



EU ENERGY SUPPLY - THE ROLE OF GEORGIA

TIRANA
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DAVID ONIANI



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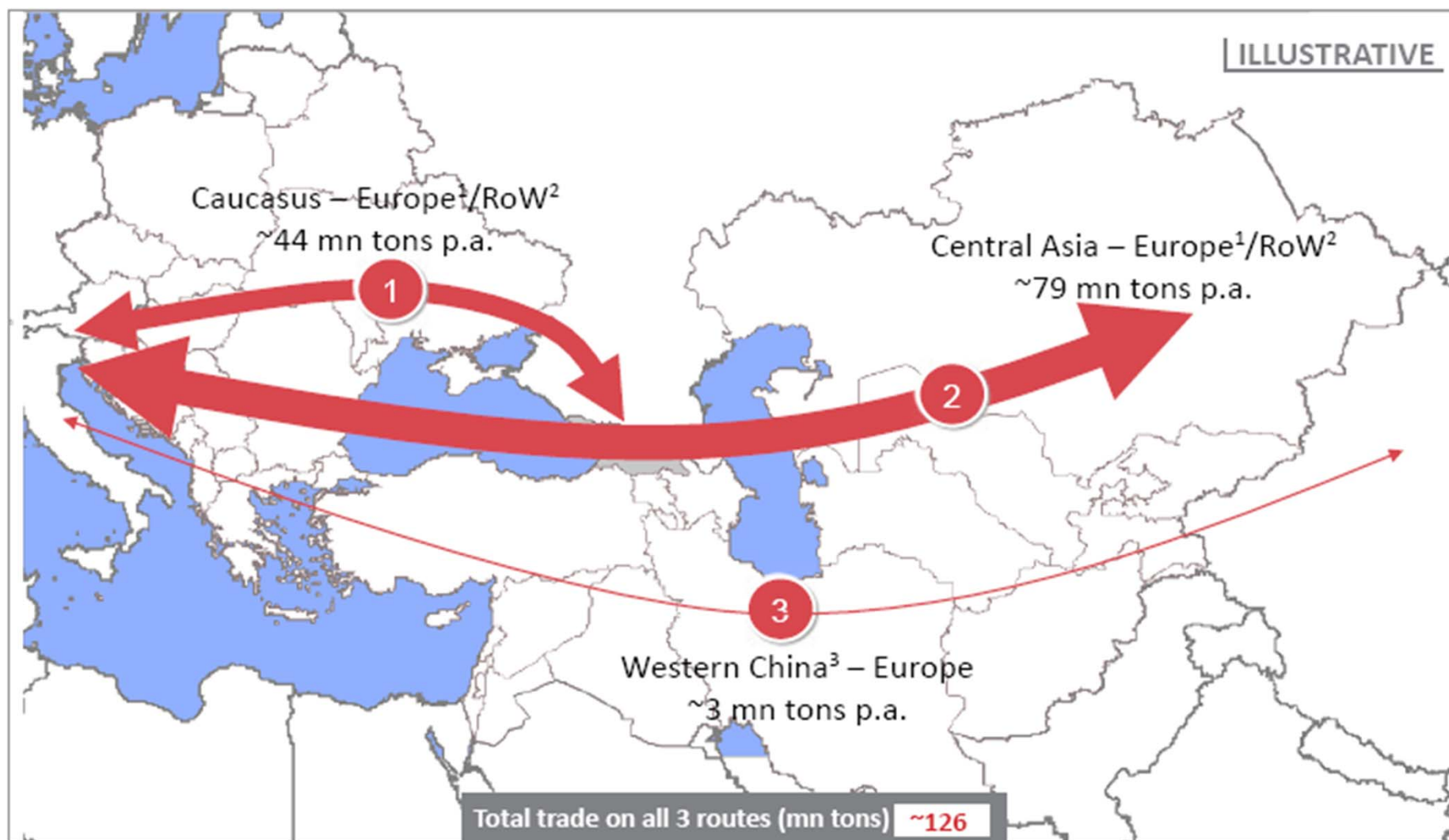


Current Setting in Georgia

- FDI #1 priority of the government (strong infrastructure support)
- A politically stable investment destination
- Growing ties to the EU
- Enlargement of market size by Free Trade Agreements
- Entry gate in the region
- Stable and liberal energy sector with low entry barriers



Georgia can utilize its location to address several flows on the major European-Central Asian trading routes



1 Including Eastern Europe, Balkans and Turkey; 2 Excluding Central Asia, Asia and Middle East; 3 Estimated using total export volume by province



Liquid bulk – Most relevant addressable flows are between Caucasus and Europe and Central Asia and Europe

