

Caucasus Energy & Infrastructure (CEI)

Company Presentation, February 2012



Company Profile

Investment Strategy

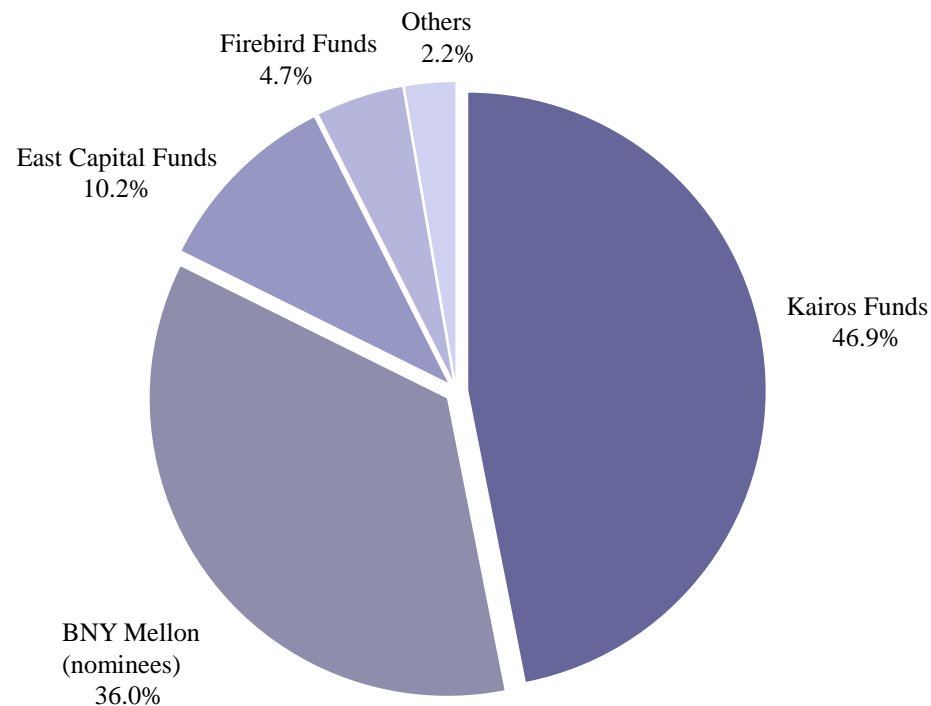
- ✦ Caucasus Energy & Infrastructure (CEI) holds a mandate to invest in Transcaucasian companies engaged in:
 - ✦ Production, transmission and distribution of electricity and gas
 - ✦ Extraction, distribution and marketing of crude and oil products
 - ✦ Management of water utilities
 - ✦ Development of cargo warehousing and logistics
 - ✦ Management of toll roads
 - ✦ Waste management and recycling
 - ✦ Development of carbon emission trade-related opportunities
- ✦ CEI intends to concentrate on greenfield investments in small and medium-sized HPPs and electricity transmission lines in the region

Milestones

- ✦ Caucasus Energy & Infrastructure is a joint stock company set up in November 2007 under the Georgian legislation
- ✦ CEI obtained a Georgian Stock Exchange listing in January 2008 and launched a GDR programme with BNY Mellon in March 2008. The company represents a sole investable vehicle offering investors an exposure to the energy segment of Transcaucasia
- ✦ The company completed a database of technical and economic parameters of potential greenfield HPP projects in Georgia and shortlisted several attractive projects for future potential construction
- ✦ After the competitive bidding process CEI obtained a license for the construction, building and operation of 48.0 MW Mtkvari hydropower plant in Southern Georgia (near the Turkish border)
- ✦ The actual construction of Mtkvari HPP was launched in November 2009. The President of Georgia Mikheil Saakashvili ceremonially unveiled the start of the building works

Company Profile

Ownership Structure



Highlights

- ✦ In the management's view, Mtkvari HPP presented the most attractive opportunity and CEI proceeded with the development of the project, obtaining the license for the construction and gaining a commitment for the required funding. The construction of the hydropower plant began in November 2009
- ✦ Dzegvi HPP, also on the Mtkvari River, represents the next most attractive project. The preliminary design, topographical surface chart and geological survey on the project have already been completed. Construction works will commence once the required financing is obtained
- ✦ As a base case scenario, CEI targets to own a portfolio of 5-6 small and medium-size HPPs in Georgia with the cumulative capacity of 100-200 MW within the next decade. The most of them will be developed on a greenfield basis

Key Project

Mtkvari HPP

- ✦ **Location:** Akhaltsikhe, Southern Georgia
- ✦ **River:** Mtkvari
- ✦ **Head:** 100.0 m
- ✦ **Water discharge:** 55.0 m³/sec
- ✦ **Number and type of units:** 2; Francis

- ✦ **Construction time:** 4 years
- ✦ **Potential installed capacity:** 48.0 MW
- ✦ **Annual power output:** 240.0 GW/h
- ✦ **Estimated construction costs:** US\$ 85-90 mln
- ✦ **Expected life-span of the plant:** over 50 years



Note: ▲ Represents locations of HPP projects shortlisted by CEI for the possible construction

Mtkvari HPP Project: Preparatory Works

- ✦ CEI set up a special purpose vehicle (SPV) Mtkvari HPP LLC for the implementation of the Mtkvari HPP project
- ✦ Through a competitive bidding process, CEI hired several leading engineering and project development companies for conducting the topography of a surface map, geological and hydrological survey, prepare feasibility report, environmental and social impact assessment and a comprehensive project design
- ✦ Georgian company GeoEngineering Ltd completed the topography of the surface map and the Geological survey. The research works demonstrated that the ground structure and content meet the initial expectations of the project and confirmed that the planned installed capacity could increase to 48.0 MW, instead of the initially reported 43.0 MW
- ✦ Icelandic company Verkis completed a feasibility study on the project and Ukrainian company UkrHydroProject completed the technical project design of Mtkvari HPP
- ✦ Turkish company ENCON completed the Environmental and Social Impact Assessment, which was approved by the Ministry of Environment Protection and Natural Resources of Georgia
- ✦ In Q4 2009 Mtkvari HPP LLC received a license for the construction of the hydropower plant
- ✦ Mtkvari HPP LLC completed acquisition of lands in Akhaltsikhe region to be used as the power plant construction site, water intake and flooding zones. Part of the land was acquired from private owners and the rest from the state through a direct sale

