

JSC Caucasus AgroDevelopment *Company Presentation*



September 2010

Caucasus AgroDevelopment



Key Financials, GEL '000

Selected Balance Sheet data	30-Jun-10	31-Dec-09
Bank deposits	5,401	5,989
Cash and cash equivalents	1,239	1,340
Property plant and equipment	1,703	1,624
Total assets	9,888	9,305
Borrowings	-	-
Total liabilities	344	529
Minority interest	91	-
Total shareholders' equity	9,544	8,776

Selected Income Statement data	Q2-2010	Q1-2010
Operating revenue	-	-
Other revenue	127	169
Total expenses	(130)	(87)
Profit before tax	(3)	81
Net profit	8	70

Company profile

- JSC Caucasus AgroDevelopment (CAD) was established in 2008 under the Georgian law after raising GEL 7.0 mln from institutional investors
- CAD invests in the agricultural sector in the Caucasus region with the primary focus on Georgia
- The company has identified dairy production, cattle-breeding, plant-growing, greenhouse development, poultry production, fish breeding, etc, as its focus areas
- CAD looks to file for IPO on the Georgian stock exchange, after which it will become the sole investable vehicle in Georgia offering investors a direct exposure to the agricultural sector in the country
- CAD's biggest project at the moment is a development of a sizeable dairy farm with a full production chain (primary production, processing and distribution) in Senaki, West Georgia

Caucasus AgroDevelopment



In January 2010 CAD signed a Memorandum of Understanding (MoU) with the Senaki dairy farm on a GEL 3.0 million investment

Main points of MoU

- As a condition precedent to investment by CAD, it was agreed that all the assets of the Senaki dairy farm, including the farm itself as well as processing and a distribution chain are fully consolidated under a single legal entity
- CAD invests GEL 3.0 million in cash
- CAD also contributes 190 ha of agricultural land to the dairy farm, worth GEL 104K, to the existing 225 ha already in the ownership of the Senaki dairy farm
- CAD gets a 70% stake in the dairy farm

About Senaki dairy farm

- Senaki dairy farm started dairy business with 30 high productivity dairy cows back in 1998 with the startup support of experts from Netherlands and US
- Currently the farm houses 160 highly productive (Holstein breed) herd and manufactures wide range of dairy products
- The farm is equipped with modern processing plant & equipment, with processing capacity of 10 tones of milk per day
- Products are distributed in all big cities in West Georgia and supermarkets in Tbilisi
- Personnel employed in the farm are some of the most experienced and skilled labour force



Av. level of rainfall	1,831 mm
Av. relative air humidity	74%
Av. air temperature	+14.5 °C
Max. number of hail days	12
Av. wind speed	2.7 (m/sec)

Senaki dairy farm – investment rationale



CAD intends to concentrate on building a sizeable dairy farm in Senaki region, Western Georgia



Targets and long term strategy

- Most of the GEL 3.0 million investment will be used to increase the herd by additional 200 high productivity Holstein breed cows
- Pregnant heifers will be imported from Netherlands in two stages, in fall 2010 and in spring 2011
- The rest of the capital will be used for the construction of a new farm, land cultivation, renovation of the existing farm and setting up a new milking system
- The management is aiming to establish a modern dairy farm of Western standards
- The long term strategy of the company is to increase the herd to 1,000 heads
- CAD is executing a strategy to supply domestic market with natural and high quality milk products, expanding its production and capturing a reasonable market share in Tbilisi and the rest of the country

Production and manufacturing



Senaki dairy farm will become the only large scale producer of the dairy products in Georgia, with a full production chain under its control



Land

- 415 ha of agricultural land owned, of which 220 ha is currently harvested
- Agricultural land is high quality and pesticide free
- Grows maize, corn, biannual and multiannual crops for herd feeding purposes

Herd

- 160 high productivity Holstein cows are already present at the farm
- 100 Holstein breed pregnant heifers will be imported in September 2010
- Another 100 pregnant heifers will be imported in March 2011
- 2012 targets include:
 - Cow farm with 500 high productivity cows
 - Average cow productivity – 25 litres per day
 - Average annual milk production – 2,000 tones

Processing

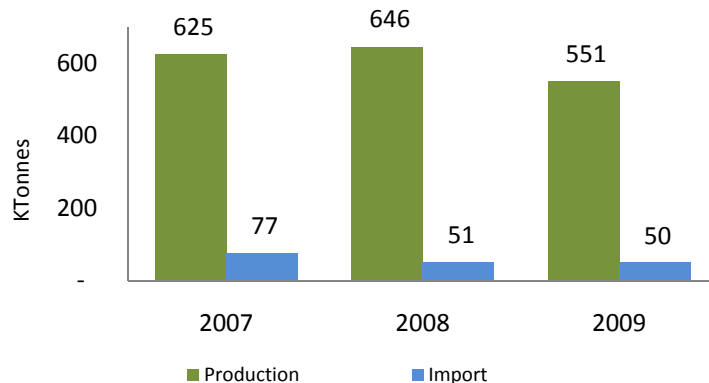
- Products manufactured by the farm:
 - Sour cream
 - Cottage cheese
 - Cheese - Imeruli
 - Cheese – Gauda
 - Matsoni