Million tons

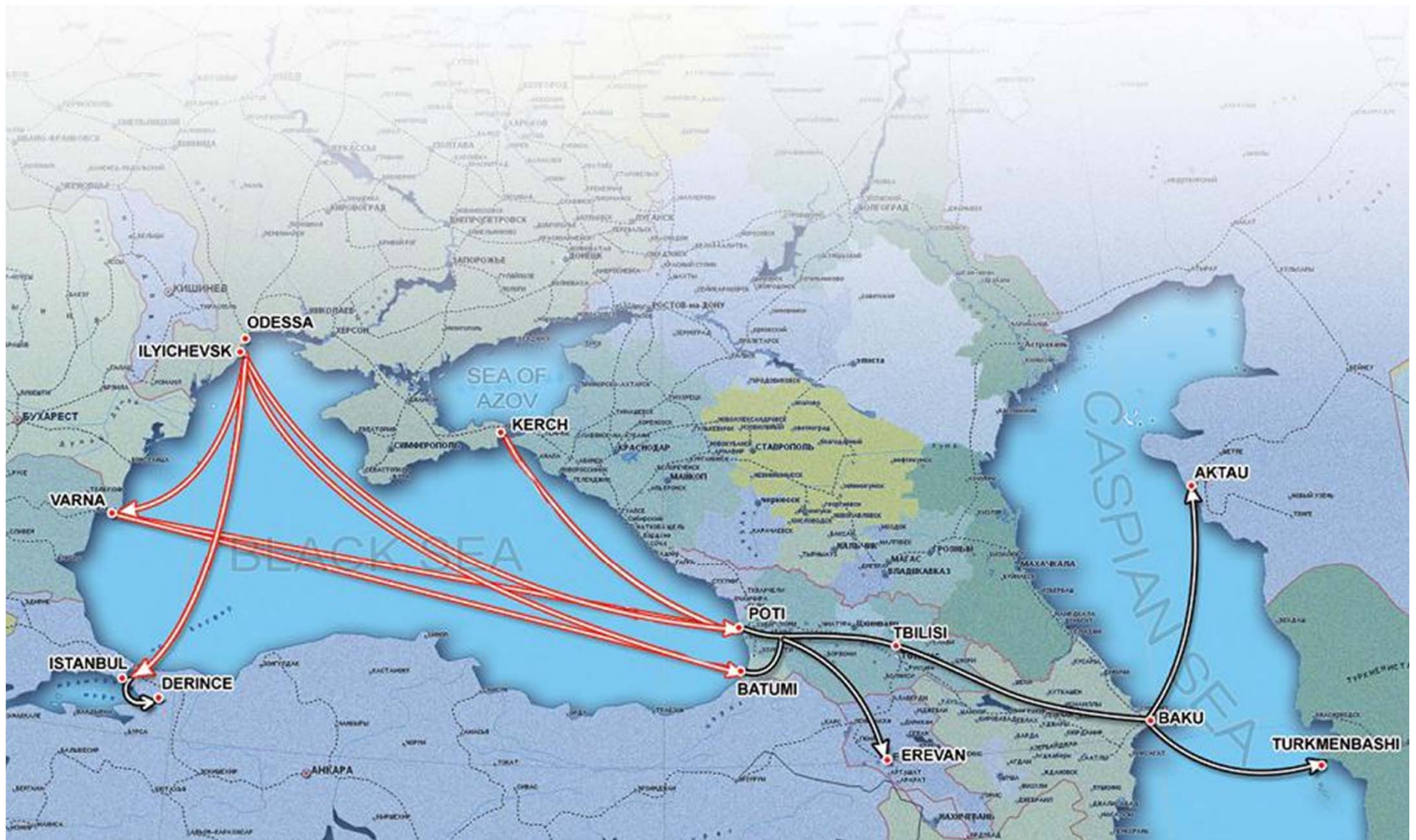
Destination

■ Addressable flows

■ Other flows

		Destination					
Origin		Caucasus	Central Asia	Europe	Western China	RoW	Total addressable
Liquid bulk	Caucasus	1	0	21	0	13	35
	Central Asia	0	4	55	1	6	61
	Europe	1	1	N/A	0	N/A	2
	Western China	0	0	0	N/A	0	0
	RoW	1	1	N/A	8	N/A	2
Total addressable		3	2	76	0	19	100

