Georgia

Special Investment Opportunity

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Tskaltubo Spa & Wellness Resorts Development/Restoration
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Overview

Tskaltubo: The Current Setting

- Widely popular destination for health treatments since the 8th century through Soviet times.
- Located in a beautiful region of Western Georgia at the foot of the Caucasus Mountains.
- Vast reserve of thermal waters with unique therapeutic qualities.
- Subtropical climate (warmest thermal spa area in Eurasia), low elevation, rich nature.
- Existing and operating sanitoriums and baths receiving visitors on a daily basis.
- Located on key tourist route near Kutaisi (2nd largest city in Georgia and future Parliamentary capital) on route to key destinations in Western Georgia.

The Global Sector

- Significant growth in health & wellness tourism worldwide over past several decades.
- Popularization of luxurious, pampering wellness spas in the 1990s, now with growing popularity of the older “medical resort” concept.

Opportunity: The “Reinvention” of Tskaltubo

- Build on excellent city infrastructure already geared toward spa resorts.
- Renovate existing spas, baths and resorts.
- Introduce modern & luxurious amenities and new spa resort concepts.
- Benefit from growing international, regional and local tourism in Georgia.
- Incentives, support, and commitment to infrastructure development from Government of Georgia.
Tskaltubo Today: Setting and Offerings

- Located in fertile Western Georgia – Imereti – and sits at the foot of the Greater Caucasus Mountain Range, at an elevation of only 98 m.
- Subtropical climate and considered to be the warmest spa resort in Eurasian region. Average annual temperature of +15°C, with average low of +19°C and average high of +25°C.
- Over 2000 hours of sunshine annually.
- More than 150 types of deciduous (leafy) and coniferous (evergreen) trees on the territory of this unique resort area.
- Existing set of sanatoriums and baths receiving visitors on a daily basis
- Ability to host 15,000 tourists on a daily basis.
- Excellent existing city planning for development of spa & wellness destination.
Ministry of Economy and Sustainable Development of Georgia

Tskaltubo Today: City Map & Infrastructure

- 80 ha City Park in city center
- 22 sanatoriums situated in circle around City Park
- 9 Operational public baths
- Playground
- Lake “Tsivi”
- 40 ha Landscape for Development
- 80 ha City Park in city center
- Channel around the City Park
- 22 sanatoriums situated in circle around City Park
Tskaltubo’s Unique Thermal & Mineral Waters

Unique Mineral Make-Up

- Tskaltubo’s water composition is very complex and rare, with no analogies in Asian or European countries.
- While salt and mineralization levels are low, the salts have extremely active Calcium and Magnesium contents.
- The chemical composition of Tskaltubo’s water does not include any strong toxic substances.
- The chemical composition of almost all of Tskaltubo’s waters is more or less identical. It does not change seasonally and it does not depend on the amount of sediment (rain, snow etc.).

Ideal, Constant Temperatures

- The temperature of Tskaltubo’s water, which varies from 32 to 35 degrees Celsius, is almost equal to human body temperature. Thus, the water does not require additional warming or cooling.
- Temperatures are naturally constant, a result of bath locations directly at springs and from the constant flow of water, which is key to prevent loss of a range of components (minerals, gases, etc.) which would decrease effectiveness of medical treatments.

Vast Reserves

- Tskaltubo’s water reserve reaches to up to 25 million liters a day. Such an abundance of water with medical/therapeutic values is unique both for Europe and Asia.
- Vast amounts of mineral waters enable Tskaltubo resorts to treat patients in huge running pools allowing for flow of 1,000 liters of water per person treated. As a comparison, resorts where water is artificially warmed or cooled, there is typically a flow of only 250 liters per person.
Location on Key Touristic/Business Route:

- Kutaisi – 7 km – 2nd largest city and future Parliamentary capital
- Poti – 40 km – Biggest Port (FIZ)
- Mestia – 130 km – Historic Mountain Resort
- Batumi- 150 km - Resort and Entertainment Centre
- Tbilisi – 220 km – Capital of Georgia
- Close proximity to National Parks and historic sites: Sataplia and Prometheus, cavers and other sites.

