

Georgian Global Utilities

BGEO Investor day

9 November 2017

Tbilisi, Georgia

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- Performance highlights
- Company strategy

Industry overview – utility market

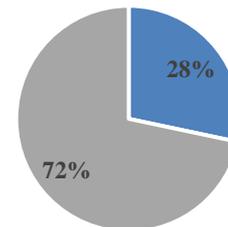
Largely privatized utility sector with high barriers to entry

- Utilities sector in Georgia growing at CAGR 8.3% (2006-2016)
- Large part of the industry privatized, except for WSS utilities and irrigation
- Reforms in progress for aligning the sector with the EU regulations

GGU - only profitable player on Georgia's WSS market

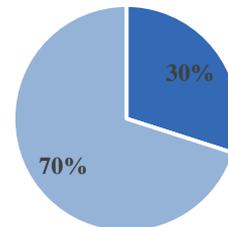
- Largely depreciated water and sanitation infrastructure with average water losses at c. 70% (4-5 times higher than in western Europe)
- Average collection rates from households in Georgia - c. 50%
- GGU's average collection rates - around 96%
- Water utilities other than GGU heavily subsidized by state
- c. 47% of the population serviced on the municipal level with bad service quality, frequent interruptions and poor coverage

Coverage by population



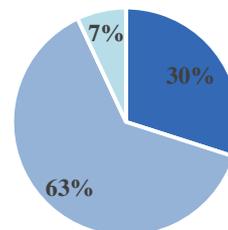
Water

- GGU (Tbilisi, Rustavi, Mtskheta)
- State



Electricity (privatized)

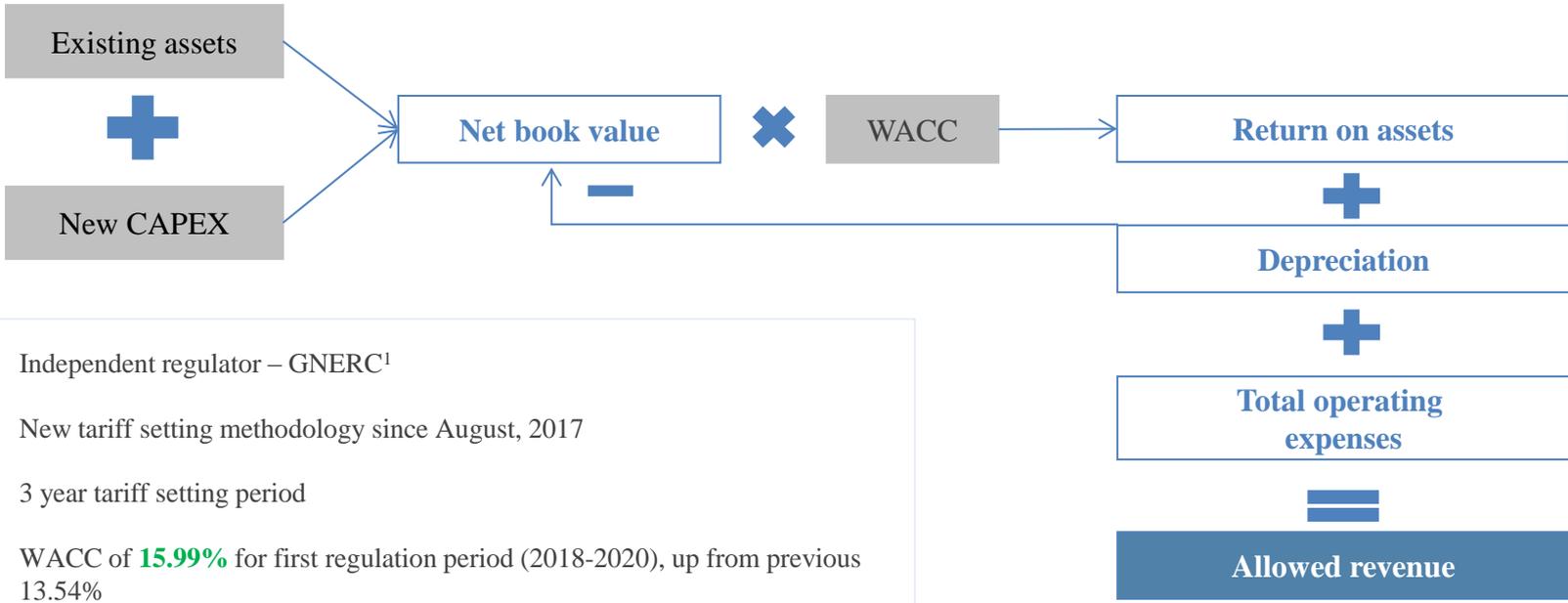
- Telasi (Tbilisi)
- Energo-Pro (regions)



Natural Gas (privatized)

