Caucasus Energy and Infrastructure (CEI)

Company Presentation, September 2009

Company Profile

Investment Strategy

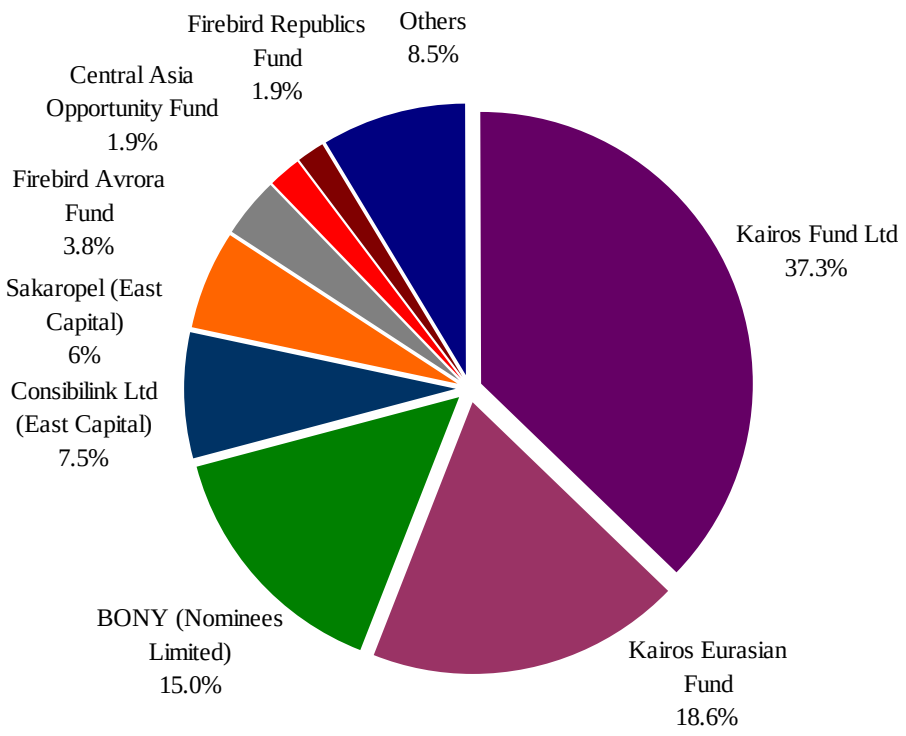
- CEI holds a mandate to invest in Transcaucasian companies engaged in:
  - Production, transmission and distribution of electricity and gas
  - Extraction, distribution and marketing of crude and oil products
  - Management of water utilities
  - Development of cargo warehousing and logistics
  - Management 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

- A joint stock company organized under the Georgian law in 2007
- Obtained a Georgian Stock Exchange listing in January 2008
- Launched a GDR program with BONY in March 2008
- Completed a database of technical and economic parameters of potential greenfield HPP projects in Georgia and shortlisted 26 most attractive projects for future potential construction
- Obtained a license for the construction of 42MW Mtkvari HPP in Georgia and proceeded with Feasibility Study, Environmental Impact Assessment Study and Geological Study, all due in Q3 2009
- Hired several leading engineering and project development companies, including Icelandic Verkis, Ukrainian UkrHydroProject and Georgian GeoEngineering, for the construction and project development of Mtkvari HPP