Mtkvari HPP Project: Construction Works

- ✦ The portal of a 9.6 km headrace tunnel has been built and concrete platform laid in front of the tunnel portal
- ✦ 450m meters has been drilled into the headrace tunnel using a MK4 DOSCO Roadheader drilling machine
- ✦ Factory acceptance testing has been completed for a Herrenknecht Hard Rock Double Shield TBM, which will be used to drill the rest of the 9.6 km headrace tunnel
- ✦ The company has completed the surge shaft excavation works, mainly using the drill and blast (D&B) method
- ✦ The 220 m long diversion canal excavation works, on the upper part of the construction site, have also been completed
- ✦ The company has excavated the tunnel adit, which will provide an emergency access to the headrace tunnel
- ✦ A lining segment factory has been built. The factory will produce ring shaped concrete lining segments, which will be lined up on the headrace tunnel walls as the TBM bores through the tunnel
- ✦ A new bridge on the Mtkvari river has been constructed. The bridge allows an easy access to the construction site from the main highway
- ✦ The company completed the construction of a temporary bridge on the upper part of the site, connecting the main road to the south bank of the river Mtkvari
- ✦ The company completed the construction of a 15 km transmission line to the upper part of the HPP construction site and installed an electrical substation
- ✦ The company has built workers' dwellings, an administrative building, a canteen and inner roads on the lower part of the construction site. Warehouses have been built to serve as a storage area for Mtkvari HPP construction materials
- ✦ Three wells have been drilled in different places on the site, in order to supply the water to workers' lodgings, the canteen and the concrete factory
- ✦ The company constructed workers dwellings, administrative building and inner roads on the upper part of the site

Corporate Outlook

- ✦ The HPP construction works are going according to the timetable and it is expected that the Mtkvari HPP will become fully operational in 2014
- ✦ Overseas Private Investment Corporation (OPIC) has approved a US\$ 58 million in financing for the construction of the Mtkvari HPP at very attractive terms
- ✦ CEI is working towards obtaining Certified Emissions Reductions (CERs). The company has signed an agreement with Électricité de France (EDF), on preparing relevant documents to be submitted to the United Nations for appropriate validation, in case of which CEI will be granted tradable CERs (carbon credits)

Other Provisions

- ✦ The construction of a new 500 kV Georgia-Turkey power transmission grid, funded by the Government of Georgia, KfW and EBRD, as well as attracting investments in new HPP projects are among the top priorities of the cabinet
- ✦ Liberalization of Turkish electricity market along with constantly rising demand, will put additional upward pressure on tariffs, leading to better export opportunities for the Georgian electricity producers
- ✦ In Q3 2010 Turkey joined the European Network of Transmission System Operators for Electricity (former UCTE), which will enable Georgian electricity producers to sell electricity directly to the European customers

CEI Financial Statements

As at 30 September 2011, USD/GEL=1.66

SUMMARY OF FINANCIAL HIGHLIGHTS

As at and for the nine months ended 30 September 2011

(Amounts in thousands of Georgian Lari, except financial ratios and per share data)

SELECTED INCOME STATEMENT DATA

	Q3-2011 (Unaudited)	Q2-2011 (Unaudited)	Q1-2011 (Unaudited)	Q4-2010 (Unaudited)	Q3-2010 (Unaudited)	Change, %		YEAR-TO-DATE		Change, %
						Q-O-Q	Y-O-Y	2011 (Unaudited)	2010 (Unaudited)	
Revenue	8	11	3	61	333	-28.2%	-97.6%	22	389	-94.3%
Operating costs	(371)	(446)	(333)	(663)	(353)	-17.0%	5.0%	(1,149)	(1,197)	-4.0%
Net foreign currency gains/(losses) on monetary assets and liabilities	(1,029)	(236)	(136)	(984)	955	336.4%	n/a	(1,400)	1,637	n/a
EBITDA	(1,392)	(671)	(465)	(1,586)	935	107.4%	n/a	(2,528)	1,363	n/a
Depreciation and amortization charges	(27)	(24)	(24)	(14)	(9)	10.1%	195.8%	(75)	(26)	188.4%
EBIT	(1,418)	(695)	(488)	(1,600)	926	104.0%	n/a	(2,602)	1,337	n/a
Net finance income	147	262	379	445	742	-44.1%	-80.2%	788	2,939	-73.2%
EBT	(1,272)	(433)	(109)	(1,156)	1,668	193.7%	n/a	(1,814)	2,232	n/a
Profit/(loss) for the period	(1,272)	(433)	(109)	(1,474)	1,668	193.7%	n/a	(1,814)	2,232	n/a

SELECTED BALANCE SHEET DATA (Period-end)

Cash and cash equivalents	9,023	12,027	23,335	28,036	30,980	-25.0%	-70.9%	9,023	30,980	-70.9%
Trade and other receivables	14,641	15,194	6,408	4,150	7,239	-3.6%	102.3%	14,641	7,239	102.3%
Other assets	38,008	35,664	32,975	30,785	27,145	6.6%	40.0%	38,008	27,145	40.0%
Total assets	61,672	62,885	62,718	62,971	65,364	-1.9%	-5.6%	61,672	65,364	-5.6%
Other liabilities	1,624	1,565	965	1,006	1,335	3.8%	21.7%	1,624	1,335	21.7%
Total liabilities	1,624	1,565	965	1,006	1,335	3.8%	21.7%	1,624	1,335	21.7%
Minority interests	-	-	-	-	69	n/a	n/a	-	69	-100.0%
Total shareholders' equity	60,048	61,320	61,753	61,964	64,029	-2.1%	-6.2%	60,048	64,029	-6.2%

PER SHARE VALUES

Share price, GEL	1.40	1.40	1.40	1.40	1.30	0.0%	7.7%	1.40	1.30	7.7%
Market capitalization	35,539	35,539	35,539	35,539	33,001	0.0%	7.7%	35,539	33,001	7.7%
Price earnings (P/E) ratio, annualized	neg	neg	neg	neg	4.91	n/a	n/a	neg	4.90	n/a
Basic earnings/(loss) per share for the period	(0.05)	(0.02)	(0.00)	(0.06)	0.07	193.7%	n/a	(0.07)	0.09	n/a
Diluted earnings/(loss) per share for the period	(0.05)	(0.02)	(0.00)	(0.06)	0.07	193.7%	n/a	(0.07)	0.09	n/a
Book value per share, GEL	2.37	2.42	2.43	2.44	2.52	-2.1%	-6.2%	2.37	2.52	-6.2%

ORDINARY SHARES OUTSTANDING

Weighted-average ordinary shares outstanding, basic	25,385	25,385	25,385	25,239	25,190	0.0%	0.8%	25,385	25,190	0.8%
Weighted-average ordinary shares outstanding, diluted	25,385	25,385	25,385	25,239	25,190	0.0%	0.8%	25,385	25,190	0.8%
Ordinary shares outstanding at period end	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%
Ordinary shares outstanding diluted at period end	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%