- KazTransGas (Tbilisi)
- Socar Group
- Other

Industry overview – water tariff setting methodology

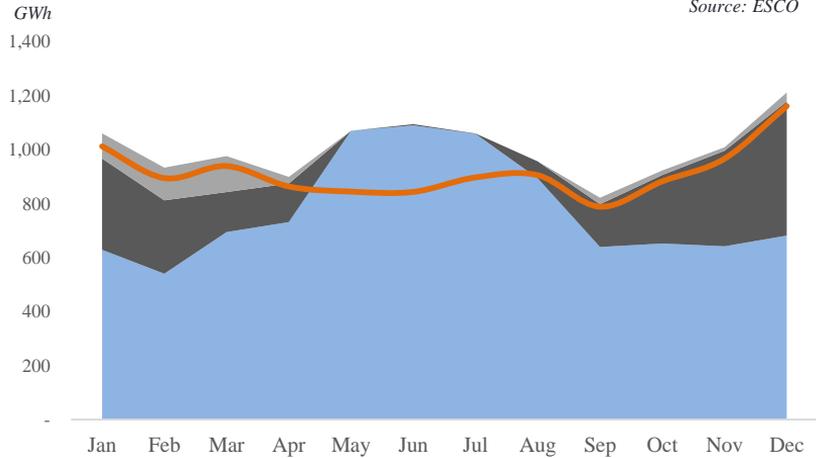


- Independent regulator – GNERC¹
- New tariff setting methodology since August, 2017
- 3 year tariff setting period
- WACC of **15.99%** for first regulation period (2018-2020), up from previous 13.54%

Note 1: GNERC stands for Georgian National Energy and Water Supply Regulatory Commission

Industry overview – electricity market

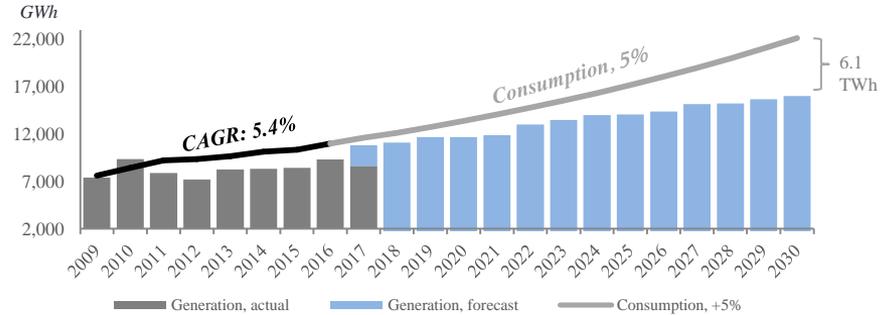
Electricity supply and consumption, 2016



■ Generation, renewables ■ Generation, TPPs
■ Net imports — Internal consumption

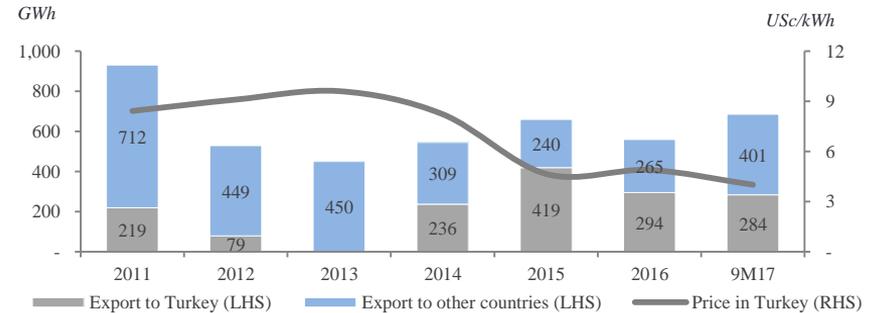
- Electricity deficit during Sep-Apr
- 8-month PPA policy in place
- 20.3% of total consumption produced by gas-fired TPPs, 4.2% - imported (2016 data)

Actual and forecasted consumption



- 9% growth of internal consumption in 9m 2017
- Consumption growth forecasted at 5% CAGR in coming 15 years
- Anticipated deficit of 6.1TWh by 2030