Company Profile

Ownership Structure



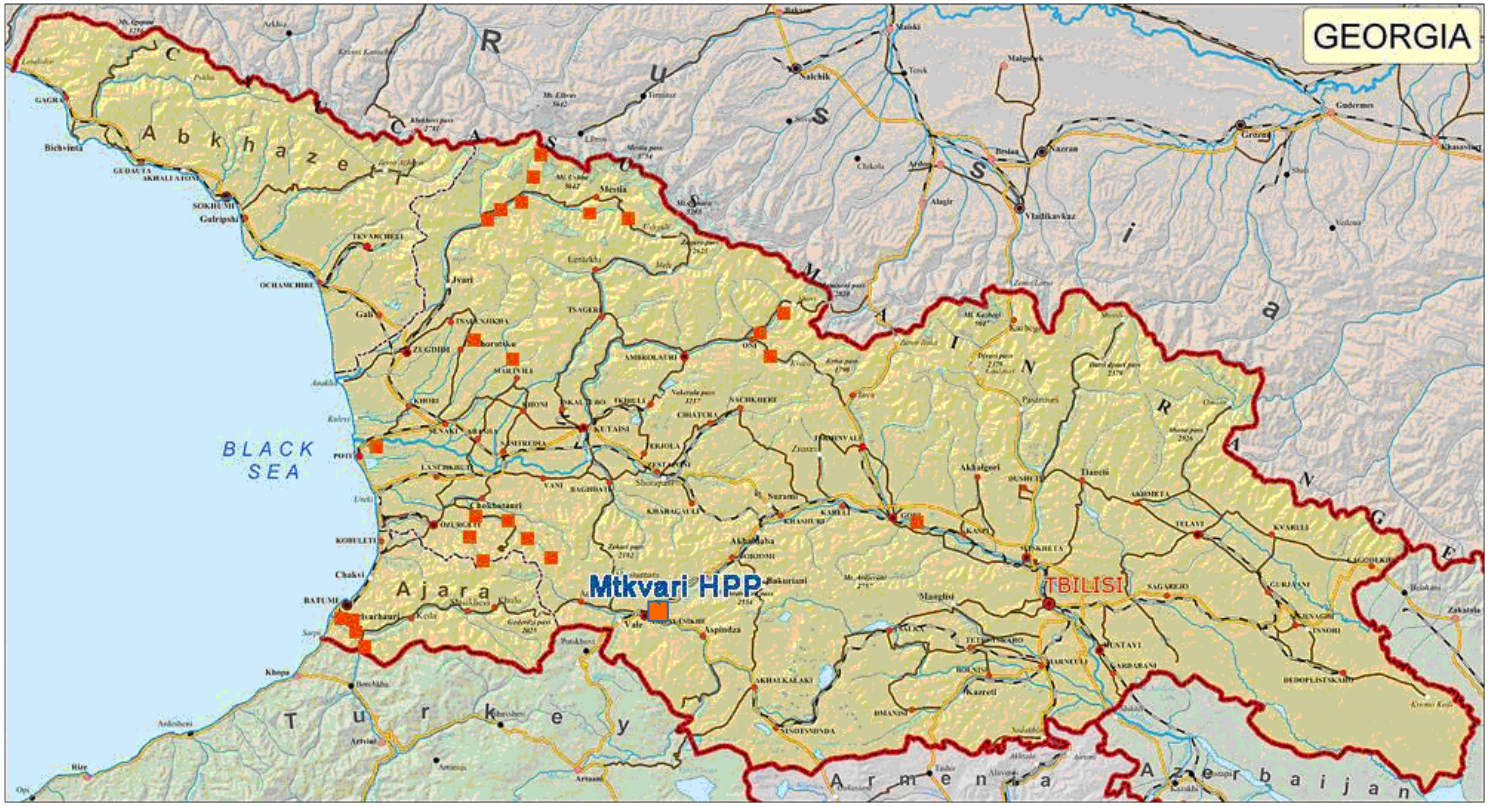
Highlights

- The company has shortlisted 26 attractive HPP projects, with the total required investment of approximately 500 mln Euros, for possible future construction
- The company plans to construct at least 6 HPPs from this list within the next decade
- Of these projects, Mtkvari HPP presented the most attractive opportunities and CEI proceeded with the development of the project, obtaining the license for the construction and gaining the required funding. The construction of the hydropower plant will commence in Q4 2009
- 10 MW Dzegvi HPP, also on Mtkvari River represents the next most attractive project. Preliminary design, topographical surface chart and geological survey on the project have already been completed on the project. Construction works will commence once the required financing is obtained