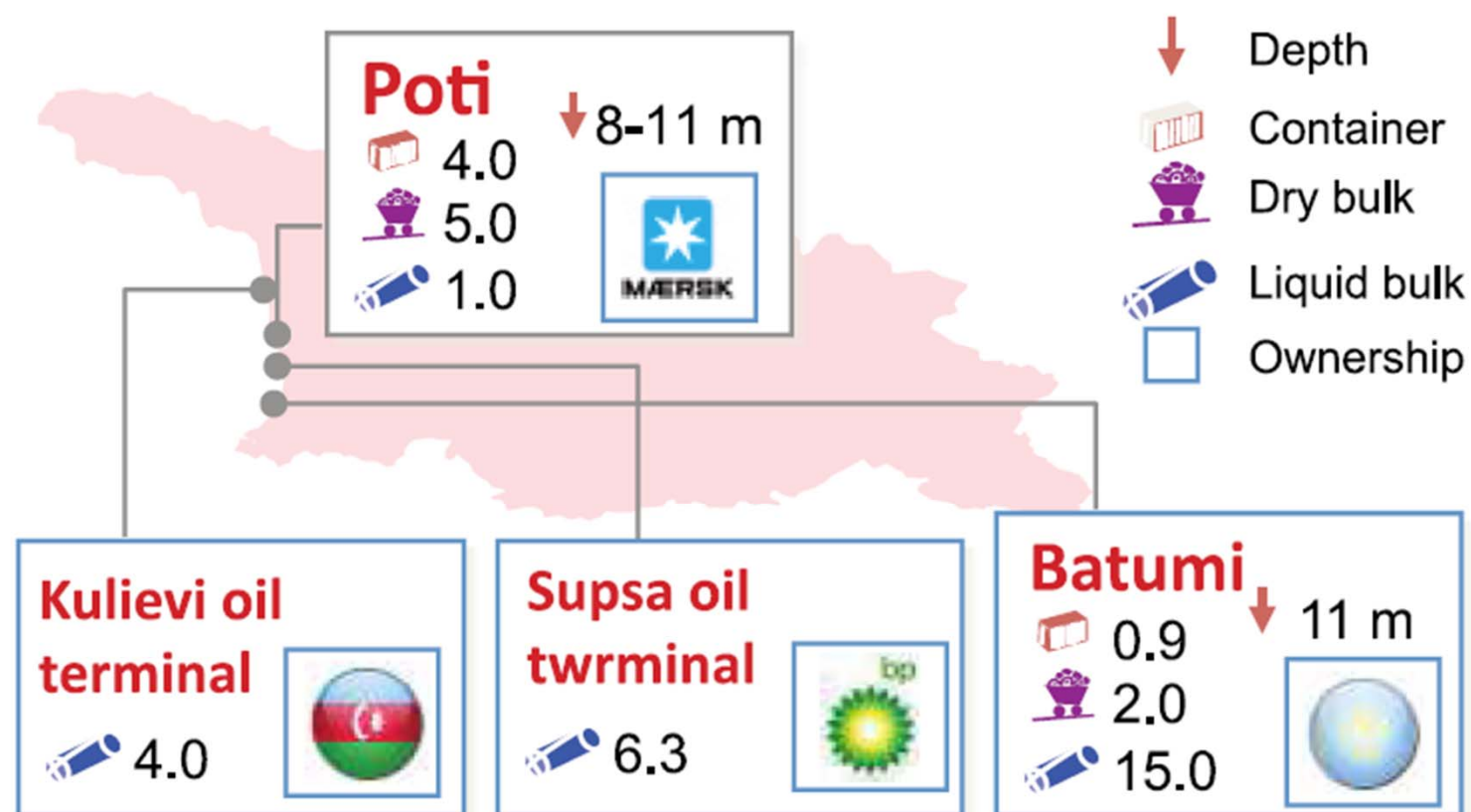
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Million tons

Current port capacity



Poti seaport

- 15 berths, 8-11m draft
- Container(450k TEU) oil products /bulk (7 mln. t/year)
- APM terminals
- New ICT

Batumi seaport

- 8 berths, 1 offshore, 9-12m draft
- Oil/prodcuts (15mln. t/year), bulk (2mln. t/year), containers (100k TEU)
- JSC KazTransOil

Kuhlevi oil terminal

- Crude oil, petroleum, and lubricants (6mln. t/year)
- State Oil Company of Azerbaijan

Supsa oil terminal

- Crude oil and petroleum

Deep-sea port

- 18-20m natural draft
- First phase: Dry bulk (1.5mln tons) and containers (350k TEU/year)
- USD 0.5 bln investment volume

Main Road Network:

- 1 500 km international roads (20 000 km all roads)
- 150 km new Highway constructed

Railway:

- Infrastructure: 2 100 km (95% electrified); modernization in progress (30mln t/year)
- Rolling Stock: existing ~8 000; planned ~2 500
- Baku-Tbilisi-Kars(2015): link with Turkish railway networks (5 mln t/year)

Tbilisi international airport

- ~1 million passengers /capacity: 3 million passengers
- Serving 28 destinations

Batumi international airport

- 100,000 passengers

Kutaisi international airport

- Passenger, incl. low-cost airlines

**Mestia national airport****Oil/Gas Pipelines**

- Baku-Supsa (7 mln t/year)
- Baku-Ceyhan (45mln t/year)

GOGC – Key Highlights

Background

- 100% ultimately owned by the Georgian Government
- Represents natural pipeline monopoly and bears National Oil Company status
- Business restructured post 2006-2007 mergers with Georgian Gas International Corp and Georgian International Oil Corp, changed legal form to JSC under State Partnership Fund of Georgia

Mission

- Ensure Energy Security of the Country by attracting competitive energy resources
- Diversify business by entering into already established and closely-associated sectors of the industry with growth higher than GDP but financial profile matching GOGC's
- Further develop its infrastructure network
- Serve at the State's arm length and implement energy policy agenda under its direct guidance
- Maintain its dominant position on the market and derive benefits from country's geopolitical setting