Electricity exports and prices, 2011-2017



Source: ESCO, Geostat, EPIAS

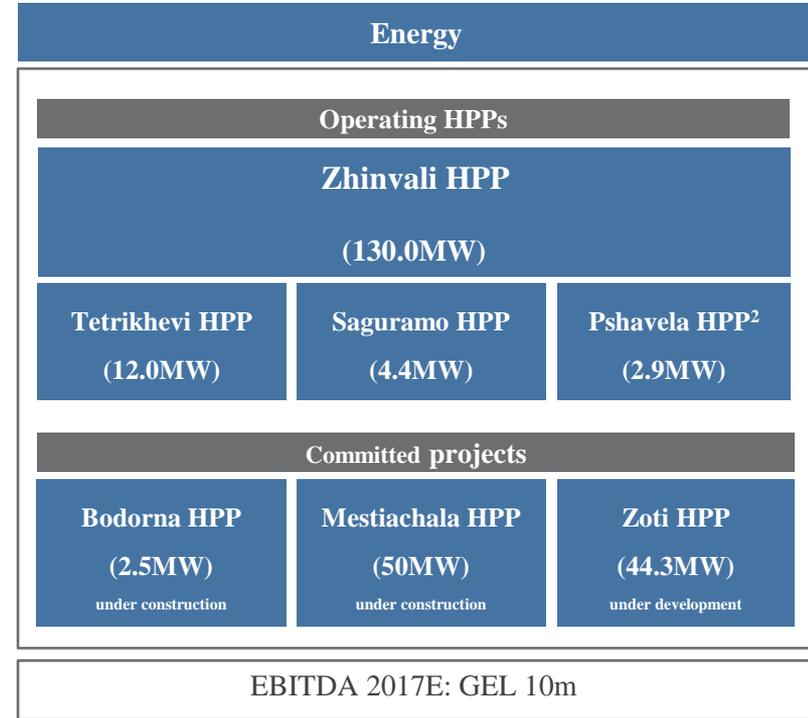
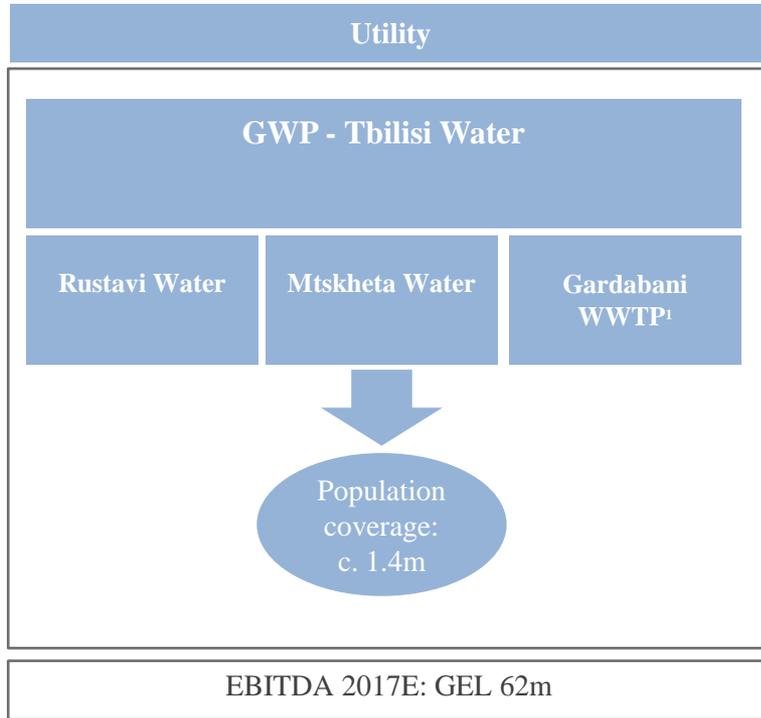
- Decreasing trend of electricity exports to Turkey since 2015 due to increased internal consumption

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Company overview – GGU Group

