based Georgian businessman David Iakobashvili. The company's production is sold under the name of Soplis Nobati on the Georgia market.

In 2011 PepsiCo bought 66% of Will-Bill-Dann shares for 3.8 billion USD<sup>56</sup>. Previously the company held 11%. With this transaction PepsiCo became the owner of 77% of the company. PepsiCo's official distributor in Georgia is Iberia Refreshments.

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<sup>54</sup> See details in Chapter 6.1.

<sup>55</sup> See details in Chapter 1.3

<sup>56</sup> PepsiCo, 2011, PepsiCo Completes Acquisition of 66% of Wimm-Bill-Dann, <http://www.pepsico.eu/media/releases/wimbilldann.html>

On July 1, 2014 Russian Alexander Kiselev was appointed Director of Wimm-Bill-Dann Georgia. The company was formerly managed by Giorgi Bakhtadze, Nunu Porchkhidze, and Kazakh citizen Olga Ryabova.

## 9.2. GLS LLC

Real estate company GLS was registered in 2014 in Georgia. The same year Russian citizen Victoria Gammer's investment into the company appeared among the largest investments received from Russia. She's the owner of the company's 50%, with the rest 50% under Archil Maziashvili's ownership.

The company owns plots located in Tbilisi's Moscow Avenue, with a total volume of 55 860 square meters. The given plots were included in the authorized capital by Victoria Gammer herself.

GLS's activity is renting of those warehouse areas. Archil Maziashvili and Victoria Gammer also own insurance company Arba Group LLC. In addition, Maziashvili owns Shaba LLC(50%), Basis Asset Management(25%), and GTH LLC(100%).

## 9.3. Carlsberg Georgia

Amounts transferred by Baltika Breweries JSC to Carlberg Georgia LLC are among the major Russian investments of 2014.



The sole owner of Carlsberg Georgia is Russian Baltika Breweries JSC. The supervisory board members are Russian citizens Anton Rogachevski- Vice President of Baltika Breweries Legal Affairs, Danish citizen Thomas Hansen and Polish citizen Jacek Pastuszka- President of Baltika Breweries, Senior Vice President for Eastern Europe Region, Carsberg Group.

In 2012, 100% of Baltika Breweries shares was bought by Danish brewing concern Carlsberg Group. The process of reorganization ended in January 2014. As per 2014 data, Carlsberg rates fourth among the world's major beer manufacturers.

Baltika's monthly output is approx 2.5 million liters of beer. According to the company, apart from Georgia it also exports beer in 74 countries.

#### **9.4. Electron LLC**

Electron LLC appeared on Georgian market in 2004. The company' is engaged in the distribution of various types of cables, including installation and power cables; telephone, internet, fire, fiber, aluminum and copper wires, circuit breakers and related accessories.

The owner of the company's 40% is Russian citizen Khvicha Porchkhidze. 20% is owned by Koba Gogatishvili, Malkhaz Gogatishvili and Kakhaber Sakhamberidze. The investments made in Electron appeared among the largest Russian investments in 2010, 2011, 2012, and 2014.

Electron LLC participated in 8 state competitions in 2011-2014 and won 4 of them. One tender is currently ongoing. The overall estimated value of contracts is 149 235 GEL.

#### **9.5. Club-2100 LLC**

Club-2011 LLC was founded in 2013. The company constructed a 54 room hotel in Gudauri at 2100 m. altitude above sea level, and gave it the same name. The construction was realized by the investment of Russian citizen Alexander Romanov, the owner of the company's 90%. The rest 10% is owned by the hotel director Zurab Kiknavelidze. According to official information, Alexander Romanov doesn't own any other business in Georgia.

#### **9.6. Georgian Hotel Management LLC**

The largest Russian investments realized in 2014 included Russian citizen Oleg Predtechensky's investment into Georgian Hotel Management. He's the owner of the company's 50%.