FINANCIAL RATIOS

ROA, Annualized	-8.2%	-2.8%	-0.7%	-9.2%	10.4%			-3.9%	4.7%	
ROE, Annualized	-8.4%	-2.8%	-0.7%	-9.4%	10.6%			-4.0%	4.8%	

Bidzina Bejuashvili (Executive Chairman)

Bidzina Bejuashvili served first as a Chairman of the Supervisory Board of CEI and consequently as an Executive Chairman of CEI since November 2007. Mr. Bejuashvili also serves as a Chief Executive Officer of Abbey Asset Management. Prior to joining Abbey Asset Management and CEI, Mr. Bejuashvili served as a Vice-President at the leading global investment banking firm JPMorgan Chase, London, and was responsible for equity research coverage of the oil & gas sector in Russia, CEE, Middle East and Latin America. Prior to joining JPMorgan Chase in October 2005, Mr. Bejuashvili served in similar capacities at Italian Unicredit (2003-2005) and RZB Austria, London (2000-2003). Mr. Bejuashvili has twelve years of professional experience in investment banking, and holds a dual British and Georgian citizenship. Mr. Bejuashvili holds an Undergraduate degree from Moscow State University, Dept. of Applied Mathematics and Cybernetics and a Masters degree in Economics from Boston University.

George Abdushelishvili (Chief Executive Officer)

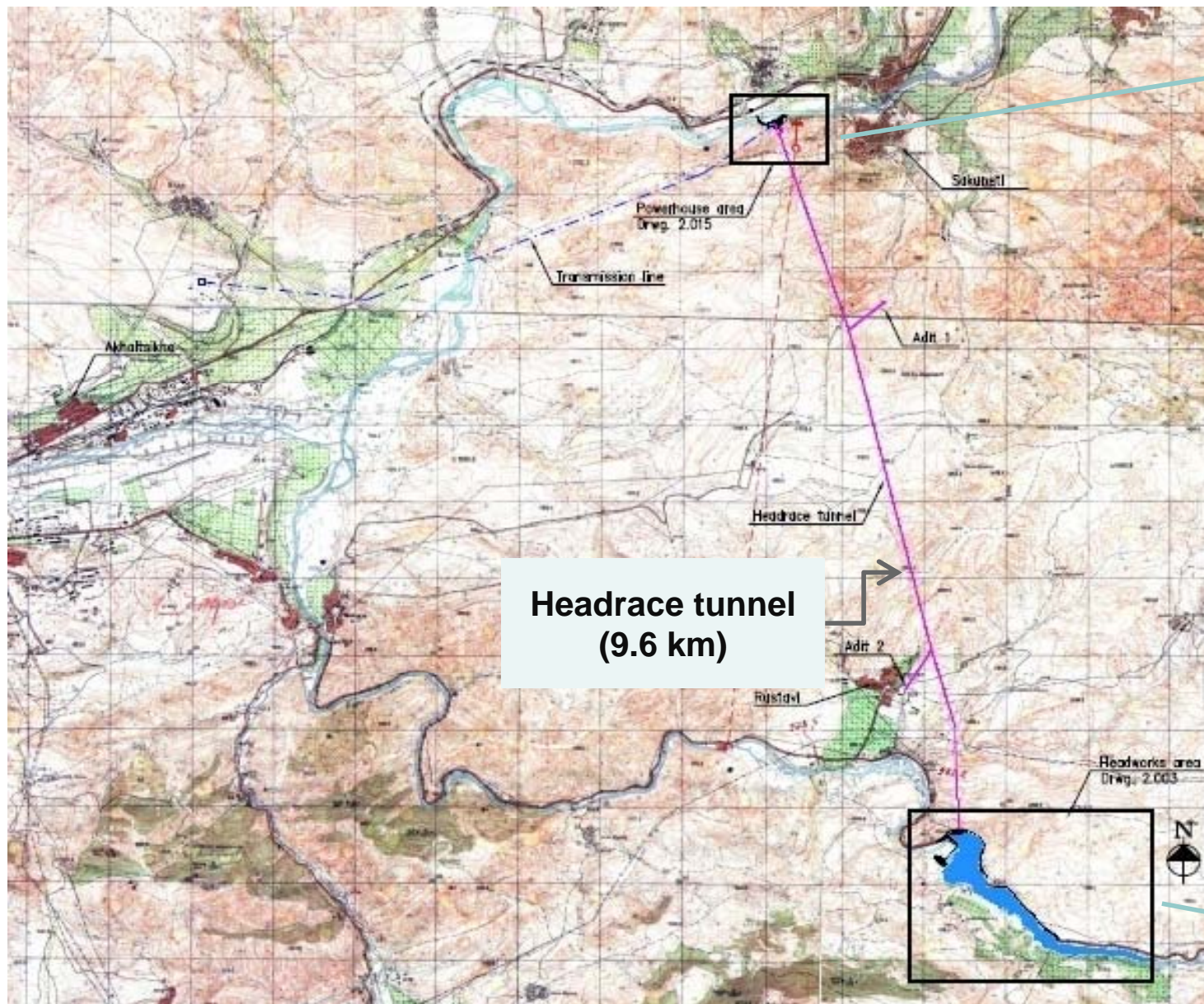
George Abdushelishvili joined CEI in September 2011. Prior to joining CEI, George Abdushelishvili served as CEO of Millennium Challenge Georgia (MCG) Fund. In the capacity of CEO at MCG Fund, Mr. Abdushelishvili managed various projects worth USD 395 million on aggregate, including construction of a 225km highway, rehabilitation of water and sanitation systems, an agricultural development project, rehabilitation of a gas pipeline and a private investment fund. Prior to working at MCG Fund, Mr. Abdushelishvili served as Deputy Minister of Energy where he oversaw International Relations and Investments Department, coordinating relations with various international institutions involved in the Georgian energy sector, such as USAID, EBRD and KfW. He also supervised preparatory feasibility study of two large-scale hydropower plants (Khudoni and Namakhvani) and a 500kV Turkey-Georgia transmission line. Mr. Abdushelishvili has also held various senior positions at Bank of Georgia, Bank Republic and TBC Bank. Mr. Abdushelishvili holds an undergraduate degree in International Economic Relations from Georgian Technical University and MBA in International Banking and Finance from University of Birmingham.