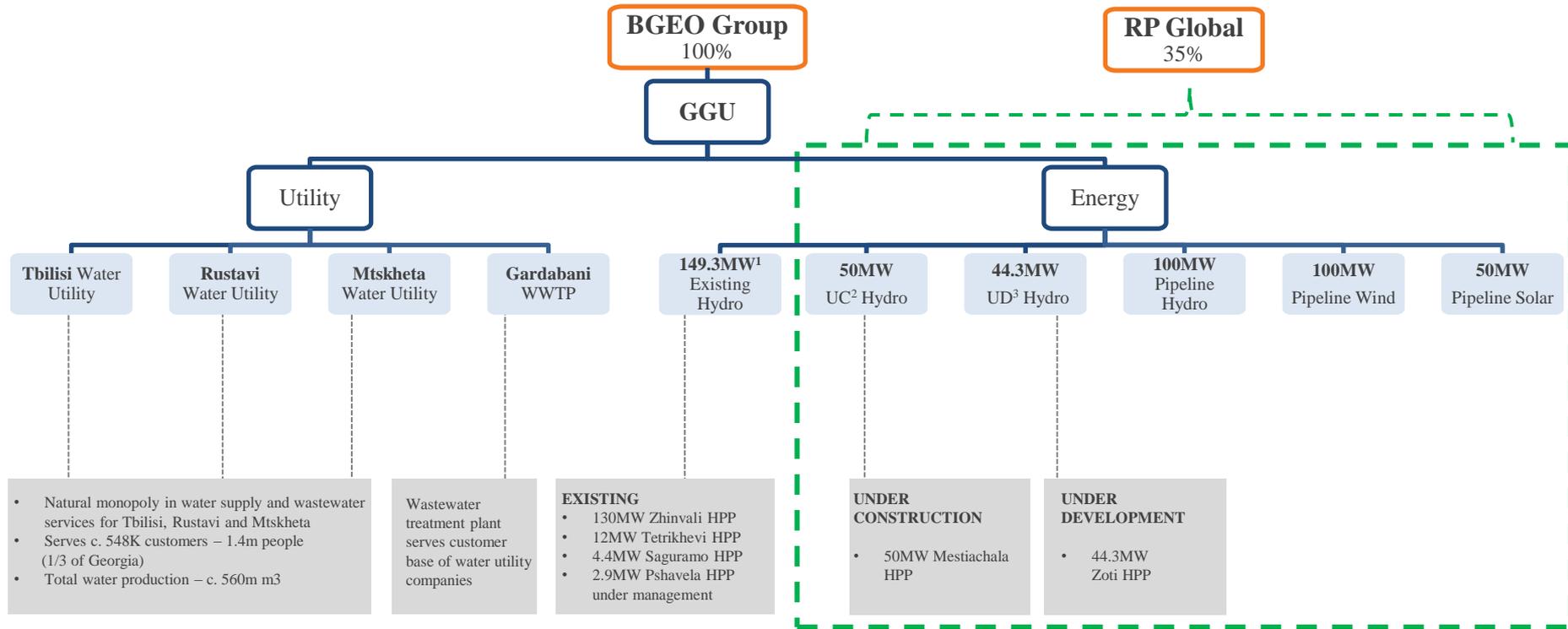
At a glance



Notes:

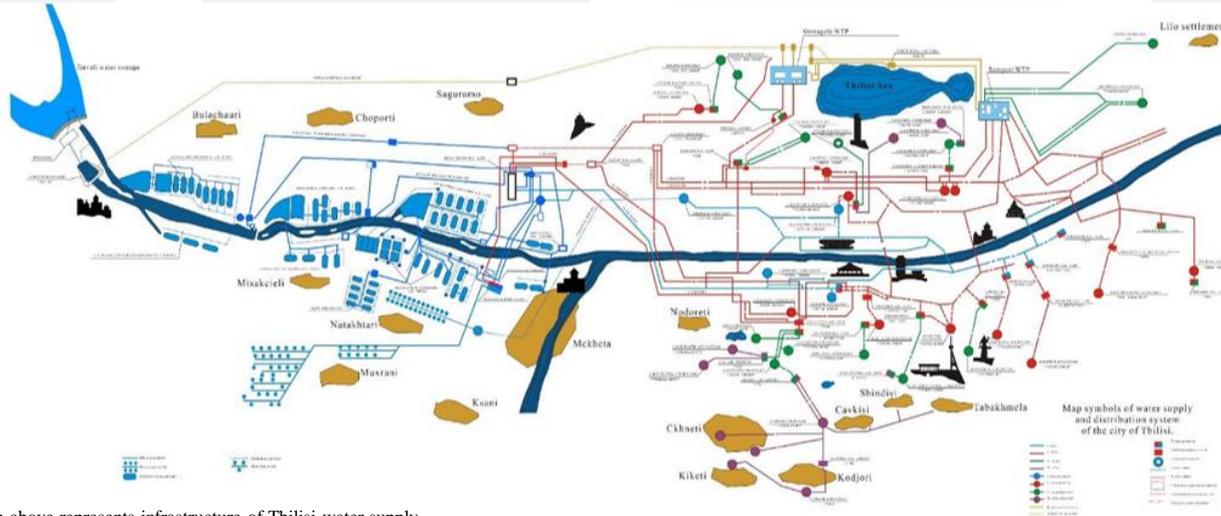
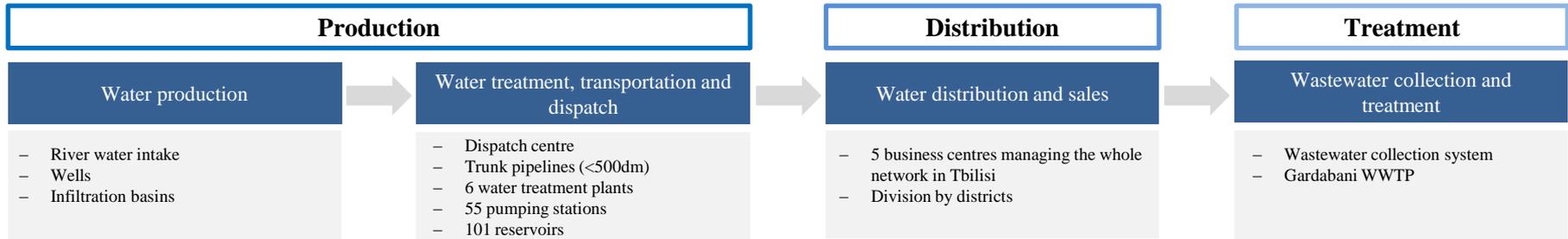
1. WWTP stands for wastewater treatment plant
2. Under operating lease