Key Project

Mtkvari HPP

- **Location**: Akhaltsikhe, Southern Georgia
- **River**: Mtkvari
- **Head**: 100.0 m
- **Water discharge**: 55.0 m^3/sec
- **Number and type of units**: 2; Francis
- **Construction time**: 3.5 years
- **Potential installed capacity**: 45 MW
- **Annual power output**: 253.0 GW/h
- **Estimated construction costs**: US$ 70.0-80.0 mln
- **Estimated tariff range (kWh)**: US¢ 6.1 - 7.4
- **Estimated payback period**: 6-7 years
- **Expected life-span of the plant:** 50 years



Note: ■ Represents locations of 26 HPP projects shortlisted by CEI for the possible construction

Company's Current Position

Corporate Developments

- GeoEngineering Ltd has completed the geological research of Mtkvari HPP construction site and tunnel route. The survey data was analyzed by the project design company UkrHydroProject. The analysis showed that the planned installed capacity of the plant can increase up to 45 MW, instead of the reported 38-42 MW range
- Icelandic project development company Verkis has completed the feasibility study report on Mtkvari HPP. The study was needed to produce the environmental impact assessment report (ESIA report was completed in September 2009) and is in the list of the required application documents of International Financial Institutions (IFIs) in order to approve a loan
- Mtkvari HPP LLC and environmental assessment team from Turkish company ENCON held public hearing in Akhaltsikhe concerning the environmental issues and social impact of the construction and further operation of the hydro power plant. The second and final hearing will be held in October 2009
- Mtkvari HPP LLC has announced the expression of interest on construction works as well as on the supply of electric-mechanical equipment for the hydro power plant
- The Special Purpose Vehicle (SPV) created for the construction of the hydro power plant, Mtkvari HPP LLC, has completed the acquisition of lands from private owners in villages Dzveli (water intake site and flooding zone) and Sakuneti (power plant construction site)

Corporate Outlook

- The land plots held in the state ownership will be purchased in October 2009
- Construction of the Mtkvari HPP is expected to commence in Q4, 2009, upon obtaining the HPP construction permit
- The company plans to apply for additional debt and equity financing in order to obtain full funding for Mtkvari HPP and to possibly finance other HPP projects from the company short-list

Other Provisions

- A new 400-500 kV HV transmission grid between Georgia and Turkey is being built, following the agreement between the governments of two countries. The project is funded by the Georgian Government, EBRD and KfW
- Georgia's current Prime Minister N. Gilauri has several times outlined that the construction of the Georgia-Turkey power transmission grid as well as attracting investments in new HPP projects are among the top priorities of the cabinet

CEI Financial Statements (IFRS)

Balance Sheet (GEL)	30-Jun-09 (Unaudited)	31-Mar-09 (Unaudited)	Change %
Property, plant and equipment	5,063,105	4,730,382	7.0%
Intangible assets	1,845	1,897	-2.7%
Investment property	7,774,888	7,774,888	0.0%
Restricted cash	10,710,034	10,788,200	-0.7%
Deferred income tax assets	-	-	n/a
Total non-current assets	**23,549,872**	**23,295,368**	**1.1%**
Cash and cash equivalents	25,626,204	26,717,241	-4.1%
Short term investments	4,110,506	1,945,797	111.3%
Prepayments and other receivables	2,904,681	5,269,498	-44.9%
Total current assets	**32,641,390**	**33,932,536**	**-3.8%**
Total assets	**56,191,262**	**57,227,904**	**-1.8%**
Share capital	11,783,577	12,500,000	-5.7%
Share premium	40,115,558	43,980,910	-8.8%
Treasury shares	(6,460,112)	(6,462,362)	0.0%
Other reserve	1,444,898	(719,810)	n/a
Retained earnings/(accumulated deficit)	8,786,377	7,522,726	16.8%
Total equity attributable to shareholders	**55,670,299**	**56,821,464**	**-2.0%**
Minority interest	96,019	96,019	n/a
Total equity	**55,766,318**	**56,917,483**	**-2.0%**
Deferred income tax liability	75,236	75,237	0.0%
Total non-current liabilities	**75,236**	**75,237**	**0.0%**
Trade and other payables	274,607	235,183	16.8%
Current income tax liability	75,101	-	n/a
Borrowings	-	-	n/a
Total current liabilities	**349,707**	**235,183**	**48.7%**
Total liabilities	**424,944**	**310,420**	**36.9%**
Total equity and liability	**56,191,262**	**57,227,904**	**-1.8%**