Predtechensky had already had relations with Georgian in 1980s. In 1998 he graduated Tbilisi State University, and worked in various private organizations as financial director. In 2003-2008 he held the position of vice-president at Rosenergbank, which was included on the list of sanctioned Russian companies in 2014 due to the development in Ukraine<sup>57</sup>



Oleg Predtechensky

Following 2008 Predtechensky worked in the management of Russian auto-manufacturer AvtoVAZ<sup>58</sup>, was in charge of Lada Credit company at various times. By the end of 2010 he became Deputy President of Russian Novikombank.

Predtechensky's business partner is Davit Giorgobiani-owner of the rest 50% of Georgian Hotels Management. Predtechensky and Giorgobiani also own Tskneti Development LLC and BBC Management.

Giorgobiani is director at Hyundai Auto Georgia, one of the founders of which is Irakli Topadze, son of a well-known businessman and majority MP Gogi Topadze. In 2011-2015 Hyundai Auto Georgia participated in 192 state competitions and only lost in 22 of them. The overall estimated value of the contracts is 14,779,767 GEL.

Following the victory in one of the state competitions Giorgobiani's yet another automobile company Doosan Georgia concluded a contract worth of 3,750,000GEL with Georgian United Amelioration Systems Company.

Giorgobiani and Topadze jointly own Kazbegi Pshaveli company founded by the latter. The company's engaged in timber production, procession and realization.

David Giorgobiani also owns 55% share of Georgian Transportation Company, with the rest under the ownership of Russian citizen Otar Ekhvaia. The company own the minibuses that transport people from Rustavi to Tbilisi Sports Palace<sup>59</sup>.

There are several more companies under David Giorgobiani's ownership. Those include automotive parts distribution company Euromotors(20%), Viliama Service(100%), Gimpex(100%) and D & G Real Estate(100%).

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<sup>57</sup> National post Canada slaps Russia with more sanctions as 'military aggression persists'<http://bit.ly/1JHS1zW>

<sup>58</sup> Bosefa.ru, <http://bosfera.ru/dossier/olegpredtechenskijaleksandrovich>

<sup>59</sup> Radio Freedom, 2011, minibus fare tariff, <http://www.radiotavisupleba.ge/content/article/2269038.html>

It worth mentioning that David Giorgobiani donated 20 000 GEL to the United National Movement(UNM) for the 2012 parliamentary elections.

## **9.7. ELITE DEVELOPMENT LLC**

ELITE DEVELOPMENT that constructed Kobuleti Residence in 2014 appeared among the companies having received the largest Russian investments. The building is located by the Kobuleti seaside, and is comprised of 313 apartments, with a total volume of 3404 sq.m.

ELITE DEVELOPMENT is managed by Russian citizen Olga Moiseenkova. Her father, Vladimir Moiseenkov owns 30% of the company. The rest 70% is under the ownership of another Moiseenkova's company AIRLINE TRANSPORT INCORPORATION.

Olga and Vladimir Moiseenko also own green village LLC. The given company holds a 157 469 sq.m. agricultural plot located in Lagodekhi.

## **9.8. Embawood Georgia**

Furniture manufacturing company Embawood Georgia LLC listed among the largest Russian investments in 2013-2014. The company's shares are distributed as follows: Russian citizen Bashir Israphil Ogli Sultanov(32%), Azerbaijani citizen Shakhbaz Ogli Mammadov(32%), Azerbaijani citizen Elshad Abbasov(36%).

Embawood owns 2559.1 square meter commercial-office and auxiliary area on Tbilisi's Agmashenebeli Alley.

## **9.9. Tifliski Vini Pogreb**

Investment made by Russian open JSC Dionis into wine manufacturing company Tifliski Vini Pogreb, founded in Tbilisi in 2003, is among the largest Russian investments in 2013.

According to the Entrepreneurial Registry, the company's current owner is DK-Service LLC, founded in Russia. The documents reveal that Dionis sold Tifliski Vini Pogreb's 100% to DK Service LLC in October 2014 for 2 000 GEL.

Owner of DK Service is Russian citizen Elena Shelkanova, with Nadezhda Strokanova, also a Russian citizen, as the company's director general.