Company overview – structure by shareholders and activities



Company overview – utility business cycle

Description of business cycle



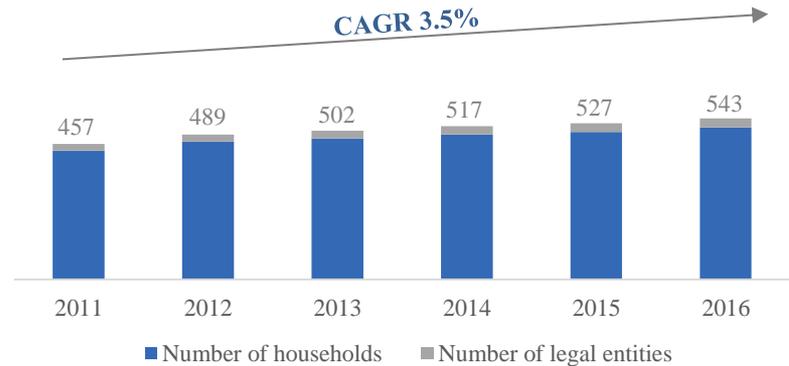
Note 1: Schematic diagram given above represents infrastructure of Tbilisi water supply

Company overview - utility sales

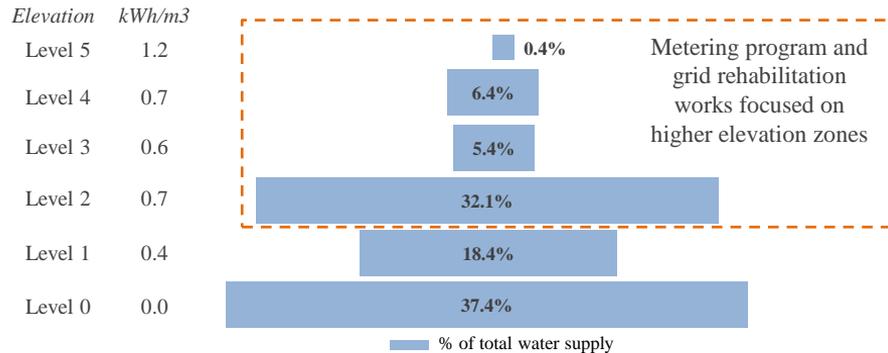
Overview

- 2 types of customers:
 - Legal entities – 100% metered clients
 - Households – c. 75% non-metered clients
- Collection rates are around 96%
- Non-paying customers cut off the power supply
- c. 70% water losses

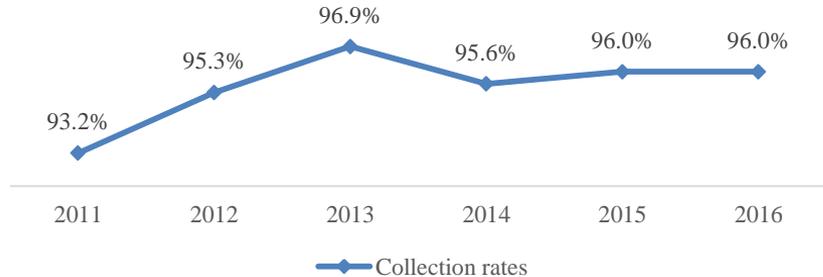
Number of clients 2011-2016 (thousand)