Financial Profile

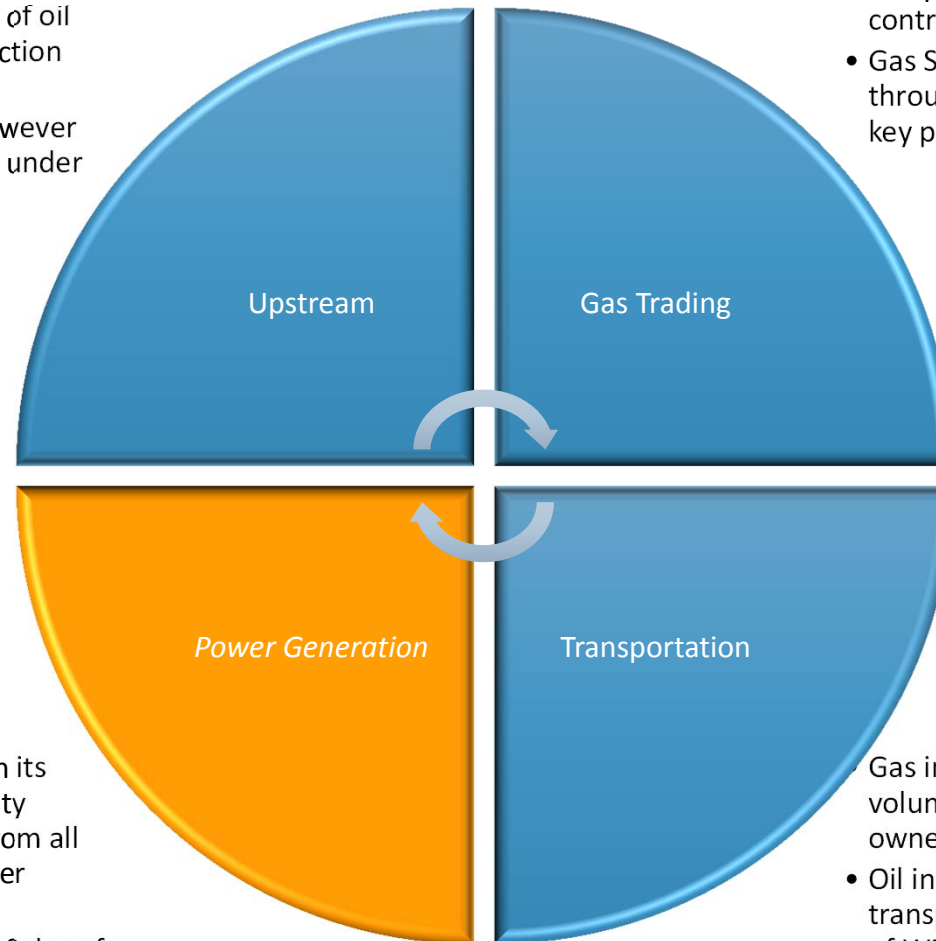
- Stable future revenue streams
- Strong outlook for profit margins and cash flow generation from existing business
- Minimal and foreseeable Capex required to support existing activities
- Limited FX exposure, as majority of revenues and expenses are denominated in US\$