Income Statement (GEL)	Q2-2009 (Unaudited)	Q1-2009 (Unaudited)	Change %
Operating revenue	5,314	3,939	34.9%
Investment income	1,162,538	1,479,956	-21.4%
Other non-operating revenue less exp.	605,383	236,256	156.2%
Total revenue	**1,773,235**	**1,720,151**	**3.1%**
Impairment charge	-	-	n/a
Salaries and other benefits	(92,760)	(148,767)	-37.6%
General and administrative expenses	(335,886)	(344,595)	-2.5%
Depreciation and amortisation charges	(5,836)	(5,694)	2.5%
Finance cost	-	(171,716)	-100.0%
Total expenses	**(434,482)**	**(670,771)**	**-35.2%**
Profit/(loss) before income tax	**1,338,753**	**1,049,380**	**27.6%**
Income tax (expense)/benefit	(75,101)	-	n/a
Profit/(loss) for the period	**1,263,652**	**1,049,380**	**20.4%**
Attributable to:			
- shareholders of the Company	1,263,652	1,049,380	20.4%
- minority interest	-	-	n/a
Profit/(loss) for the year	**1,263,652**	**1,049,380**	**20.4%**

CEI Management

Bidzina Bejuashvili (Chairman of the Supervisory Board)

Bidzina Bejuashvili has served as the Chairman of the Supervisory Board of CEI since November 2007. Mr. Bejuashvili also serves as the Chief Executive Officer of Galt & Taggart Asset Management. Prior to joining Galt & Taggart 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.

Archil Mamatelashvili (Chief Executive Officer)

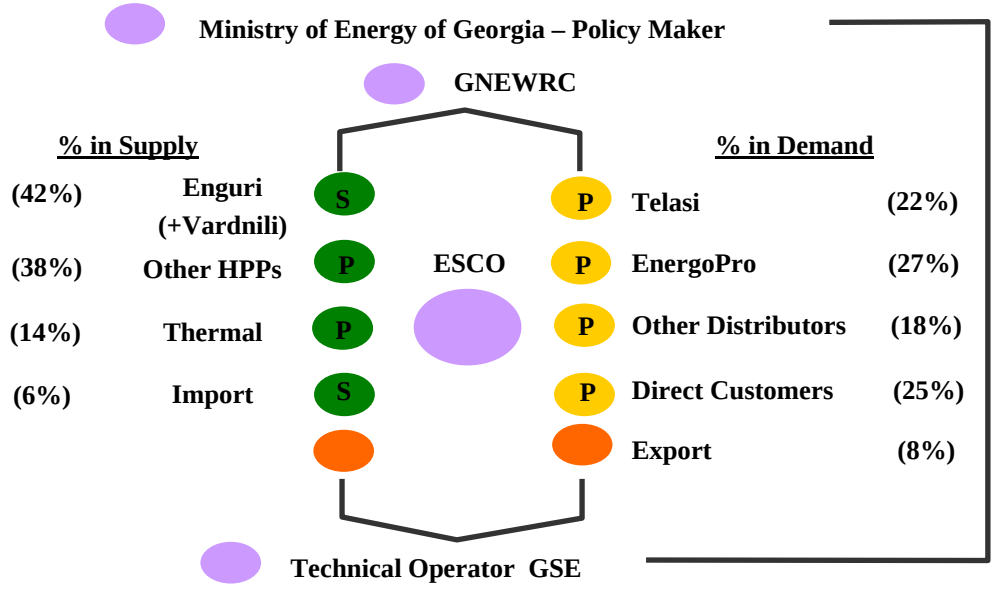
Archil Mamatelashvili joined the Company in the capacity of Chief Executive Officer in October 2007. Prior to joining CEI, Mr. Mamatelashvili served as the Country Manager for Energo Pro S.A. in Istanbul, Turkey (April 2007 – October 2007) and as a Deputy Minister of Energy of Georgia (March 2005 – April 2007). Mr. Mamatelashvili holds an Undergraduate degree in Economics from Tbilisi State university, and a joint international MBA degree from Weatherhead School of Management of Case Western Reserve University.