Why dairy farm in Georgia? - current trends



There is a huge shortage of natural milk & milk products in Georgia, with virtually all dairy products supplied on the Georgian market being manufactured with milk powder

Production and import of milk & dairy products in Georgia



Source: National Statistics Office

Current trends

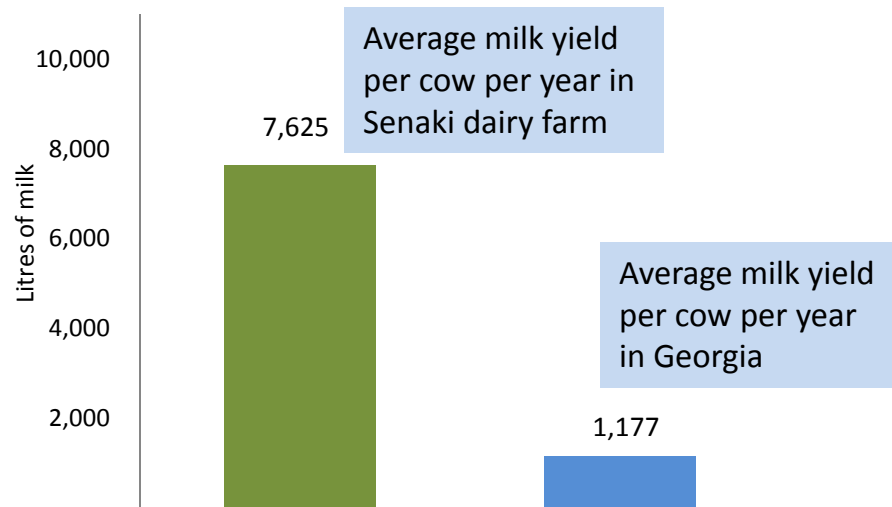
- There is a huge shortage of *natural* milk & milk products in Georgia
- There are virtually no organized dairy farms present in the country and the milk production in Georgia is extremely fragmented. As a result, local prices for natural milk are quite high, especially compared to the neighbouring countries
- Average milk yield of a Georgian cow is 6 times lower, (approx. 4 litres per day) than those of high breed Holstein cows (approx. 22-25 litres per day)
- Virtually all dairy products supplied on the Georgian market, with the exception of very few imports, are mostly or fully manufactured using milk powder

Why dairy farm in Georgia? – advantages of Senaki dairy farm



Senaki farm will become the only large dairy product producer in Georgia, which will have a steady supply of natural milk

Average milk yields in 2009



Source: National Statistics Office , Company data

Advantages of Senaki dairy farm

- Senaki dairy farm will be the first organized large scale dairy farm in Georgia equipped with the full production chain
- The farm will house approximately 500 highly productive Holstein herd, with average milk yields of 20-25 litres per day
- According to the recent legislation, the dairy producers are obliged to explicitly state on the dairy product packaging the exact milk and milk powder content of the products they supply
- Senaki farm will become the only large scale dairy product producer with an access to the high quality natural milk at low cost, giving it a significant edge over its competitors

Management



Bidzina Bejuashvili serves as a Chairman of the Supervisory Board of CAD and also is a Chief Executive Officer of Abbey Asset Management. Prior joining Abbey Asset Management, 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). Prior to moving to London in 2000, Mr. Bejuashvili served, first, as an analyst and, later, as the Head of Equity Research at Raiffeisenbank, Moscow (1996-2000). Mr. Bejuashvili started his investment banking career with the CEE corporate finance arm of MeesPierson, one of the oldest Dutch banks, in 1996. Mr. Bejuashvili holds a Master of Arts degree in Economics from Boston University



Rati Mekvabishvili joined CAD in 2008 as a Chief Operating Officer and since August 2009 serves as a Chief Executive Officer of the company. Prior to joining CAD, Mr. Mekvabishvili served as a Deputy Head and later as the Head of Eurointegration and International Organizations Relations Division at the Ministry of Agriculture of Georgia (2006-2008). Mr. Mekvabishvili holds a Master of Science degree in Behavioural Economics from the University of Nottingham. Before continuing his studies in the United Kingdom, Mr. Mekvabishvili spent one academic year as a Guest Student at the University of Copenhagen. Mr. Mekvabishvili also holds Master's and Bachelor's degrees in Economics from Charles University in Prague.