Business Overview

Diversified energy company operating across 4 segments

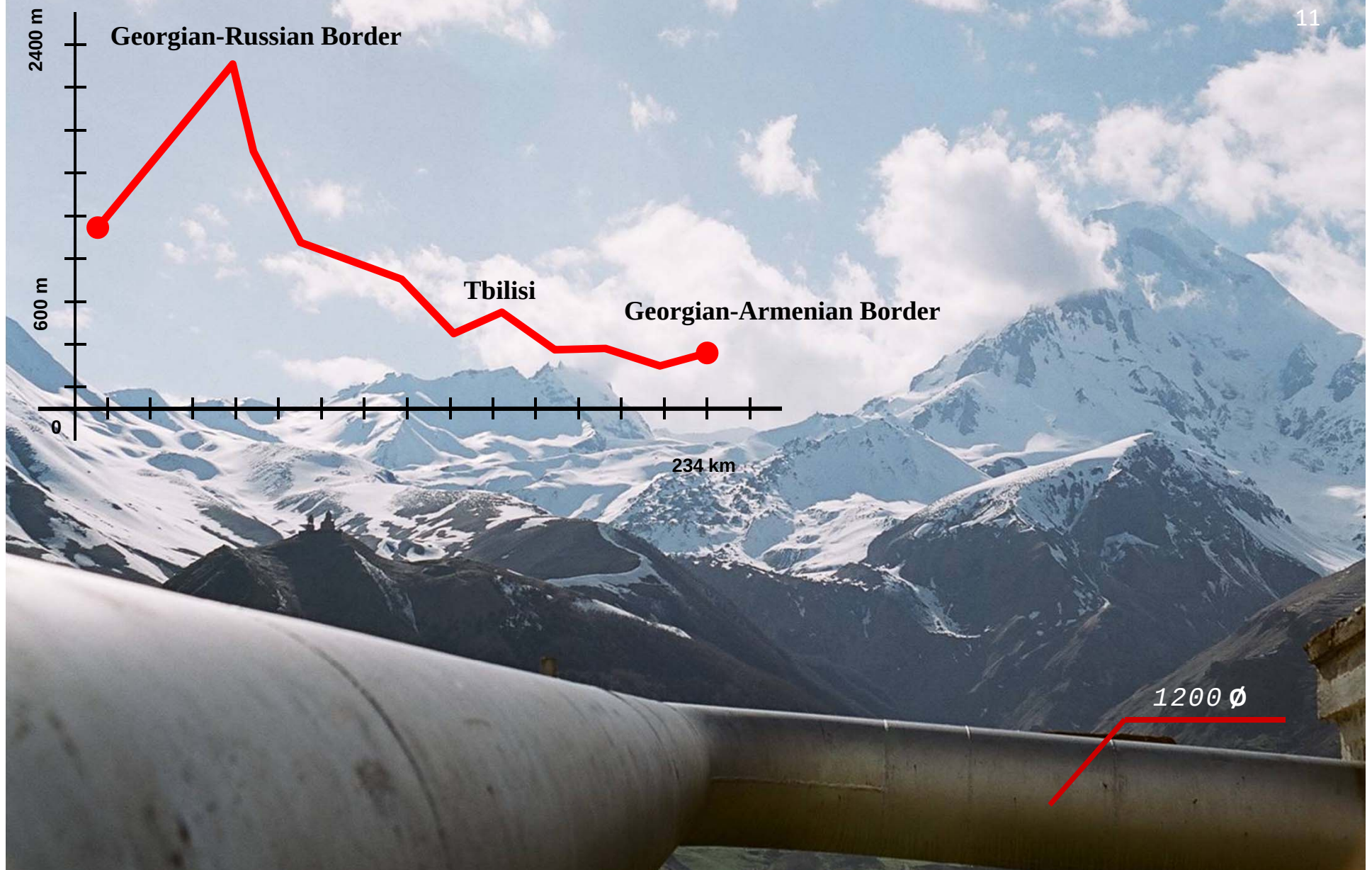
- In its capacity of NOC (National Oil Company) receives state share of oil and gas earned through production sharing contracts
- Not currently active in E&P, however GOGC maintains back-in rights under Production Sharing Contracts



- Gas purchased through four long-term contracts
- Gas Sold into the domestic market through long-term contract with our key partner - SOCAR

- Guaranteed Capacity – through its CCPP GOGC will act as electricity backup and receive fixed fee from all consumers and exporters (under electricity market legislation)
- Domestic and potential export Sales of Electricity (high demand in Turkey)

- Gas in partnership with GGTC for volumes transported through GOGC owned MGPS
- Oil in partnership with BP for volumes transported through Georgian section of WREP (owned by GOGC)



Underground Gas Storage Project Under Discussion

- In line with Mission to Ensure Energy Security
- Active gas volume of 200-250 mmcm
- Withdrawal rate > 5 mmcm/day
- Preliminarily estimated project cost – c.\$250mn
- Site used for oil exploration since 1979, thus geological setting is well-known and data is consistent
- Agreement for site hand-over already in place
- Feasibility Study shall be sufficient enough to clearly identify the project feasibility and the terms that will be acceptable for GOGC and

Location Secured



Timeline



High Pressure Gas Pipeline Grid





North-South Gas Pipeline

- During 2007-2009 GOGC carried out massive USD 50 million rehabilitation of NSGP, which allowed increase of NSGP's actual throughput capacity from 3,5 to 5 Bcm/y, reduction of gas losses and failures on the pipeline.
- Upgrade of existing and installation of new compressor station will allow further increase of throughput capacity up to 8,5 bcm/y. At this stage GOGC does not plan to perform these works.



East-West Gas Pipeline

- EWGP is the only source of gas supply to the major part of the Eastern Georgia and the entire Western Georgia; Pipeline required immediate rehabilitation to ensure safety and reliability of operation, to reduce gas losses and GHG emissions, to develop adequate pipeline capacity for higher transit volumes and flow rates;
- Pipeline throughput capacity is destined to increase from current **0.5 billion cubic meters per year to 2.1 billion cubic meters (bcm)** – A four-fold increase
- The project provides a unique opportunity for GOGC to plan and conduct the rehabilitation using latest construction technologies and materials (Horizontal Directional Drilling (HDD); spirally welded pipes; flexible low impact structures i.e. ecobags, gabions, rip raps etc.)



SCPX



The expansion of the South Caucasus Pipeline is part of the Shah Deniz Full Field Development project. This expansion will involve the laying of new pipeline across Azerbaijan **and the construction of two new compressor stations in Georgia**. This will **triple** the gas volumes exported through the pipeline to **over 20 billion cubic metres per year**.

At the border between Georgia and Turkey, the pipeline will link into other new pipelines to provide gas into Turkey and the European Union.



Scope of Work

SCPX CONSTRUCTION PIPELINE – CONTRACT B – Package G1

SCPX



■ Package G1 (Georgia):

Package G1 – Kp.0 – Kp. 63 from Mid. 2015, with the Mainline pipeline phases will have the same philosophy starting from Pkg. A3 until achieve the Mechanical completion on the 15 April 2017.

