



**CASPIAN**  
International Investment Company

# Introduction

# Contents

- What is CIIC?
- Why Azerbaijan?
- Portfolio
- Case Study

# What is CIIC?

# CIIC Background Information

## Prime Objectives

- Backdrop for creation – low level of investment activity from Middle Eastern investors
- Initiative from ICD – private sector financing arm of the Islamic Development Bank
- Solution - investment vehicle for Middle Eastern and other international investors interested in receiving exposure to the growing Azerbaijani economy
- Aim is to make equity investments in new and existing entities compliant with Shariah principles
- All sectors are targeted with the exception of exploration and production of oil and gas resources
- Potential expansion beyond Azerbaijan in future years

# CIIC Background Information

## Status

- Incorporated in March 2008 as a closed joint-stock company with capital of USD 3.5mn
- Founding Shareholders



Islamic Corporation for the Development of the Private Sector

Member of the IDB Group, providing Islamic financing to the private sector in member countries

**75%**



Azerbaijan Investment Company

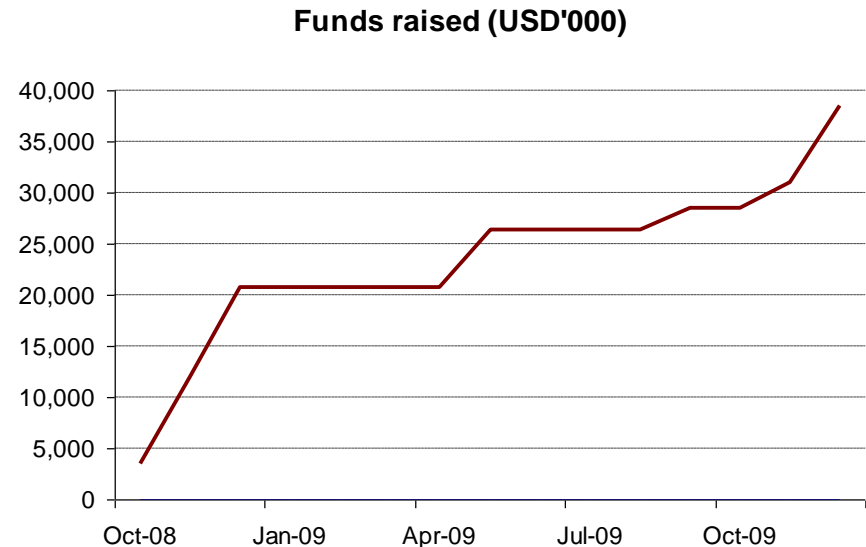
**25%**

- Offices opened in July 2008, full operations started in September
- Capital increased to USD 38mn
- Three investments made for total volume of USD 15mn
- One more project approved, currently in due diligence