George Rusitashvili (Chief Financial Officer)

George Rusitashvili joined CEI in January 2012. Prior to joining CEI, Mr. Rusitashvili served as country manager of Johnson & Johnson Medical and prior to that worked as project manager at World Bank funded management consultancy agency CERMA. At CERMA Mr. Rusitashvili accumulated significant experience across a wide range of industries, including pharmaceutical, construction materials, cosmetics and dairy. Mr. Rusitashvili holds a BSc in Economics from Tbilisi State University and MSc in Business and Enterprise from Oxford Brookes University.

Mtkvari HPP Project Details

Project Location: Site Description

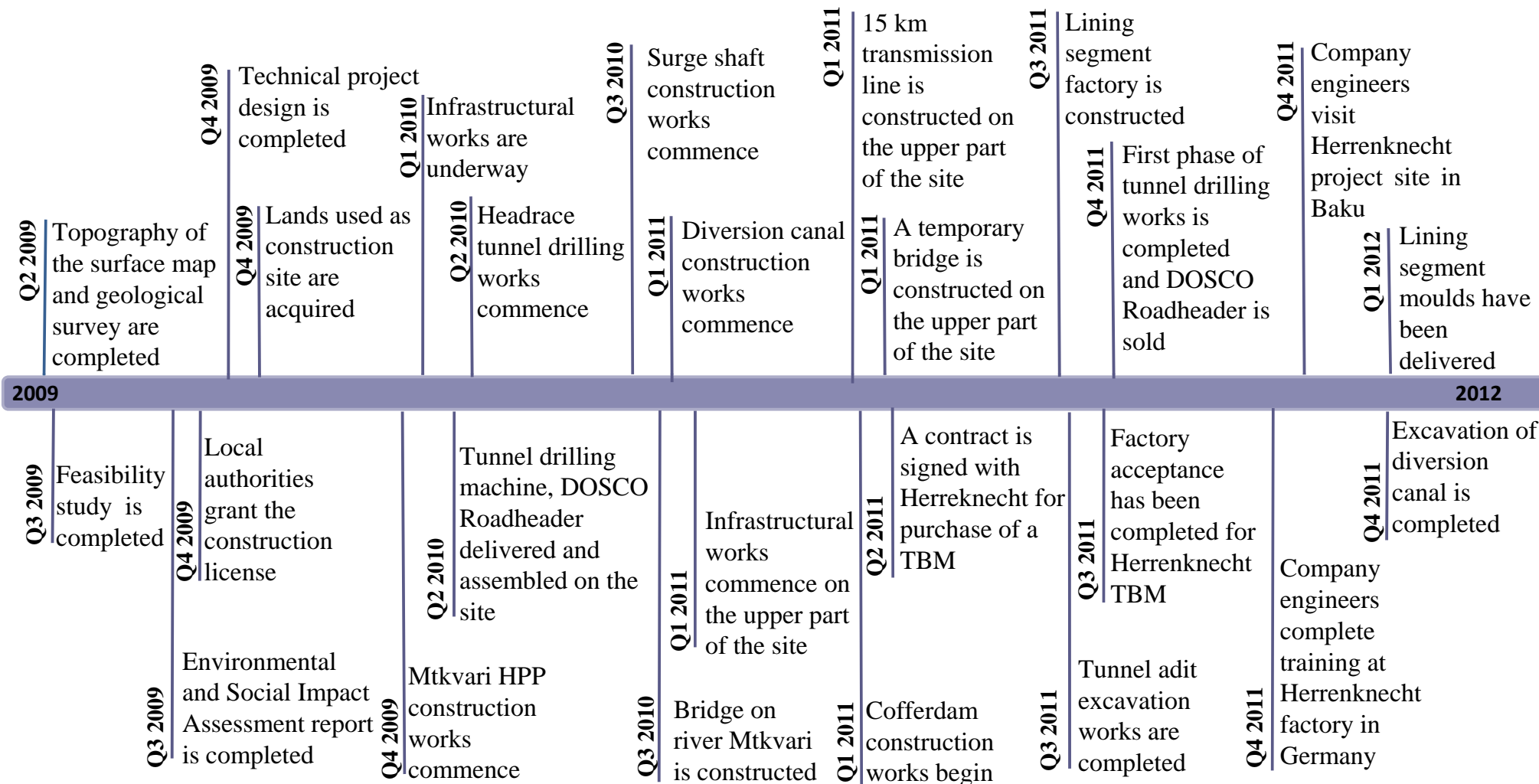


PowerHouse area

The headworks of the plant is located in the vicinity of the village Rustavi, Aspindza district, where Mtkvari river will be dammed and diverted into a 9.6 km long headrace tunnel to the powerhouse in village Sakuneti, Akhaltsikhe district, which will be housing two 24.0 MW power generating units

Headworks area

Project Timeline



Project Success Elements

Sector

- Georgia has the largest underutilized hydro power generating potential in Europe, with only 30% of the total capacity exploited, situated next to Turkey with the 2nd largest electricity demand growth rate in the world at 6.7% p.a. for the past 20-25 years
- There is a huge government support for the development of the Georgian energy sector, visible through reforms and a consequent near-full liberalisation of tariffs as well as government-led large scale investments in the sector and related infrastructure, including the construction of a 500 kV transmission grid, connecting Georgia to Turkey, funded by the Georgian government along with KfW and EBRD
- The new grid will allow Georgian electricity exports not only to the neighbouring Turkey, but also to the rest of the continental Europe

Location

- Mtkvari HPP probably has the best location for the construction of HPP with ample water supply and a well developed infrastructure
- It is environmentally and socially friendly project, requiring no relocation of people and imposing minimal damage to the landscape
- The HPP is located close to the Turkish border, the major potential customer for the produced electricity
- The new 500 kV transmission grid, which is currently under construction, passes 2 km away from the HPP site. The new line will export 1,050 MW electricity from Georgia to Turkey, and will be used by Mtkvari HPP, among others, as the main grid for electricity exports
- It is notable that the newly built HPPs in Georgia are to have the right to export electricity firsthand, over all the other electricity sources

Team

- The management team comprises some of the most qualified professionals both in the energy and finance fields, with extensive experience in Georgian and Turkish energy sectors as well as in the financial hubs such as the city of London
- The engineers employed on the Mtkvari HPP project are the most experienced in Georgia, having worked on planning, design, construction and rehabilitation of some of the largest HPPs in Georgia, including the largest Enguri HPP (1,300 MW)
- Companies employed on the project are the leading engineering and project development companies in Georgia and Europe

Studies Conducted on the Site

Topography

- The site comprises in general a mountain range extending between the proposed upper and lower sections of the project
- It is assumed that the stability of the slopes adjoining the proposed project structures is adequate
- The upper project section where the headrace works, dams and power intake with appurtenances will be located seems to favour the construction of a rock-fill dam with a central impervious core