Efficiency gains

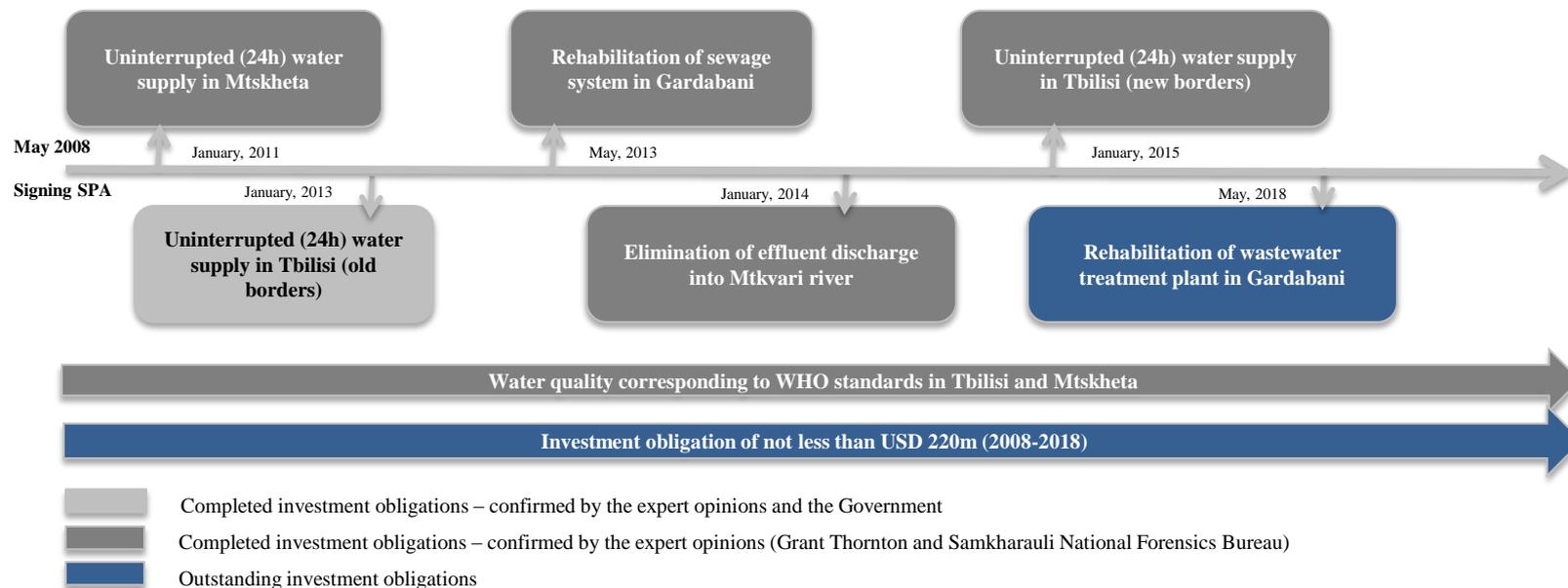


Collection rates 2011-2016



Company overview – share purchase agreement

- In 2008, the Government of Georgia sold 100% shares in GWP, RWC and MWC to GGU
- BGEO Group acquired 25% interest in GGU in 2014 and became 100% shareholder in 2016
- Within the Share Purchase Agreement (SPA), the government required the buyer to carry out number of obligations:



- There are two remaining obligations under SPA that are due in May, 2018 (all other obligations are already duly performed)
- Gardabani WWTP reconstruction is on track
- USD 220m investment obligation is also in the set timeline

Company overview – energy project pipeline

2017

50 MW HPP (Svaneti Hydro)

Status – under construction

Project cost – USD 62.7m

Completion – by December, 2018

2.5 MW HPP (Bodorna HPP)

Status – under construction

Project cost – USD 3.6m

Completion – by September, 2018

2018

44.3 MW HPP (Zoti Hydro)

Status – Under development

Project cost – USD 57.5m

Completion – by December, 2020

Long-term pipeline¹

Hydro

Capacity – up to 100 MW

Project cost per MW USD 1.2 - 1.5m

Wind

Capacity – up to 100 MW

Project cost per MW: up to USD 1.3m

Solar

Capacity – up to 50 MW

Project cost per MW: up to USD 1.1m

Note 1: Pipeline projects are at a very early stage of development, therefore given information is highly indicative

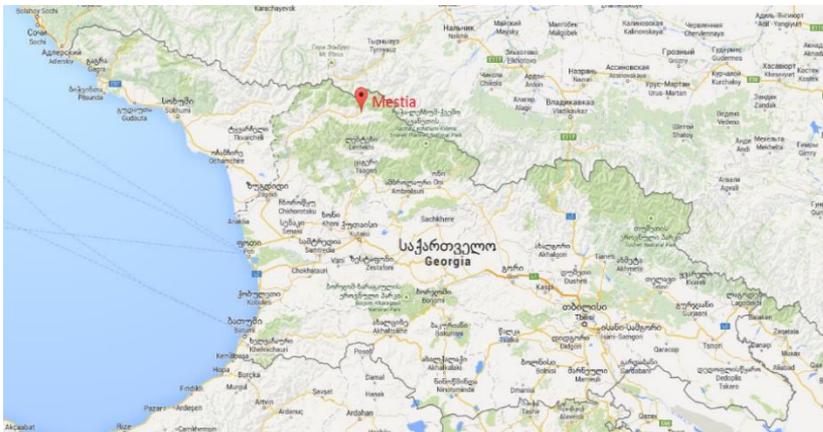
Company overview – energy (Svaneti hydro / 50 MW)

Project main characteristics

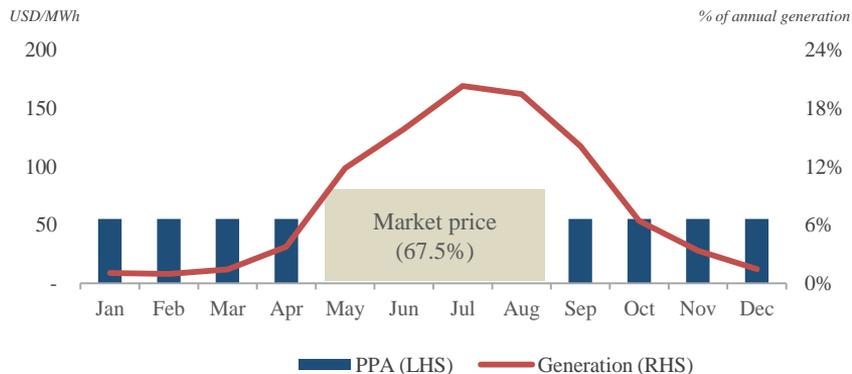
- Location – at the bottom of glacier, near city Mestia, Svaneti region
- Cascade of 2 power plants - 20 MW and 30 MW
- Penstock routes – 2 km and 8 km
- Planned commissioning – December, 2018