# CIIC Background Information

## 2008-2009 Capital Increase

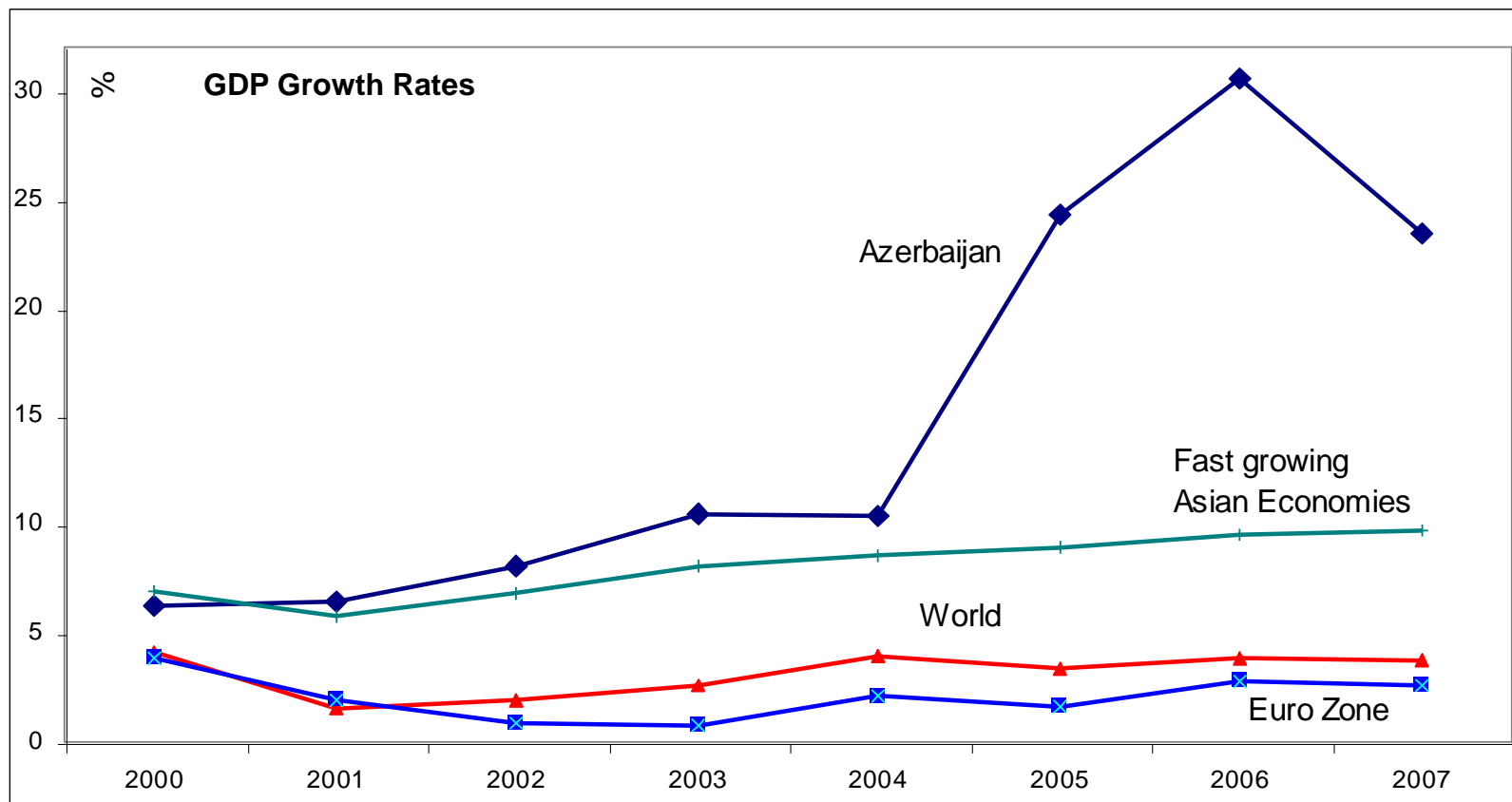
- In September 2008, CIIC has announced a first round of capital raising which was completed on December 31<sup>st</sup>, 2009
- Three new investors – IDB, Al Ahmar Group (Yemen) and Aref Investment Group (Kuwait) participated in the capital increase along with ICD and AIC
- Being the only instrument allowing to receive exposure to a diversified Azeri equity story, CIIC is continued to be approached by regional and European investors
- Therefore, an additional capital increase is planned for 2011