Contacts



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

Bidzina Bejuashvili, Chief Executive Officer

Abbey Asset Management

bbejuashvili@abbey.ge

+995 95 227 997

Rati Mekvabishvili, Chief Executive officer

Caucasus AgroDevelopment

rati.mekvabishvili@agrofund.ge

+995 99 159 573

Nino Sharashenidze, Investor Relations

Abbey Asset Management

nsharashenidze@abbey.ge

+995 77 760 800

Appendix: Country snapshot

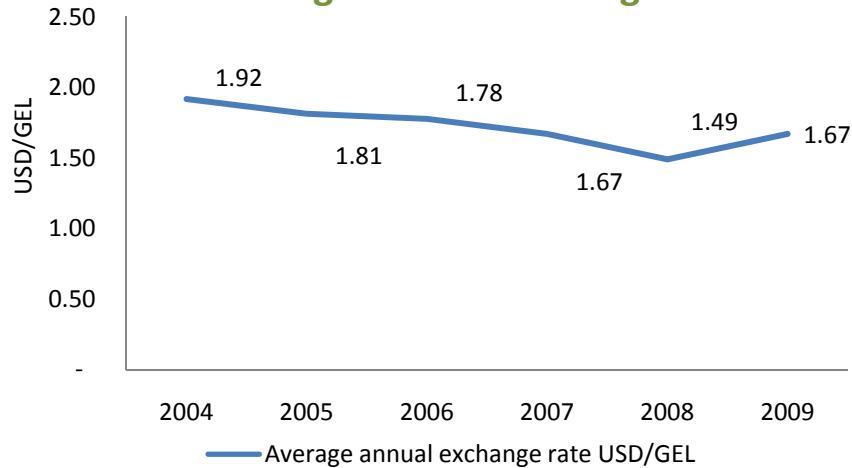


GDP & Real GDP growth



Source: National Statistics Office

Average annual exchange rate



Source: National Statistics Office

GDP per capita & Inflation rate



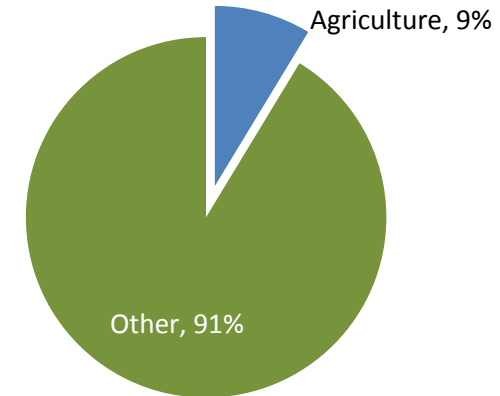
Source: National Statistics Office

Appendix - Georgian agricultural sector overview

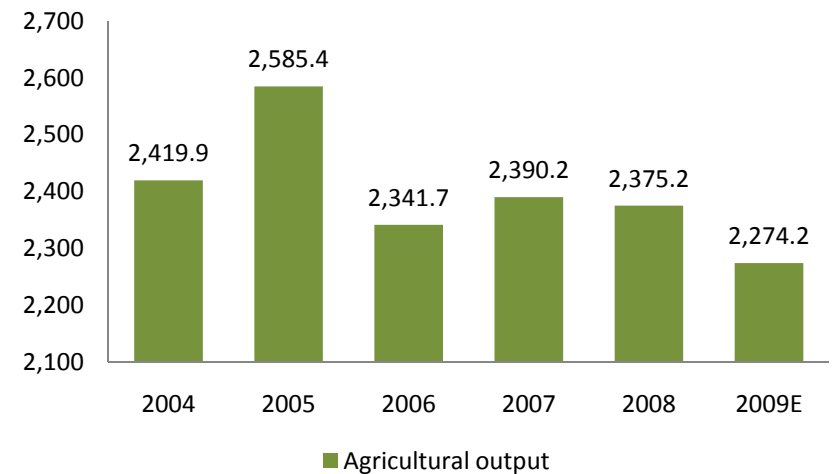


- Historically, the agricultural sector represented about 20% of Georgian GDP
- In the last couple of years the share of agriculture has dropped considerably
- Fragmented agro lands, outdated technology, absence of storage facilities and not diversified export markets have all contributed to the underdeveloped agricultural sector in the country
- In order to revitalise the agro sector Georgian government has undertaken significant reforms, including:
 - Adapting a new law on privatisation of more than 65,000 ha state agro land and simplifying the land registration process
 - Introducing the presidential program “Machinery for rural economy” making the equipment easily accessible for farmers
 - Presenting simplified credit programs for building storage facilities in regions

Share of agriculture in total output



Agricultural output, GEL mln



Appendix - advantages of investing in the Georgian agriculture



- 0% VAT on primary supply of agricultural products
- 0% of import duty on agricultural and other equipment
- 0% export duty and 100% VAT refund on primary agricultural products
- 0% property tax on small plots of land (less than 5 ha)
- Cheap and skilled labour force
- Liberal labour regulations
- Wide range of climatic zones
- Rich and pesticide-free soils, ideal for production of organic food
- Well developed transport sector including railway and sea ports essential for effective exports of agricultural goods
- Rich tradition of winery, citrus, cattle breeding and others
- Special incentives for foreign investors, e.g. “100 New Rural Enterprises”, which envisages selling state-owned land at a major discount to its market value, should investors fulfill their pre-declared investment obligations
- Free Trade Agreements (FTA) with CIS countries and Turkey and Generalized System of Preferences (GSP) agreements with EU and US



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