Geology

- The detailed study and research was performed on the site, with several wells drilled down the surfaces where the tunnel and powerhouse constructions will take place
- Sample materials from the site were taken into the laboratory for the detailed analysis
- There was a detailed geological and hydrological research performed on the 9.6 km headrace tunnel area with 7 wells drilled into the surface, with the total length of 973 m
- It was determined that the geology of the area in general is considered favourable for the construction of the structures relevant to the hydropower project

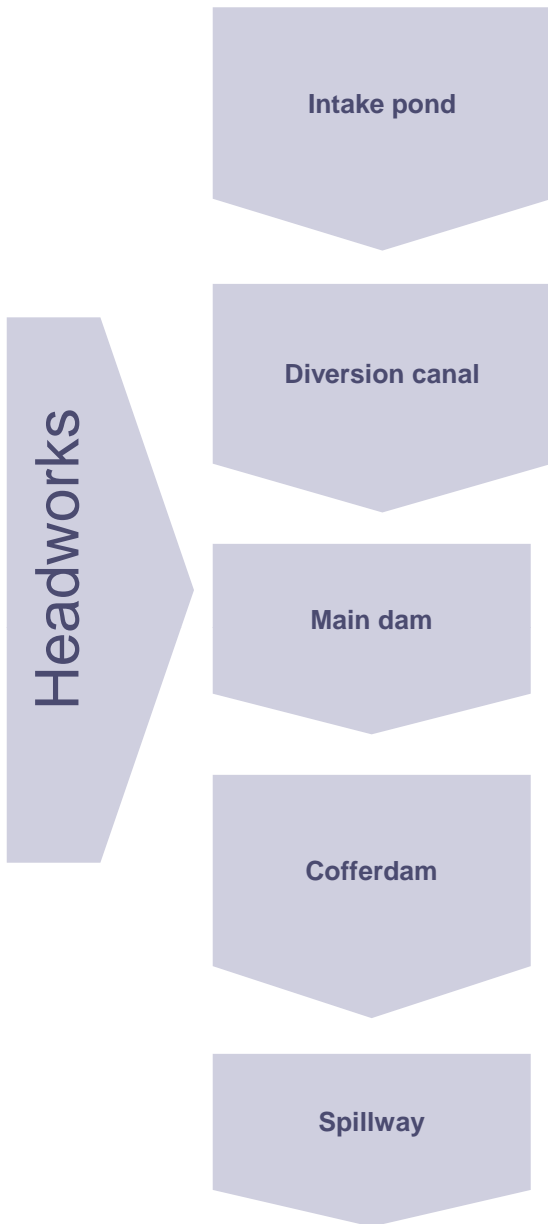
Hydrology

- Georgia's climate is affected by subtropical influences from the west and Mediterranean influences from the east
- The midwinter average temperature is 5 °C and the midsummer average is 22 °C
- The average discharge rate of Mtkvari river is 55 m³/s
- A storage reservoir upstream of the project in the main river or some of its tributary rivers would be very valuable and increase the energy production during the high discharge season of river Mtkvari

Seismology

- The project is located in the central part of South Georgia. It comprises seismically active zones of the central part of the Ajara-Trialeti infolded-faulted mountain belt, which has a high seismic potential, and the western part of the seismically very active Javakheti Upland
- It is assumed that the European Earthquake Standard, Eurocode 8 (FS ENV 1998:1994) can be applied as guidance for the definition of a design spectrum for the project

Project Conceptual Design



- The intake pond will be formed by a dam across the river course
- It will be some 3 km long with the maximum width of about 0.6 km
- The usable water volume will be 900 000 m³
- The pond can only be used for limited regulation during a day

- Mtkvari river is diverted to execute the headworks (main dam, power intake) in dry
- Diversion will be achieved by excavating a diversion canal
- The diversion canal will be about 80 m long and 12 m wide
- The canal will be permanently closed at the end of construction

- The main dam will be about 300 m long with a maximum height of 32 m
- Dam will be located slightly downstream of the tunnel intake
- It will have an earth rock-fill structure with an impervious core

- Cofferdam will be constructed from rock-fill and may apply other readily available fill
- Loose overburden will be set aside to be used in cofferdam
- Gravel fill & finer grained fill will be placed on the upstream slope to reduce leakage
- Lastly cofferdam will be raised up to the designed level

- Spillway will be a 120 m long ogee formed concrete structure
- It will be extending between the diversion canal and the main dam
- The water head at the spillway will normally be limited

Project Conceptual Design

Headrace tunnel

- A 9.6 km headrace tunnel will be excavated with a Tunnel Boring Machine
- The Mtkvari river will be dammed upstream village Rustavi and diverted into a headrace tunnel
- At the downstream end of the headrace tunnel, water will enter into the powerhouse
- The powerhouse will be equipped with two 24.0 MW power generating units

Electromechanical equipment

- Electromechanical equipment will include 2 Francis type Turbines, 24.0 MW each
- The turbine manufacturer will also provide for governor and shut-off valves, cooling system, sump pump system, generators and excitation systems, generator terminal equipment, power transformers, high voltage substation equipment, station power supply systems
- Electromechanical equipment will also include the control-and protection systems, which will be installed in the powerhouse

Construction Works

Upper part of the construction site



Lower part of the construction site



Construction Works

The portal of the 9.6 km headrace tunnel has been built



450 meters has been drilled inside the headrace tunnel using the DOSCO Roadheader drilling machine



Construction Works

A factory acceptance test has been completed in Germany for Herrenknecht Tunnel Boring Machine (TBM)



A lining segment factory has been built and segment moulds have been delivered from Germany



Construction Works

The company excavated a 52 m tunnel adit and constructed the adit portal



The surge shaft (88 meters deep) excavation works have been completed



Construction Works

Diversion canal excavation works have been completed



A concrete factory has been built on the upper part of the site



Construction Works

A new bridge on the Mtkvari River has been constructed – allowing easy access to the construction site



A temporary bridge has been constructed on the upper part of the site



Construction Works

The company has completed the construction of workers dwellings and a canteen



The administrative building for the project engineers has been set up



Construction Works

Two warehouses have been constructed to serve as a storage area for Mtkvari HPP construction materials



Water wells have been drilled on the site, which will supply the water for workers' lodgings, the tunnel drilling machine and the concrete factory



Construction Works

A 10 kV transmission line has been built, connecting the site directly to the grid



The spillway drain has been put in place near the headrace tunnel



Construction Works

The company has constructed workers dwellings and administrative building on the upper part of the site



