

SCHULZE GLOBAL INVESTMENTS



**Commercial Perspective on
Georgia's Hydropower Sector**

July 11, 2014

Introduction to Schulze Global

- A private investment firm focused on the world's most dynamic frontier markets in Africa, Asia, Latin America, Caucasus.
- Manage investments on behalf of the world's leading development finance institutions, family offices, and institutional investors.
- Take a tailored approach to each market – with country-specific funds that implement unique strategies suitable to the particular market's dynamics
- Have been evaluating – and impressed with – opportunities in Georgia's hydropower sector.



Investment Products

- Schulze Global has experience making both debt and equity investments.

Featured Examples:

EQUITY Ethiopia

- \$86.5m fund focused on investing in existing companies.
- Backed by Schulze family, CDC, DEG, FMO, Finnfund; family offices; and institutional investors.
- Sectors include healthcare, building materials, agriculture, consumer goods.

DEBT Mongolia

- \$11m OPIC-backed facility focused on making loans to local SMEs, planned expansion to \$100m.
- Loans to companies in financial services, building materials, manufacturing, real estate.



A Commercial Perspective on the Market



Market Pros

- Business-friendly investment climate
- Excellent location
- Educated population
- Globally undervalued
- EU AA signed – closer to Europe

Market Cons

- Domestic market is small (population of 4M; GDP of \$16B)
- Potential for recurring tensions with Russia

Conclusion:
Invest in Georgia

Conclusion:
Make it an export play...but one not centered on Russia



Hence the Logic for Hydropower Exports



- Country's abundant hydropower – **particularly small-hydro** – is the perfect means to exploit “invest in Georgia with a non-Russian export strategy”
 - Takes advantage of Georgia's stable and investor-friendly market dynamics.
 - Takes advantage of larger economic potential in the region.
 - Total Caucasus and neighboring Turkish population of 90 million and GDP of \$850 billion.
 - Does not depend on Russia as export market.
 - Most attractive export market is Turkey, with consumption of 200TWh in 2010 doubling to 400TWh by 2020.



Turkey Most Natural Export Market



Seasonal Alignment

Turkish demand and Georgian supply both peak in the summer

Price

Turkey has highest electricity prices in the region

Transmission Lines

700MW transmission line already operational – more planned

Political Stability

Turkish-Georgia relationship stable – and symbiotic



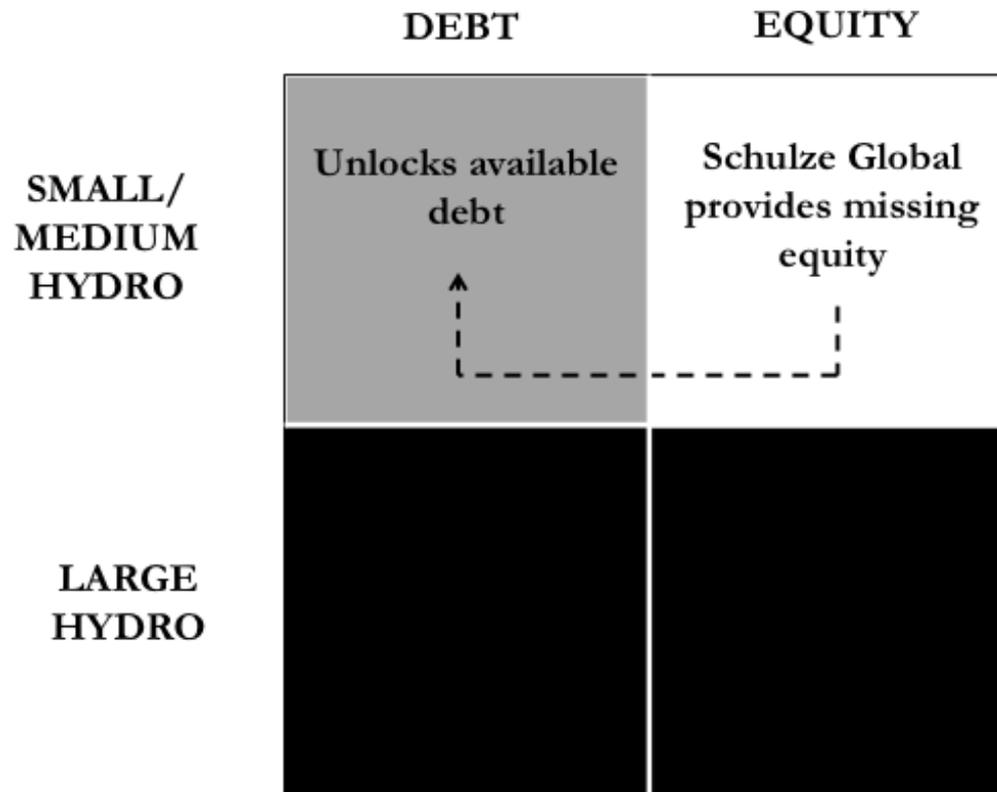
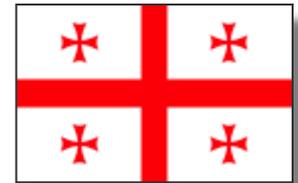
But Small/Medium Development Still Lagging



Project Size	Total Number of Projects on the Market	Number of Projects With Financing
Up to 13MW	95	10
From 13 to 30MW	41	10



...Because of Missing Equity





We look forward to being a part of the development of Georgia's
hydropower sector.

info@schulzeglobal.com

Singapore • Beijing • Sao Paulo • Addis Ababa • Ulaanbaatar • Tbilisi