Irakli Bezhuashvili (Chief Financial Officer)

Irakli Bezhuashvili joined CEI in the capacity of Chief Financial Officer in April 2008. Prior to joining CEI, Mr. Bezhuashvili served as a Senior Consultant at PricewaterhouseCoopers as well as an Audit Manager at UBC International Ltd. He has also occupied the post of Director at Georgian Branch of Eilamed Raj BV. Irakli Bezhuashvili obtained his Bachelor’s degree in Municipal Engineering and Economy from Technical University of Georgia. Mr. Bezhuashvili is an accredited member of the Association of Certified Chartered Accountants (ACCA).

Appendix: Georgian Electricity Sector

Georgian Electricity Market



Note: P - Privately Held; S - State Owned; GSE – JSC Georgian State Electrosystem

Highlights

- Georgian Electricity sector is mostly privately owned and partially liberalized
- Only Transmission, Dispatch, the largest hydro power 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 Georgian National Electricity and Water Regulatory Commission
- However, small HPPs (less than 13 MW capacity) can sell electricity at unregulated tariffs to any wholesale or retail customer

Electricity Balance, Georgia

Supply, TWH	2005	2006	2007	2008	2009F	2010F	2011F
HPP	5.9	5.4	6.7	7.2	7.3	7.5	7.6
Thermal	1.0	2.2	1.5	1.2	1.0	1.2	1.2
Total Production	6.9	7.6	8.2	8.4	8.3	8.7	8.8
Imports	1.4	0.8	0.4	0.6	0.5	0.5	0.7
Total Supply	8.3	8.4	8.6	9.0	8.8	9.2	9.5

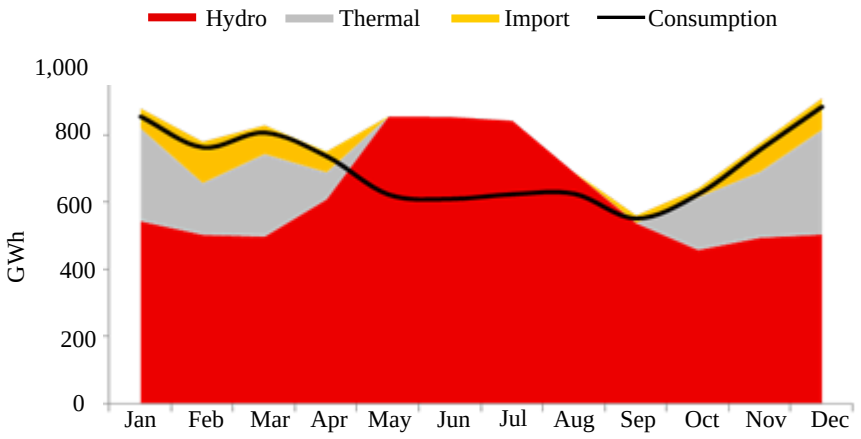
Demand, TWH	2005	2006	2007	2008	2009F	2010F	2011F
Domestic consumption	7.9	8.2	8.0	8.3	8.1	8.4	8.5
Export	0.4	0.2	0.6	0.7	0.7	0.8	1.0
Total Demand	8.3	8.4	8.6	9.0	8.8	9.2	9.5

Source: The Ministry of Energy of Georgia, CEI Estimates

Highlights

- HPPs account for roughly 80% of the country's electricity supply, whilst TPPs generate 14% and imports contribute another 6%
- 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