Prior to Dionis's selling of the wine manufacturer to DK Service, Director of Tifliski Vini Pogreb was Russian citizen German Lisov. Since 2014, the post has been occupied by Nino Khaziauri, that previously also worked in the given company.

As per information of the National Wine Agency(NWA), wine manufacturer Tifliski Vini Pogreb accepted the largest amount of grapes (up to 6500 tons) in 2013, which it managed to realize through the state allocated 5 200 000 GEL agro-loan credit.

Tifliski Vine Pogreb rated second<sup>60</sup> after Tbilvino in terms of wine export from Georgia in 2010. The company's director Nino Khaziuri stated in 2013 that they intended production of 4 million bottles of wine just for the Russian market. According to her, the company was oriented towards the Russian market, however, apart from Russia, their production is also sold in Germany, Poland, Ukraine, Kazakhstan, Latvia, Israel, Canada and the U.S.

## **9.10. Rustavi International Motorpark LLC**

Investment into Rustavi International Motorpark is among the largest Russian investments in 2013. Before 2014, the company was known under the name of Stromos. The owner of the company is Russian citizen, famous racer Shota Apkhazava.

Rustavi International Race Track, constructed in 1978, is located at the 20<sup>th</sup> km of Tbilisi's south-east, and hasn't undergone pavement reconstruction since the collapse of the Soviet Union.

In 2006, then President of International Automobile Federation(FIA) Max Mosley paid a visit to Georgia. During the meeting with the Georgian President it was decided that the remains of the destroyed motorpark would be handed to Georgian Automobile Federation, which was only managed to realize in Spring 2008.

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<sup>60</sup> The Rezonansi Newspaper, 2010, 50% growth doesn't mean much after major downfall, [http://resonancedaily.com/index.php/index.php?id\\_rub=3&id\\_artc=3380](http://resonancedaily.com/index.php/index.php?id_rub=3&id_artc=3380)



From left to right: Sports and Youth Affairs Minister Lado Vardzelashvili, FIA Chairman Jean Todt and Shota Apkhazava, 2011. Source: autobuild.ge

In 2009, by order of the Georgian President the given property was withdrawn from Georgian Automobile Federation and sold through a formal auction to the potential investor attracted by the federation. Thus in 2009, the plot with the stands ruins and tumble-down roadway covering was purchased by Russian private

company Stromos. Then followed 25 million USD worth investment and the renewed autodrome was opened<sup>61</sup> by then President of the country Mikheil Saakashvili. The owner of Russian Stromos is Shota Apkhazava.

In an interview with the Forbes Magazine in 2013 he stated<sup>62</sup>: I have a main business in Kazakhstan, also I work in several directions in Russia and Germany. In Russia I'm running a metallurgic project, I have also constructed one of the first race tracks which I own. In addition, I have a construction bureau-Art Line Engineering which manufactures racing cars, and I'm also engaged in organizing of racing contests. It might be said that I'm engaged in a large-scale business of railroad transportation- in terms of transportation my company is among the largest in Kazakhstan. As concerns Germany, my business there is also related to automobiles.

Shota Apkhazava owns tennis courts in Batumi and the Caucasus Adventure Tour, which, according to Apkhazava, is focused on foreigners that have the opportunity to visit our country and move around Georgia by means of various transport- ATVs, motorbikes, helicopters. Apkhazava says the overall number of investments realized into Georgia amounts to 40 million USD.

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<sup>61</sup> GHN, 2012, Mikheil Saakashvili: opening of the autodrome is important for Rustavi citizens residents <http://www.ghn.ge/com/news/view/65405>

<sup>62</sup> Forbes.ge, 2013, Earnest Racer, <http://forbes.ge/news/171/dinji-mrboleli>

## **9.11. TRIDE LLC**

Tride development company appeared among the companies that received the largest investments from Russia in 2013. Its founder Valerian Margvelashvili is a Russian citizen, and owns 35% of the company. Andro Gujabidze and Zurab Svimonishvili each own by 30%. 5% is owned by Tride Director Lasha Khurtsidze.

Tride has constructed Tride Tbilisi and Tride Green House in Tbilisi, and the construction of Tride Bakuriani is underway.