# Why are we investing in Azerbaijan?

# Key Investment Considerations

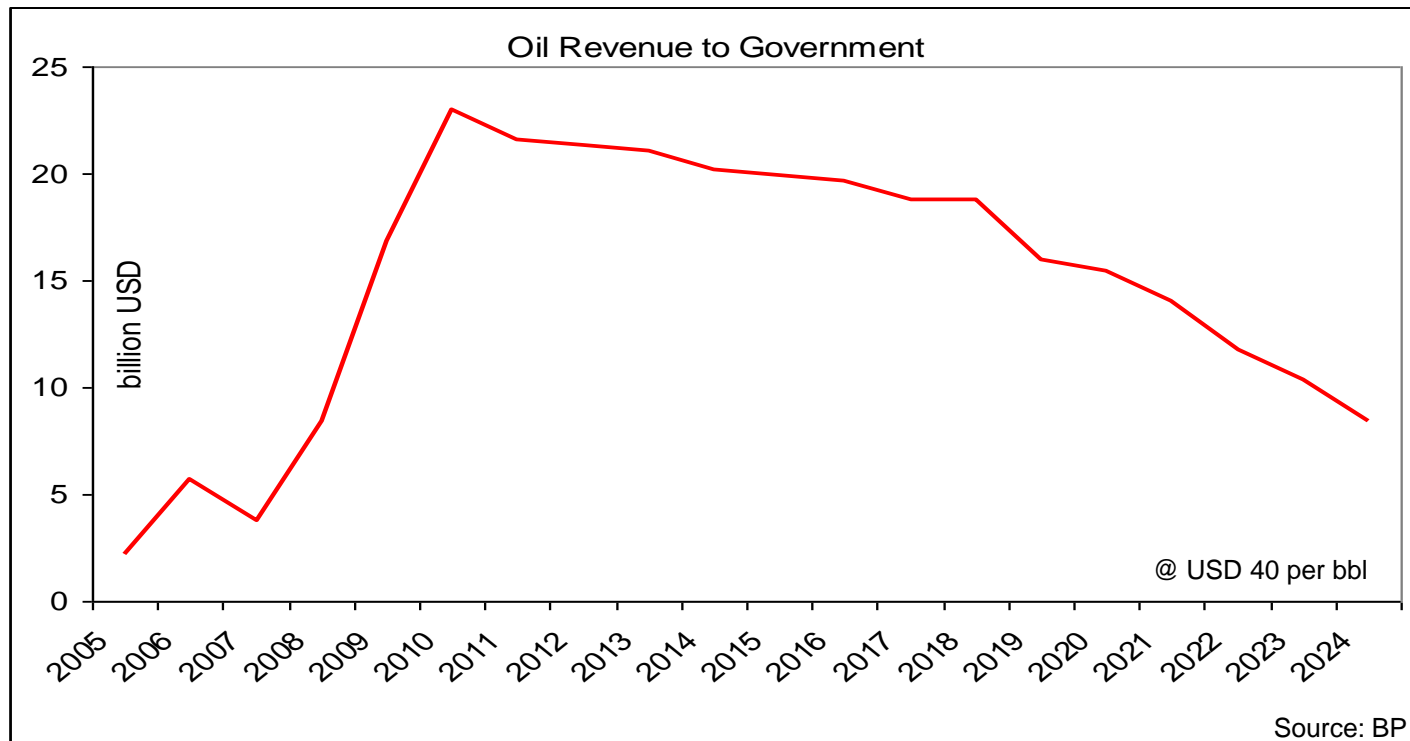
## Rapidly growing economy





# Key Investment Considerations

## Sustained boost from oil development



Accumulated oil revenues (2007-2025) > USD 230bn

# Key Investment Considerations

## Human capital

Literacy rate: 98.8 % (among age 15 and over)

	% of population
Have higher or secondary education	67%
Posses higher education	8%
Posses vocational education	8.7%
Possess secondary education	39%
Secondary school students	18%
Undergraduate & graduate students	1.4%

	Number
VE schools	60
Secondary schools	4.5 thsd
Universities	42
Scientific-research institutes	97