Appendix: Georgian Electricity Market



Source: The Ministry of Energy of Georgia

Domestic Consumption

Distributors	Owner	2008		2007		2006	
		TWh	%	TWh	%	TWh	%
Telasi	RAO UES (Russia)	1.9	32%	1.9	33%	2.0	34%
Energo Pro	Energo Pro (Czech Republic)	2.6	43%	2.5	42%	2.5	42%
Kakheti	Under Privatisation	0.2	3%	0.2	3%	0.2	3%
Abkhazia	Energy Company State owned	1.3	22%	1.3	22%	1.2	21%
Total, Distribution Companies		**6.0**	**100%**	**5.9**	**100%**	**5.9**	**100%**

Company	2008		2007		2006	
	GWh	%	GWh	%	GWh	%
Ltd Georgian Manganese (incl. Chiaturmanganum)	897	44%	802	39%	741	38%
JSC Georgian Railway	300	15%	320	15%	324	16%
Ltd Tbilisi Water	295	14%	294	14%	319	16%
JSC Energy Invest (incl. Nitrogen Plant)	251	12%	259	13%	261	13%
JSC Rustavtsementi (incl. Cespicement)	169	8%	165	8%	117	6%
Ltd Tbilisi Metro	63	3%	63	3%	64	3%
Ltd Madneuli	36	2%	60	3%	58	3%
Other Direct Consumers	51	2%	109	5%	105	5%
Total, Direct Customers	**2,061**	**100%**	**2,072**	**100%**	**1,989**	**100%**

Source: The Ministry of Energy of Georgia

Electricity Market Highlights

- Installed hydro power generation capacity is approximately 30% of the total potential hydro capacity available in the country
- During summer hydro power fully meets Georgia's local electricity demand while the surplus is exported to Russia and Turkey
- Share of exports in total energy balance grew from 1% in 2004 to 8% in 2008
- 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
- Distribution companies, cumulatively account for roughly 72% of the country's total electricity consumption
- About 30 large industrial enterprises that are allowed to directly purchase electricity from the suppliers, account for 25% of the country's total electricity consumption

Appendix: 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
Tbilisi	114.2	114.2	135.6	135.6	135.6	135.6	135.6
The rest of Georgia	70.8	70.8	70.8	116.9	116.9	116.9	116.9

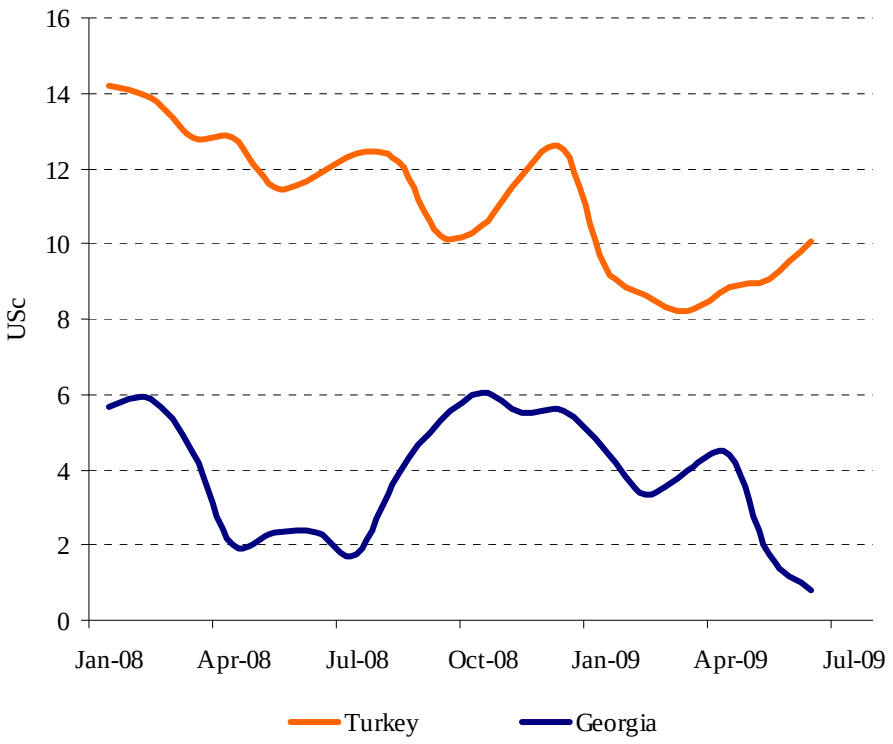
Source: The Ministry of Energy of Georgia