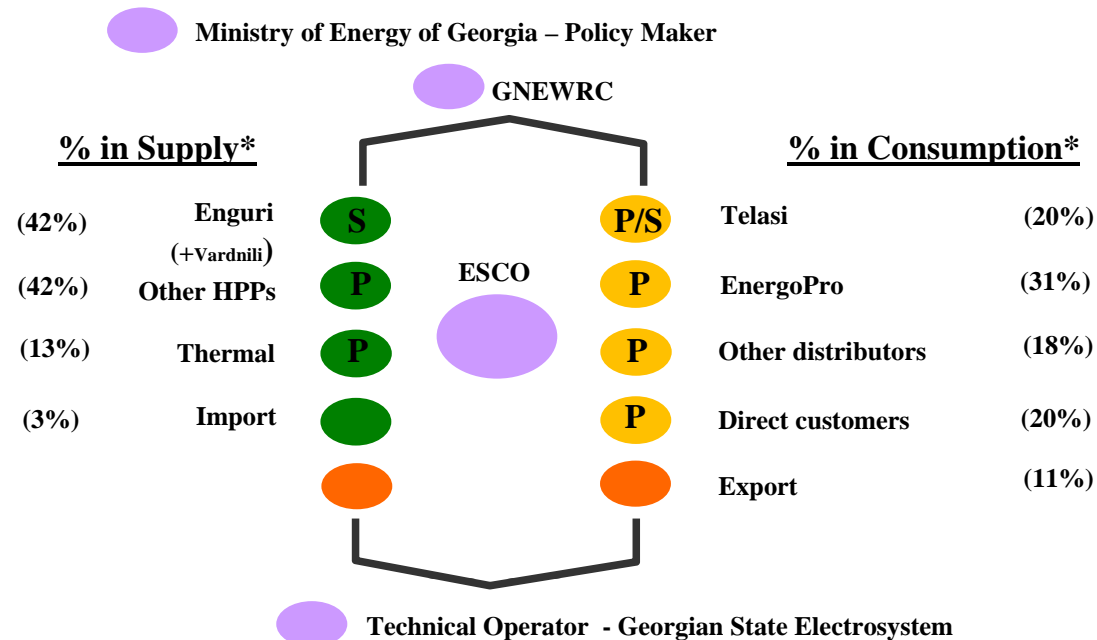
A concrete factory has been set up on the construction site to provide concrete for the headrace tunnel, the bridge and other building works



Georgian Electricity Sector Overview

Georgian Electricity Sector

Georgian Electricity Market



Note: P - Privately Held; S - State Owned;
* 2009-2011 data

Electricity Balance, Georgia

Supply, TWH	2007	2008	2009	2010	2011*
HPP	6.8	7.1	7.4	9.4	7.9
Thermal	1.5	1.3	1.0	0.7	2.2
Total production	8.3	8.4	8.4	10.1	10.1
Imports	0.4	0.6	0.3	0.2	0.5
Losses	0.2	0.2	0.1	0.1	0.2
Total supply	8.6	8.9	8.5	10.1	10.4

Demand, TWH	2007	2008	2009	2010	2011
Domestic consumption	7.8	8.1	7.6	8.4	9.3
Export	0.6	0.7	0.7	1.5	0.9
Transportation cost	0.2	0.2	0.1	0.2	0.2
Total demand	8.6	8.9	8.5	10.1	10.4

*Data affected by extreme dry weather spells in 2011

Source: The Electricity Sector Commercial Operator (ESCO)

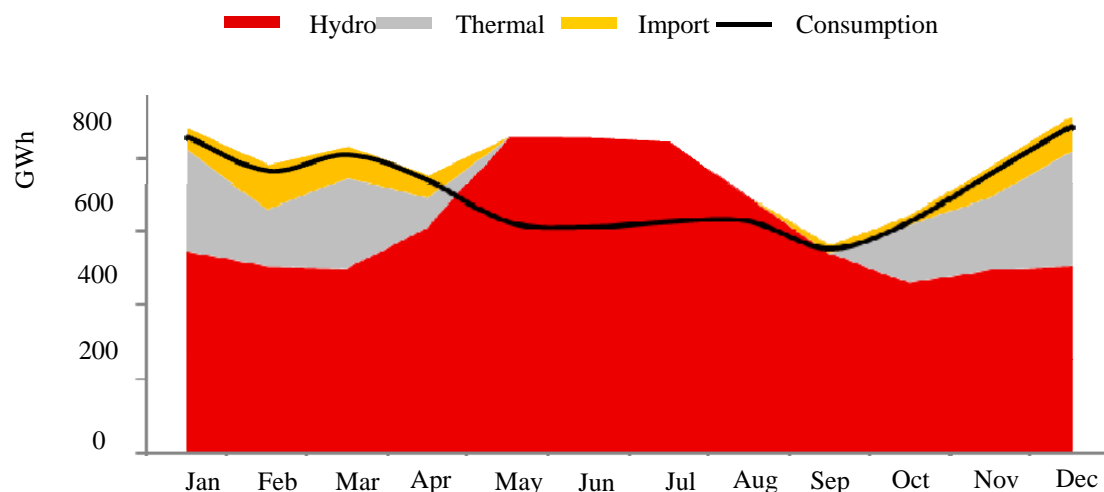
Highlights

- The Georgian electricity sector is mostly privately owned and partially liberalized
- Only transmission, dispatch, the largest hydropower plant (HPP) located in the conflict zone and a thermal power plant (TPP) are owned by the state
- Wholesale generation tariffs are fully liberalized and any generation company is permitted to sell electricity to any wholesale customer at a directly negotiated tariff
- Retail tariffs are regulated by the Georgian National Electricity and Water Regulatory Commission (GNEWRC)
- However, small HPPs (less than 13 MW capacity) can sell electricity at unregulated tariffs to any wholesale or retail customer

Highlights

- Over the last three years, HPPs accounted for 84% of the country's electricity supply, whilst TPPs generated 13% and imports contributed another 3%
- Electricity generation of HPPs has increased, mainly due to better operating conditions and upgrades across the sector
- The share of TPPs and imports in Georgia's energy sector is set for a steady decline