MX81 – Tanap Interconnecting – 2,5 Kms of 48” of Pipeline near to Turkish Border,

Pipeline Infrastructure Rehabilitation/Development Projects





Potential for Development

- Potential for development of high pressure reverse pipelines and swaps with every neighbor;
 - Connection to more than 500,000 householders and all industrial consumers & TPP's;
 - Sovereign ownership of all infrastructure by Georgian Government (ultimately);
 - Freedom of TPA;
 - Potential for additional flows;
 - Moderate and transparent regulatory framework;
 - Harmonized procedures with partners (long term contracts)
- 

AGRI LNG



AGRI Project route

- - Pipeline transport through Azerbaijan and Georgia
 - Liquefaction process in future LNG terminal in one of Georgia's harbors
 - Crossing the Black Sea by tankers
 - Re-gasification process in future LNG terminal on the Romanian Black Sea Coast
 - Pumping the natural gas into Romania's pipeline system for transit and domestic consumption
 - Delivering the rest into Hungary's gas transport system through Romania - Hungary Interconnector (Arad-Szeged)
 - Pipeline transport through Hungary either for internal use, or to be transported farther in Europe

SHAREHOLDERS

SNGN ROMGAZ S.A. ROMGAZ

GEORGIAN OIL AND GAS CORPORATION"

State Oil Company of Azerbaijan Republic

MAGYAR VILLAMOS MŰVEK ZÁRTKÖRŰEN

MŰKÖDŐ RÉSZVÉNYTÁRSASÁG



Western Route Export Pipeline (WREP)

- Transit corridor passing Georgia represent one of the most attractive routes for supplying international markets with Caspian hydrocarbon resources. Georgia has been transporting Azeri oil for already a century by rail, sea ports or via pipelines.

	Volume of Tanks, M ³	Capacity, Mta Oil	Prospects, Mta Oil
Batumi	570 000	≈10	≈12
Poti	118 000	1,5-2	≈4
Supsa	195 000	≈6	≈10
Kulevi	320 000 -600 000	≈6	≈20
Anaklia	-	-	≈8-15 (dry cargo)

- Strategic cooperation developed between Azerbaijan, Georgia and Turkey resulted in the effective implementation of Caspian energy resources transit projects through the Baku-Supsa (WREP), Baku-Tbilisi-Ceyhan (BTC), as well as Georgian Black Sea terminals and Railways.
- Georgia holds a significant transit potential in terms of further delivery of Azeri and entire Caspian region's oil resources to the international markets.

EAOTC (Sarmatia) Project Route

- EAOTC creates an alternative, independent and reliable transportation route for the crude oil from the Caspian Region to Europe;
- EAOTC allows to increase the level of energy security in the participating countries and EU;
- EAOTC increases opportunity for Energy Solidarity and partnership between the EU and countries participating in the Project;
- Brody-Adamovo section of EAOTC is included in the list of Projects of Common Interest of EU (PCI) and of the Energy Community (PECI);
- Demand will come from Central and Eastern Europe refineries, also probably from Mazeikai and Rotterdam via Gdansk