Easy & Modern Access:

- New Kutaisi International Airport
- New Highway- Tbilisi – Kutaisi
- New Highway Kutaisi – Tskaltubo
- Renovated City Infrastructure
Kutaisi is Georgia's 2nd largest city and the capital of the western region of Imereti.
Only 7 km away from Tskaltubo.
Cultural and economical centre of Western Georgia.
International Airport “Kopitnari”.
“Free Industrial Zone” operated by Egyptian company, estimated volume of investment exceeds 2bln USD.
Starting 2012 – House of Parliament will be moved to a new building in the centre of the City.
A number of Federal Governmental Agencies will be relocated to Kutaisi in the next two years.
National and UNESCO Heritage sites such as Bagrati Cathedral and Gelati Monastery.
New Opera house will open its doors in 2012.
National plan for rehabilitation of Old City.
Tskaltubo expected to be an attractive place of residence for those working in Kutaisi.
Historical Legacy

- Tskaltubo is mentioned in the ancient myth about the Argonauts.
- Tskaltubo’s healing qualities first became famous in 8th and 9th centuries.
- In the 12th and 13th centuries, Tskaltubo was widely popular as a destination for health treatments due to the unique therapeutic qualities of its thermal waters.
- Tskaltubo was a booming touristic destination in Soviet times, as the last stop on the train from Moscow.

World Recognition:

- 1782 – Article in German journal “Berliner Naturwiessenschaftlichen Gesellschaftsarbeiten” describing the healing power of Tskaltubo waters
- 1809 – Publications regarding Tskaltubo mineral waters are published in various Russian and European magazines.
- 1815 – Famous naturist from Berlin, Julius Fon Klaprot, in his study regarding mineral waters mentions the healing power of Tskaltubo waters.
- 1874- New York magazine “City Daily Graphic” publishes an article describing Tskaltubo mineral waters.
- 1935 - Construction of a railway connecting Tskaltubo to whole of Soviet Union, thus making the city a most popular spa destination.
Global Health & Wellness Resort Sector

Spa Resort Trends

➢ Significant growth in health & wellness tourism worldwide over past several decades.
➢ Growth in the 90s with shift from post World War II medical resorts to popularization of luxurious wellness/pampering/rejuvenation spas.
➢ Now incorporation of traditional/medical treatments back into concept, for mix of both.
➢ Successful precedents worldwide, with top destinations receiving significant international tourists including from Canada, US, Europe and Asia.

Spa Concepts

Balneotherapy/Medical Spas
Treatment of diseases with mineral waters, as well as medicinal clays, through baths, massage and relaxation. Notable balneotherapy spas in Iceland, Germany, Northern Italy, Romania, Lithuania, United States (Georgia).

Modern Luxurious/Relaxation Spas
Focus on relaxation and retreat, overall wellbeing, and enjoyment of modern, luxurious amenities to rejuvenate from today’s busy lifestyles. Pool, sauna, diet, exercise, salon, cosmetology, massage, yoga, etc.. Notable resort areas include Sanoma, California and Scottsdale, Arizona.

Spa Formats

Hotel/Resort Spas
Guests may experience as little or as much as desired, whether one overnight or 1 or 2 week stays.

Destination Spas
Complete immersion experience with an emphasis on medical recovery or transformation and self-improvement.

Day Spas
Without room accommodation, for day visitors, though many resort spas welcome clients on a day spa basis.
## Comparison with two Leading Thermal/Medical Resorts

### Baden Baden - Germany

**Water**

Thermal water treatment effect:
- spinal and locomotive disorders
- arthrosis
- post-operative treatment
- nervous system disorders
- gynecological disorders

**Hotels and visitors**

- There are international grand hotels (2-5 star) as well as the family-run guesthouses;
- Prices of hotels and guesthouses are from 43 to 360 euro in one night.

**Besides spa, Baden Baden offers:**
- Different types of clinics, fitness, therapies, beauty treatment and etc.
- Out-door activities: Hiking, golfing, water sports, horse-riding and balloon trips.
- Other places of interest: Casino, Kurhaus, churches & Castles, Roman bath ruins and etc.

### Monte Catini - Italy

**Water**

Thermal water treatment effect:
- chronic arthro-reumathic diseases
- liver insufficiency and disorders of bile ducts
- cholesterol metabolic disorders
- chronic constipation

**Hotels and visitors**

- Every year 200 hotels (from 1 to 5 star) sell 2 million overnight-stays for travelers;
- Prices of hotels are from 44 to 282 euro in one night.