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 JSC Georgian State Electrosystem
  - 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

Appendix: Electricity Export Opportunities to Turkey

Weighted Average Wholesales Electricity Prices in Georgia and Turkey



*Note: Turkish wholesale electricity prices have been lower in Jan-Jun 2009 compared to 2008 in USD terms due to a 35% slump of Turkish Lira against USD in the respective period .

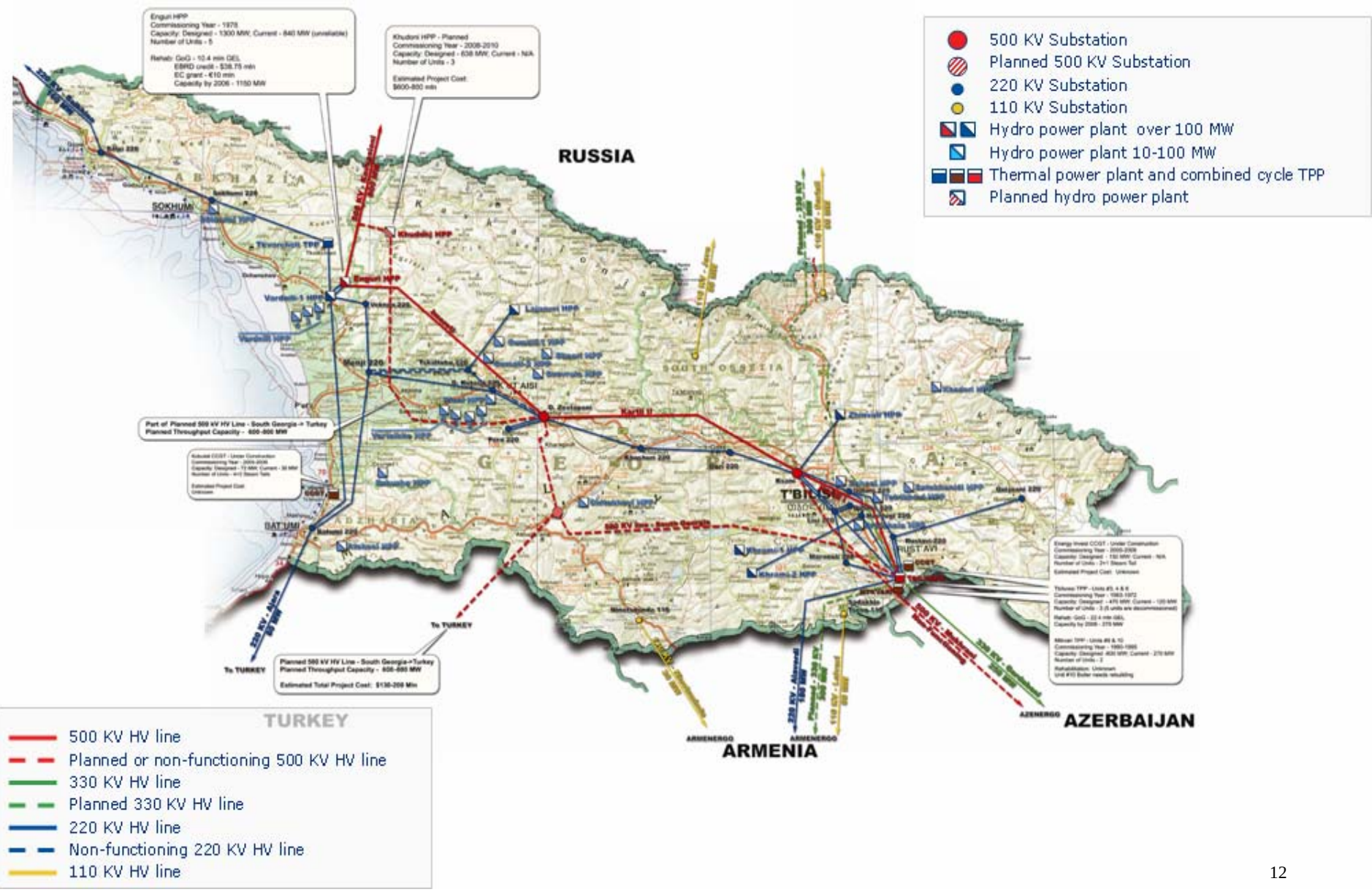
Turkish Electricity Sector

- 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 8% per annum, on average
- Turkey is moving towards significant power shortages with demand outstripping supply and already in 2011 the country is likely to become a net importer of electricity