SHAREHOLDERS

GEORGIAN OIL AND GAS CORPORATION

State Oil Company of Azerbaijan Republic

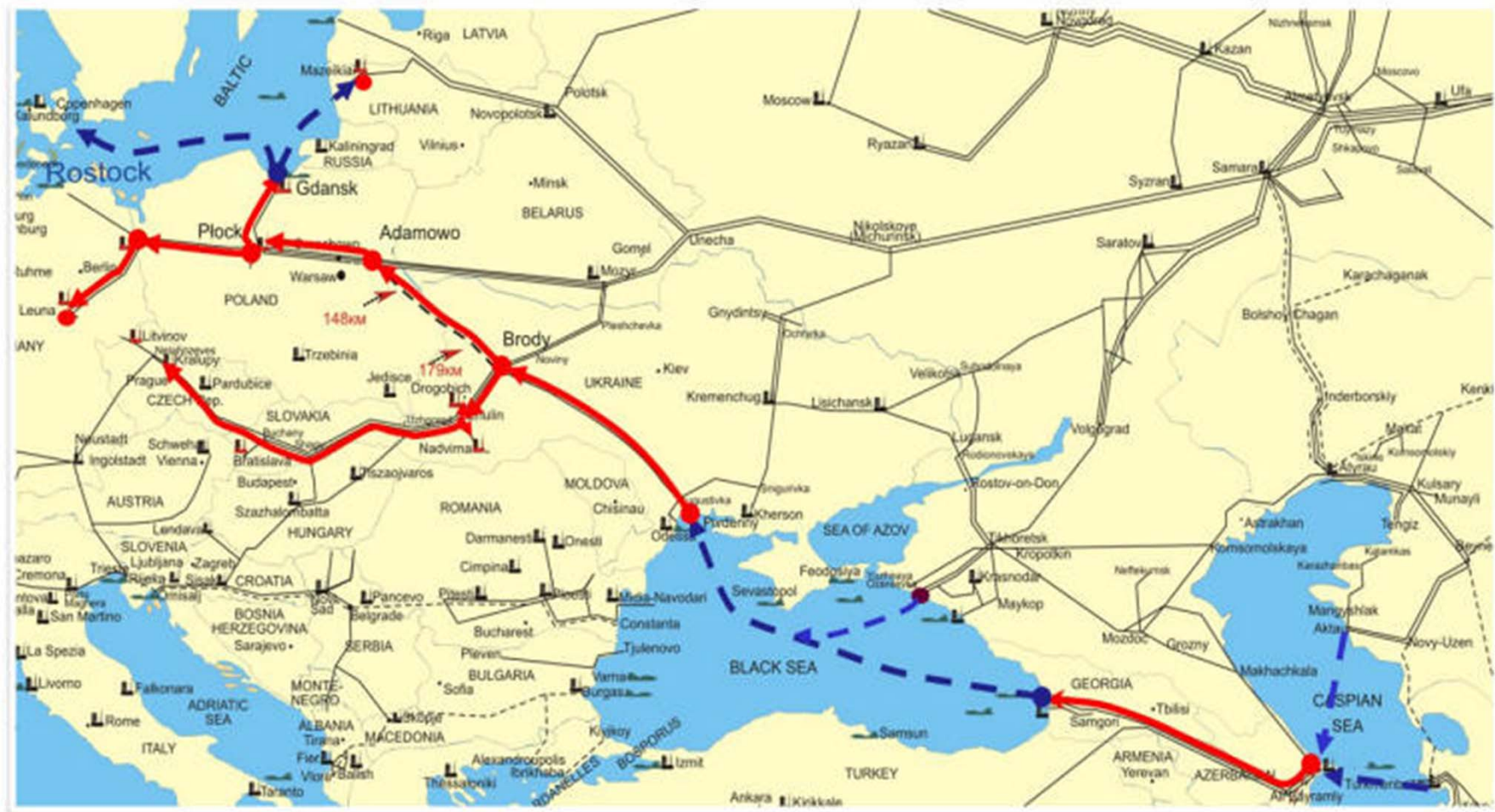
Stock Company "Klaipedos Nafta"

JSC "Przyjaźń"

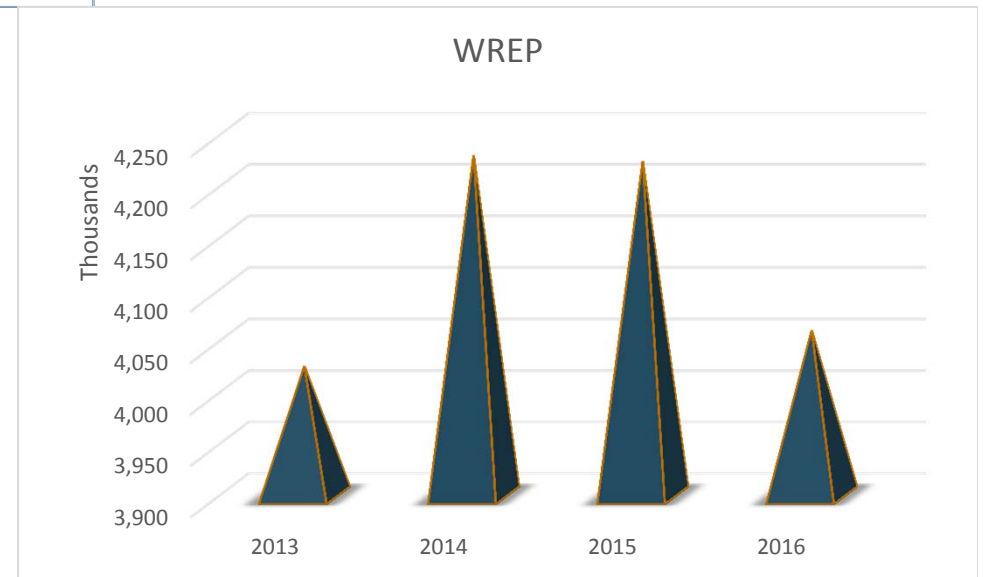
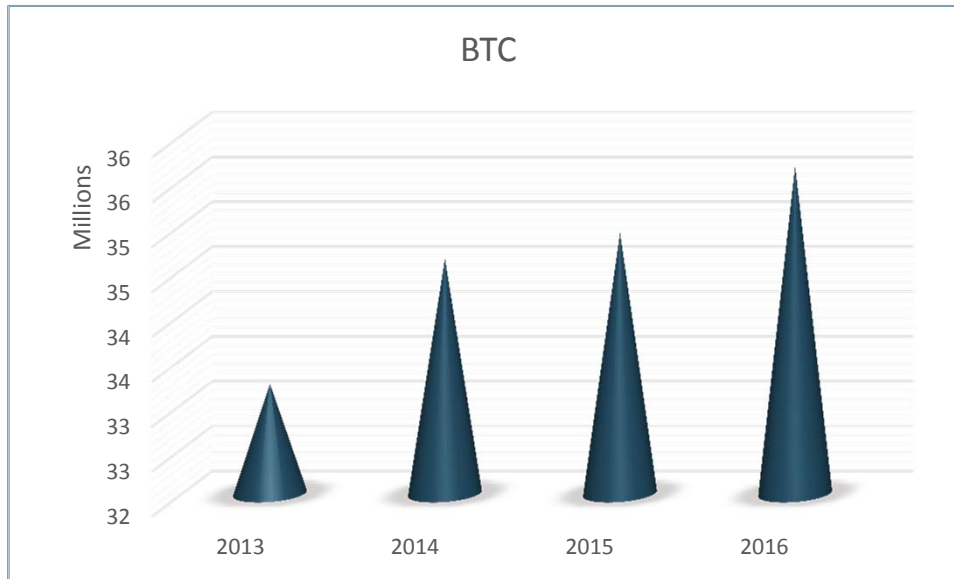
JSC "Ukrtransnafta"