**Besides spa, Montecatini offers:**
- Different types of clinics, fitness, therapies, body treatment and etc.
- Outdoor activities: Volley ball facility, horseback riding, golf.
- Other places of interest: Historical sites, bars, parks, gardens, etc.

### Tskaltubo - Georgia

**Water**

Thermal water treatment effect:
- rheumatic heart diseases
- cholesterol metabolic disorders
- cardiovascular system
- gynecological disorders
- post-operative treatment

**Hotels and visitors**

- In 1989 Tskaltubo had 22 sanatorium (5800 bed) and received 500,000 visitors annually.
- Tskaltubo waters has potential to treat 15,000 visitors per day.

**Besides spa, Tskaltubo could offer:**
- Different types of clinics, fitness, therapies, beauty treatment and etc.
- Outdoor activities: golfing, horseback riding, fishing.
- Other places of interest: Historical sites(castles & churches), caverns, parks & gardens, lake and etc.
Reinvention of the Tskaltubo Resort Destination

- Relatively untouched over the past several decades, there is now an opportunity to renovate Tskaltubo resorts to achieve the right mix of the traditional balneotherapy resort styles with modern, pampering spa resort concepts.
- Result will be a traditional but cutting edge, modern resort more competitive than less recently renovated traditional or modern spa resort in Europe and elsewhere.
- I.e., Older Baden Baden resort concept in Germany meets progressive, luxury Scottsdale, Arizona concepts in in the US.

Examples of modern medical spa facilities around the world
Tskaltubo Development Concept

Tskaltubo Resort Area Structure Outlook

Destination Spas
Hotel & Resort Spas
Day Spas
Related Industries in the City

Offerings:
- Natural spring bathing,
- Hot spring bathing,
- Mud treatments,
- Medical treatments,
- Cosmetology,
- Diet
- Salon services (nail, hair, etc.)

Dental
- Wellness
- Retreat/Transformation,
- Medical Rehab
- Exercise (horseback riding, golf, yoga, court sports, etc.)

Condos, hotels, Restaurants, Galleries, Shops, Tour Operators, Public Transport, Sports, Golf, Rafting, Horseback Riding, Events.
Tskaltubo Development Strategy

The following are considered to be key aspects for strategies to be adopted by both the government of Georgia and private sector participants for the successful, sustainable development of Tskaltubo:

Planning
- Conduct market research and determine best practices for an ideal Tskaltubo development strategy.
- Conduct full city/resort master plan including plans for resorts, infrastructure and related services/industries.

Implementation
- Build on excellent city infrastructure and design already geared toward spa resorts.
- Renovate existing spas, baths and resorts, maintaining historical design/base.
- Introduce modern & luxurious amenities as well as new resorts.
- Engage the community – including workforce training and support for development of small businesses. This is particularly important as spa/resort tourism would be the leading industry in the area (for example, in Scottsdale, Arizona – a leading US spa destination – 37% of the city’s workforce works in tourism) and a prosperous, participatory local community is key to achieving an attractive resort destination environment.
- Plan for and coordinate with other related/needed sectors – restaurants, shops, galleries, transport, infrastructure, etc.
- Incorporate Georgia’s other key products strengths such as food and wine, arts, theatre, cultural heritage and nature based tourism.
- Adopt environmentally sustainable principles, including responsible use of water, energy efficiency and waste management.

Marketing
- Benefit from growing international tourism in Georgia as a result of other major destination initiatives and Georgia PR campaign.
- Benefit from growing local and regional demand – growing incomes along with shift of Parliamentary capital to nearby Kutaisi.
- Expand marketing activities to new target markets.
- Position Tskaltubo as a leading spa and wellness destination including establishment of a “point of difference” to attract international visitors

Government Role
- Government incentives, investment support, and commitment to infrastructure development, development of support sectors, and local community in parallel with private sector investors.
Strengths:

- **Water Treatment**
  - The distinguish natural conditions give a perfect opportunity for development of spa resort
  - Already available a wide range of quality health therapies and experienced labor reduces the initial investment costs
  - Unique Mineral and Thermal Waters are perfect for treatment of number of diseases