Georgian Electricity Market



Source: The Ministry of Energy of Georgia

Domestic Consumption

	2007		2008		2009		2010		2011	
	TWh	%	TWh	%	TWh	%	TWh	%	TWh	%
Telasi	1.9	24%	1.9	23%	1.9	24%	1.9	23%	2.0	22%
Energo Pro Georgia	1.3	16%	2.6	32%	2.5	32%	2.8	33%	3.5	38%
Kakheti Energy Company	0.2	3%	0.2	3%	0.2	3%	0.2	3%	0.3	3%
Abkhazia	1.3	16%	1.3	16%	1.4	18%	1.4	16%	1.6	17%
Direct customers	2.0	26%	2.1	26%	1.7	22%	2.1	25%	1.8	20%
Losses & other	1.2	15%	-	-	-	-	-	-	-	-
Total domestic consumption	7.8	100%	8.1	100%	7.6	100%	8.4	100%	9.3	100%

Source: The Electricity System Commercial Operator

Electricity Market Highlights

- ✦ Installed hydropower generation capacity is approximately 30% of the total potential hydro capacity available in the country
- ✦ During summer hydropower fully meets Georgia's local electricity demand while the surplus is exported to Russia and Turkey
- ✦ During winter thermal power is also used in order to meet the high consumption demand
- ✦ Georgia's aggregate peak demand capacity is 1,700 MW
- ✦ In 2011, about 30 large industrial enterprises that are allowed to directly purchase electricity from suppliers, accounted for 20% of the country's total electricity consumption

Final Consumer and Transmission Electricity Tariffs

Electricity Tariffs

- ✦ The Regulator GNEWRC has established different tariff levels for customers who use less than 100 kWh, those who use more than 100 kWh but less than 300 kWh, and those who use over 300 kWh per month

Weighted Average Final Consumer Tariffs (net of VAT), GEL/MWh

	2003	2004	2005	2006	2007	2008	2009	2010
Tbilisi	114.2	114.2	135.6	135.6	135.6	135.6	135.6	135.6
Rest of Georgia	70.8	70.8	116.9	116.9	116.9	116.9	116.9	116.9

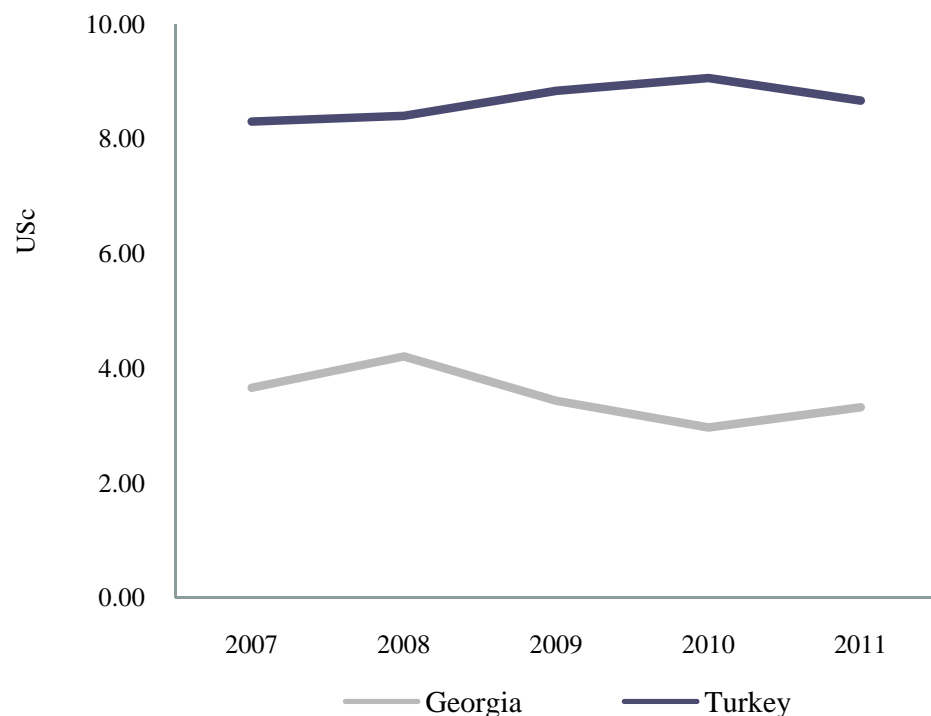
Source: The Ministry of Energy of Georgia

Electricity Transmission Tariffs

- ✦ Transmission tariffs are set by the regulator GNEWRC on an annual basis
- ✦ No charge for the generation capacity - transmission tariff reflects only the volume of electricity transfer
- ✦ All newly built HPPs are fully deregulated as far as generation tariffs are concerned, whilst tariffs for the existing HPPs are capped
- ✦ The total transmission charge is based on the pre-paying principle, whereby the cost of transmission is the same regardless the distance within the country
- ✦ The electricity transmission tariffs are set as follows:
 - 1.80 GEL/MWh - Kavkasioni 500 kV line operator's (Sakrusenergo) tariff
 - 5.35 GEL/MWh - tariff for transmitting electricity on 220-35 kV lines
 - 11.09 GEL/MWh - tariff for transmitting electricity on 10-6 kV lines
 - 1.50 GEL/MWh - dispatch tariff collected by Georgian State Electro System
 - The aggregate transmission tariffs are 8.65 GEL/MWh for the usage of 220-35 kV lines, 14.39 GEL/MWh, for the usage of 10-6 kv lines
 - The costs related to transmission losses are reflected in the final consumer tariffs

Electricity Export Opportunities to Turkey

Weighted Average Wholesales Electricity Prices in Georgia and Turkey (kWh)