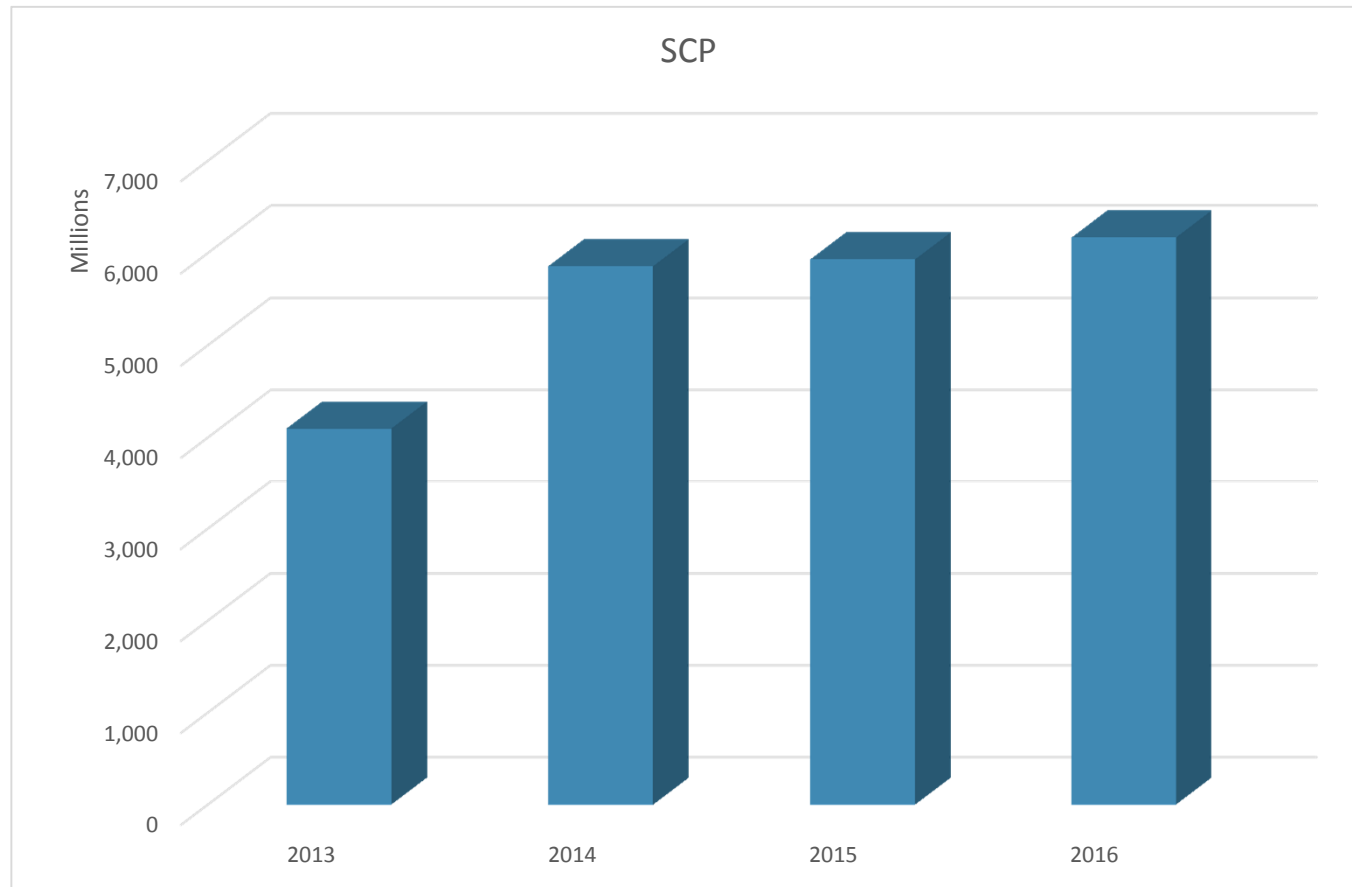
EAOTC (Sarmatia) Project Route



Oil Transit thru Georgia



Gas Transit





Thank you

DAVID ONIANI

E-mail: d.oniani@gogc.ge