Project highlights

Total project cost (US\$ k)	62,720
Total cost per MW (US\$ k)	1,254
Nominal installed capacity (MW)	50.1
Net annual generation (GWh)	174.3
PPA for 8 months (cents)	5.5c
Debt/Equity structure	70/30
FCFF/investment (%)	10.1%
Equity IRR ¹	19.5%



Monthly generation and price



Note 1: equity IRR is calculated on the assumption that the HPP is sold as a 8% yielding asset after five years of operation

Company overview – energy (Zoti hydro / 44.3 MW)

Project main characteristics

- Location - village of Zoti, Guria region in Western Georgia
- Cascade of 2 power plants – 24 MW and 20 MW
- Penstock routes – 1.9 km and 5.8 km
- 2 tunnels – 1.2 km and 1.6 km
- Planned commissioning – December, 2020



Note 1: equity IRR is calculated on the assumption that the HPP is sold as a 8% yielding asset after five years of operation

Project highlights

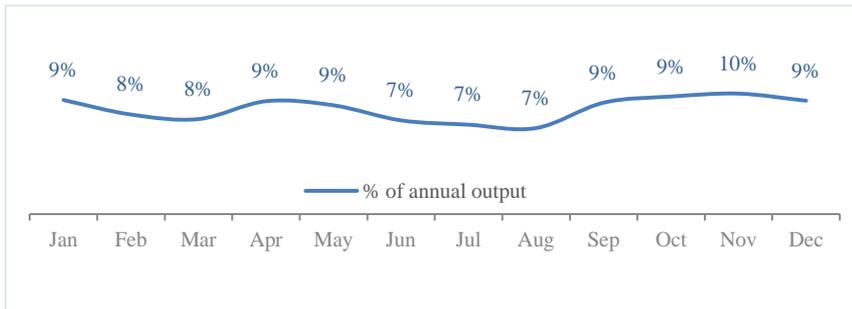
Total project cost (US\$ k)	57,485
Total cost per MW (US\$ k)	1,297
Nominal installed capacity (MW)	44.3
Net annual generation (GWh)	164.3
PPA for 8 months (cents)	Nov-Feb: 4.4c Mar-Apr-Sep-Oct: 5.5c
Debt/Equity structure	70/30
FCFF/investment (%)	11.0%
Equity IRR ¹	19.4%

Monthly generation and price

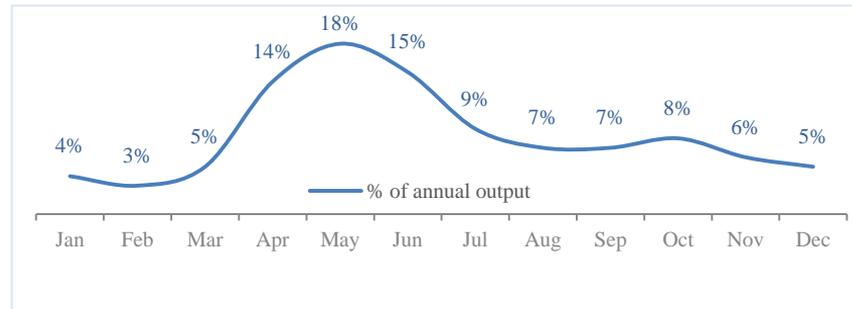


Company overview – why invest in wind power

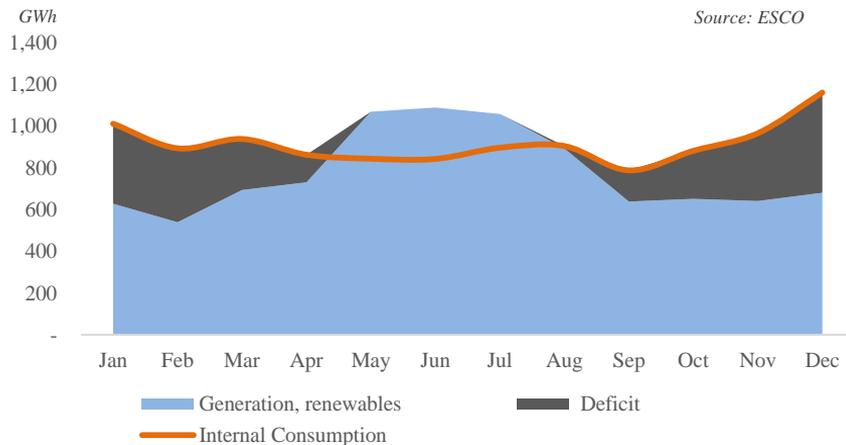
Distribution of wind generation



Typical distribution of a run-of-river HPP



Georgian electricity balance, 2016



- Compared to HPPs, wind power plants (WPPs) have more even distribution throughout the year, adding around 1.5x more output to domestic supply deficit in the eight winter months
- Current PPA policy grants fixed tariffs for 8 winter months
- Merchant risk for wind projects is c.30% in May-Aug, as opposed to 48% on average in run-of-river HPPs
- Lower merchant risk means higher leverage, better financing terms, and enhanced returns on shareholders' equity