- **Location**
  - Excellent City Planning for Spa Destination
  - An opportunity to position Tskaltubo as a Spa Capital of the Region
  - Perfectly Positioned for Daytrip Activities - Historical, Natural, Cultural sightseeing locations – which will help to develop the Spa experience more enjoyable

- **Awareness**
  - Strong Historical Background of Health Tourism
  - Strong Brand Awareness in Former Soviet Union Countries

- **Development**
  - Revival of the Health and Spa Industry in Georgia (Abastumani, Borjomi, Akhtala, Likani, Ureki)
  - Promotion of other segments such as Food and Wine, Hotels and Shopping, Nature Based Tourism
  - Regional Development
  - Promotion of SMEs

Challenges:

- **Poor Infrastructure**
  - However, the government of Georgia is committed to repair Sewerage System and water distribution channels by the end of the year 2011.
  - Government will also address road/paving improvements needed as well as restoration of city center and areas outside resorts to reflect quality of resorts to be developed.
  - Georgian Government has recently announced a plan for rehabilitation of one of the buildings and turning it into State Residence.

- **Community and Relocation of IDPs**
  - Government is planning to build new houses for refugees in any resort buildings to be developed, where they will be relocated. This issue is expected to be resolved within a year and will be addressed responsibly and ethically.
  - Government commitment to community development support.

- **Competition from European and Asian countries**
  - Nevertheless, we do not have a regional competitor, and there is a strong Tskaltubo Brand awareness, which gives us a strong opportunity to become a leader in the region. Furthermore, Tskaltubo could offer a competitive price.
  - Warmest thermal spa location in Eurasia.
Specific Site Development Opportunities

Sanatorium “Gelati”
Address: 6, Baratashvili Str.,
State owned: 99%
Land Area: 20 000 sq.m
Total Building Area: 1500 sq. m

Sanatorium “Imereti”
Address: 4, Sulkhan Saba Str,
State owned: 99,72%
Land Area: 35 000 sq. m
Total Building Area: 2 200 sq. m

Sanatorium “Megobroba”
Address: 45, Rustaveli Str,
State owned: 100%
Land Area: 122 210 sq. m
Total Building Area: 9 066 sq.m

Sanatorium “Metalurgi”
Address: 7, Baratashvili Str,
State owned: 99,65%
Land Area: 50 000 sq. m Total
Building area: 9 066 sq.m

Sanatorium “Tbilisi”
Address: 2, Baratashvili Str
State owned: 99 %
Land Area: 25 000 sq. m
Total Building Area: 8 250 sq.m

Sanatorium “Iveria”
Address: 2, 26 May Str
State owned: 99%
Land Area: 25 000 sq. m
Total Building Area: 8 250 sq. m

Sanatorium “Rkinigzeli”
Address: 51, Rustaveli Str
State owned: 98,94%
Land Area: 32 879 sq. m
Total Building Area: 8 724 sq.m

Sanatorium “Savane”
Address: 19, Rustaveli Str
State owned: 99 %
Land Area: 15 000 sq. m
Total Building Area: 3759 sq.m
Tourism Trends in Georgia

In Thousands

- Government Policy towards Tourism Development
- Creation of an elite annual winter resort in Mestia
- Free Touristic Zone in Kobuleti and Anaklia
- Development of Spa Cities around Georgia
- Anticipated annual tourist growth of 37% in the next 3-5 years
- 12,000 Historical and Cultural monuments
- 103 Resorts and 182 Resort Areas
- 8 National Parks
- 2400 Springs of Mineral Waters
- Curative Climate
Action Plan

1) Concept Research & Planning (Feasibility Study)
   – Precedents, best practices, most successful approaches, and historical research
   – Tskaltubo Water Reserve Analysis (Composition and Characteristics)
   – Determination of ideal Tskaltubo concept and strategy.
   – Gauging of general investor interest.

2) Development of Tskaltubo City Master Plan

3) Project Marketing Campaign
   – Potential Investors List – consisting of minimum 60 companies
   – Creation of issuance of project brochure “teaser” and application form
   – Tskaltubo site visits

4) Project Submission

5) Signing of MOUs

6) Final planning/review and signing of final contracts