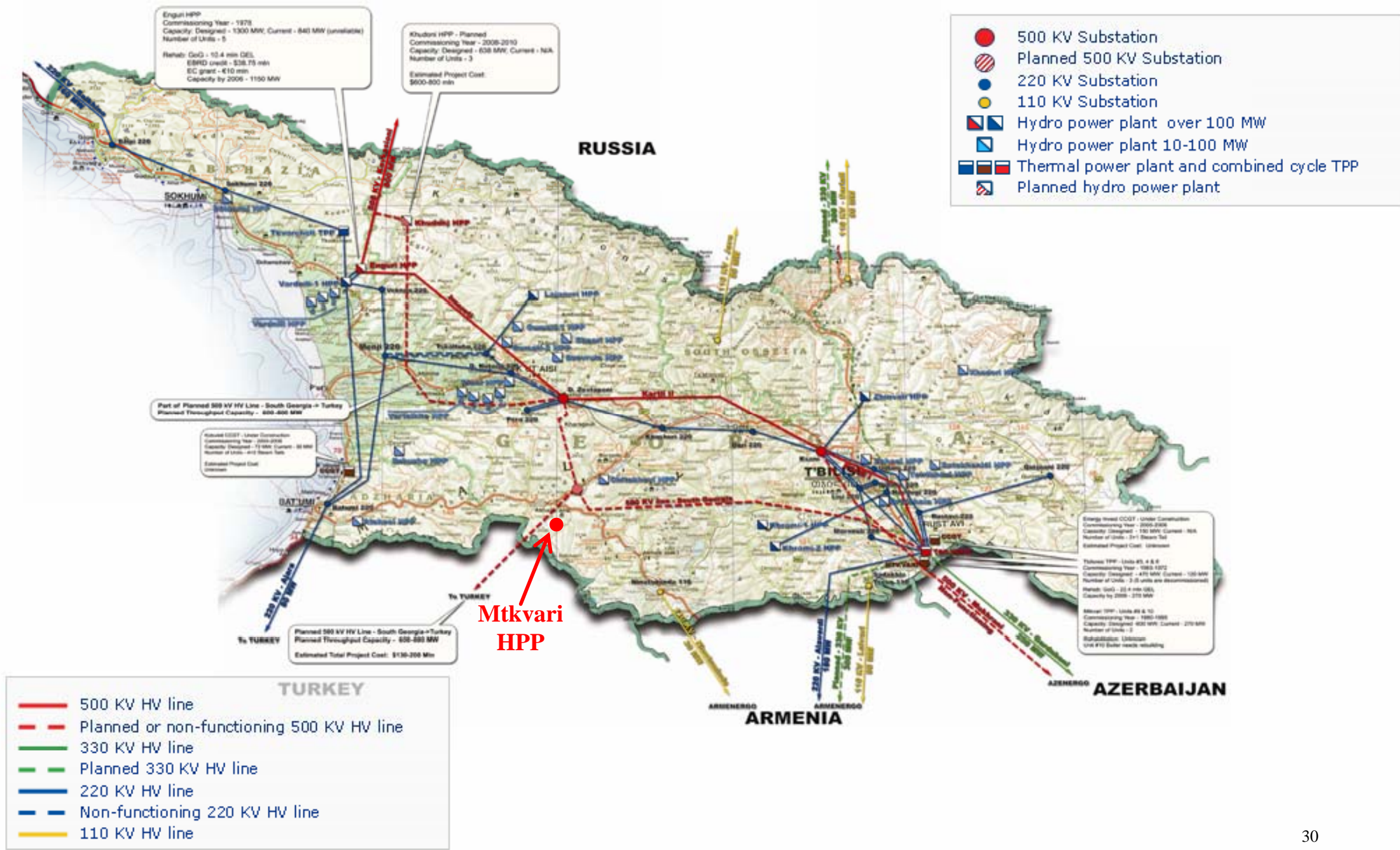


Source: Energy Market Regulatory Authority (Turkey),
The Electric System Commercial Operator (Georgia)

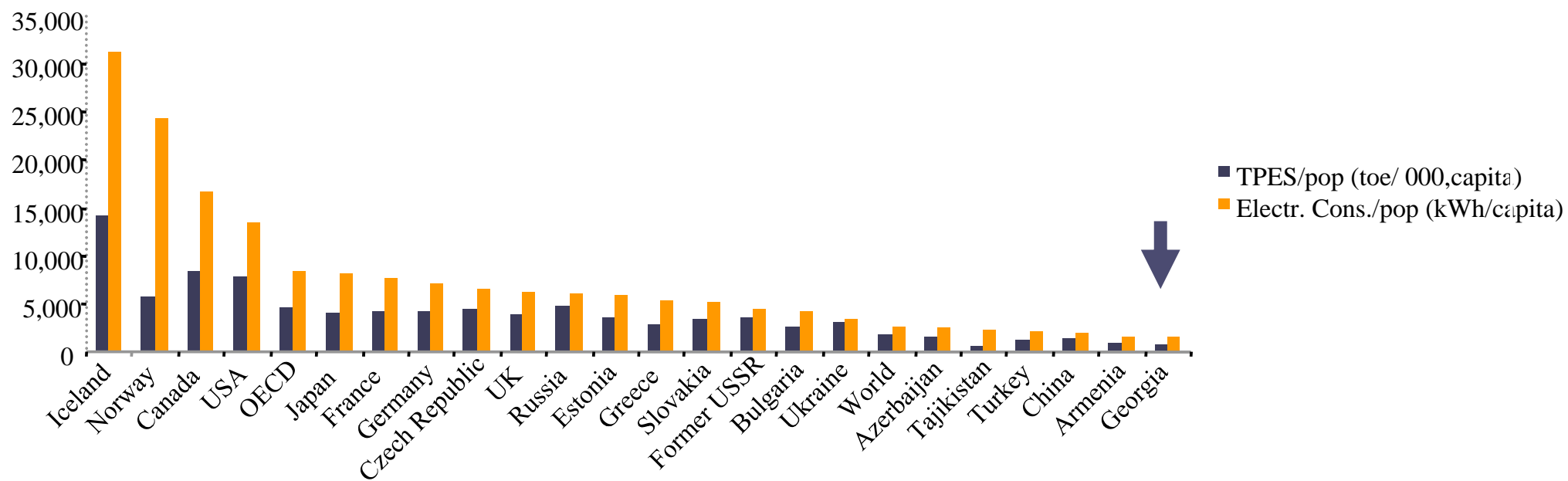
Turkish Electricity Sector

- ✦ The Turkish power industry is a vibrant part of the Turkish economy, which contributes US\$15.0 bln to the Turkish GDP
- ✦ During the last three decades the Turkish demand for electricity grew at a staggering rate of 6.7% per annum, on average
- ✦ Turkey is moving towards significant power shortages with demand outstripping supply
- ✦ The huge tariff differential between Turkey and Georgia creates excellent opportunities for exporting electricity from Georgia to Turkey, as average wholesale tariff for privately produced electricity in Turkey is approximately 9 USc/kWh as opposed to 3 USc/kWh in Georgia
- ✦ Even if the new transmission grid is fully utilized the Georgian electricity exports will account for only 2-4% of the total electricity volume consumed in Turkey, thus it's unlikely to have a major negative impact on the local electricity tariffs

Mtkvari HPP and Georgia's Power Transmission Network



Primary World Energy Consumption Indicators



Source: International Energy Agency. Key Energy Indicators

- ⚡ Georgia's energy consumption per unit of GDP is one of the lowest in the CEE region at 0.76 TOE/US\$ in 2008, which limits the downside potential in case of further energy efficiency improvements
- ⚡ In 2009, Georgia's annual electricity consumption per capita reached 1,800 kWhs, compared to 8,000 kWhs in Germany, 8,500 kWhs in Japan, 13,500 kWhs in the US and 24,300 kWhs in Norway, which illustrates a huge upside potential for the electricity usage in the country as economy develops

Contacts & Important Notice

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