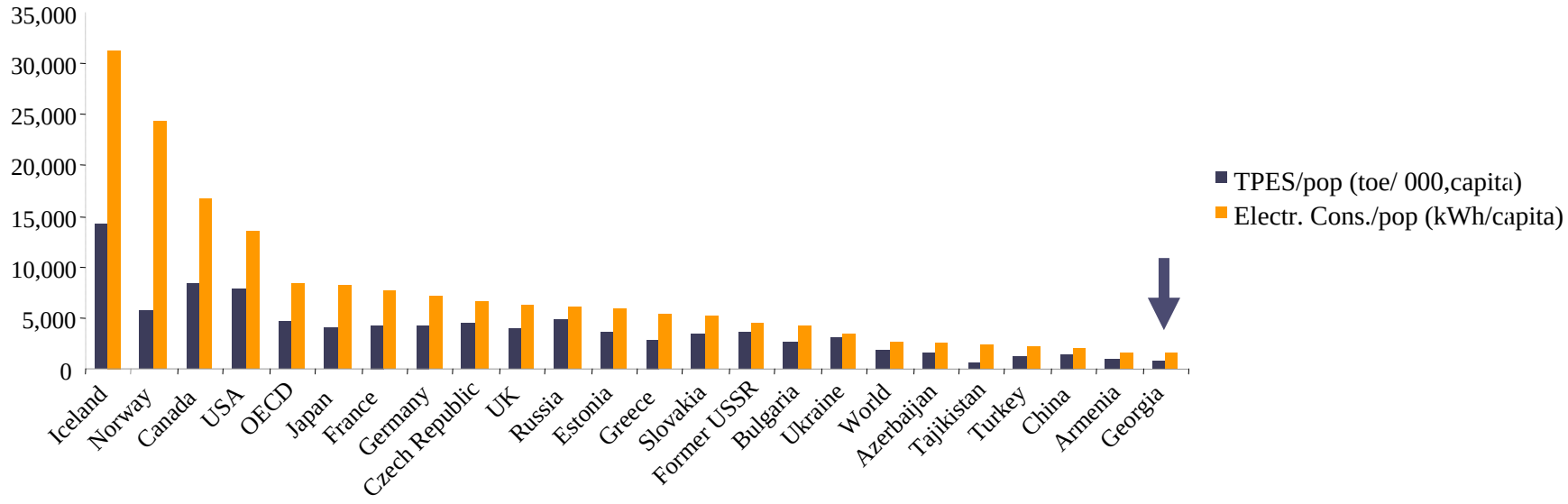
Economic Rationale of Exporting Electricity to Turkey

- 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 12 USc/kWh as opposed to 4 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

Appendix: Power Transmission Network



Appendix: Primary World Energy Consumption Indicators, 2007



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 0.73 TOE/US$ in 2007, which limits the downside potential in case of further energy efficiency improvements

- In 2007, 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

For further information please visit the company website at: www.cei.ge or contact:

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