Company overview – energy (wind projects)

Identifying wind project opportunities

- Feasibility MoUs available for 7 sites
- 3 locations at first stage of development
- Full year measurement data on 3 sites available by March 2018
- Targeting 100MW construction in 2019



- Further development stage
- Feasibility study stage
- Existing government-owned wind farm



Tbilisi 1



Tbilisi 2



Tkibuli



Martkopi

Company overview – energy (solar projects)

Identifying solar project opportunities



- Further measurement stage
- Early feasibility stage

- Exclusivity Feasibility MoUs with the Government on 10 locations
- 2 locations defined for further development (measurement stage)
- To make solar projects feasible:
 - Better tariff terms from Government (at least 15.6 US cents for 8 months or 10.3 cents for 12 months), or
 - Decrease in hard cost/MW (at least by 50% to EUR 375k per MW)

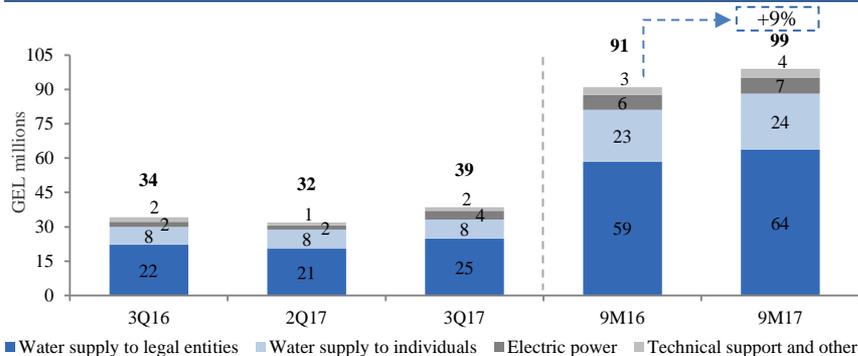
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Performance highlights

Strong performance

Revenue composition

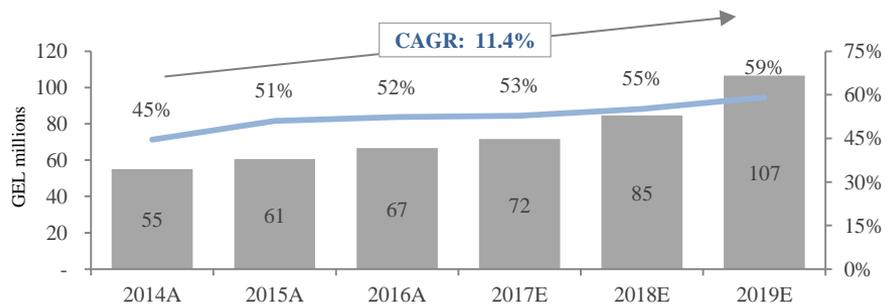


EBITDA

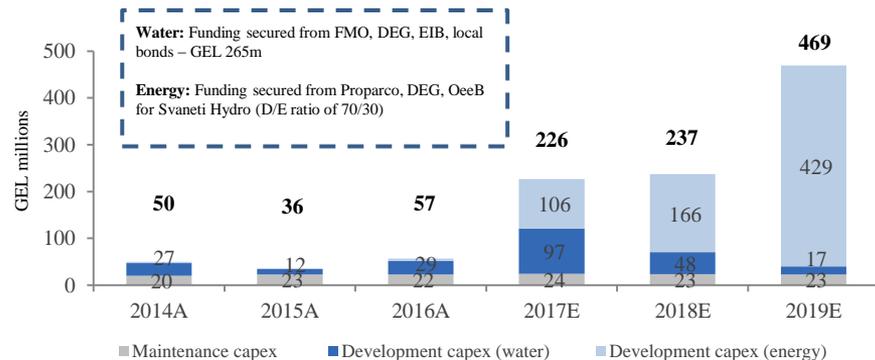


EBITDA and capex evolution

EBITDA 2014-2019E



Capex¹ 2014-2019E



Note 1: Capex figures are presented including VAT

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Company strategy

	CURRENT STANDING	MEDIUM TERM GOAL	TARGETING
1 WATER UTILITY	REVENUE 2017E: GEL 125m EBITDA 2017E: GEL 62m	EBITDA 2019E: GEL 70m +	DIVIDEND PROVIDER
2 ENERGY	REVENUE 2017E: GEL 15m EBITDA 2017E: GEL 10m 149.3MW existing capacity	EBITDA 2019E: GEL 35m + 200MW existing capacity	VALUE CREATION UPSIDE

IPO in 2-3 years time

Questions?

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