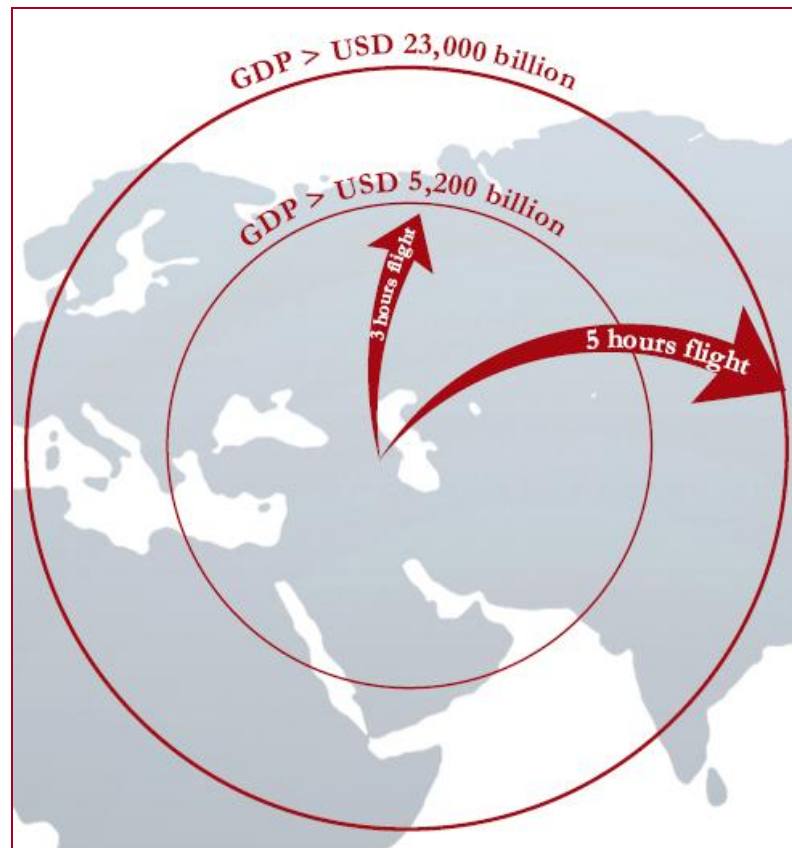
# Key Investment Considerations

## Improving infrastructure

- In 2008 the amount of public investments in Azerbaijan exceeded USD 6 billion making it a leading country in the region in infrastructure investments
- Infrastructure accounts for roughly 50 percent of the state budget
- Transportation, energy, irrigation, education and health are priority sectors

# Key Investment Considerations

## Geographical advantage



# Key Investment Considerations

## Agricultural potential

- 9 climate zones out of 11 available in the world
- Agriculture accounts for 17 percent of the non-oil GDP
- Almost 99 percent of arable land (1.6 million ha) is privatized
- At one time a large producer of cotton, fruits, vegetables and wheat for Soviet Union markets
- The main crops now are cereals (predominantly wheat), cotton, potatoes, fruits and vegetables

# Key Investment Considerations

## Political and economic stability

- One of the few economically and politically stable countries in the region
- Growing oil wealth and rapid economic growth are improving overall well-being
- Current account and fiscal balance increase the government's macroeconomic policy options
- Investment-grade sovereign rating

# Key Investment Considerations

## Limited competition

- While Azerbaijan is targeted by a number of regional investment funds, none have local deal teams and live deal flow
- CIIC is considered a local institution in the market
- The position poses both opportunities and challenges:
  - Opportunities: early access to the projects, strong negotiating power
  - Challenges: considerable amount of time/resources needed to educate local businessmen on the value of private equity vs. traditional financing structures

# Portfolio



# Portfolio

## Developing pipeline

- Our initial analysis of the market has pointed to the following growth sectors in need of capital:
  - Agriculture and agri-business
  - Logistics
  - Residential Real Estate
  - Building materials
  - Light and Heavy Industry
- CIIC has either started to invest or is in advanced stages of reviewing investments in all of these sectors

# Portfolio

## Investments

- **NAA Agrotara**

- CIIC has acquired 36% equity stake in a company that operates 25 thousand ton cold storage facility (biggest in Caucasus region) in Ganja
- Ongoing investments include upgrade of storage facility, installment of a packaging line, facilities for processing of fruits and vegetables and trading on the company's own account
- CIIC's total investment is USD 6.9 mil

- **Villa Badam**

- Villa Badam is the largest gated villa community development project in the suburbs of Baku. 169 villas are situated on an area of 25 ha in the almond grove at the Masazyr lake. 120 villas have already been constructed and more than 40 have been sold
- CIIC financed 20% of the project

- **A Agro**

- The company produces, processes and packages vegetables such as lettuce, tomato, cucumber, etc. The company is the largest provider of processed and packaged vegetables and is the main supplier to major restaurant and hotel chains in Azerbaijan
- CIIC's total investment is USD 1.9 mil for a majority stake in the company. The funds will be used to start the production of pre-packaged salads and other ready-to-eat products



# Case Study

# Case Study

## NAA Agrotara

### Background Information:

- Azerbaijan has traditionally been a major supplier of fruits and vegetables to Russia and other republics former USSR
- Since the break up of the Soviet Union, the sector underwent through tough period which resulted in the obsolescence of the existing infrastructure
- With recent macro economic growth, the country's agriculture is once again attracting investments, becoming the nation's biggest sector of the non-oil economy
- However, investments into the development of the supporting infrastructure, e.g. storage and logistics, are lagging resulting in thousands of tons of valuable fruits and vegetables spoiled in the fields during the harvest

### Project Description:

- CIIC has identified an acquisition opportunity in the company operating Caucasus region's largest cold-storage facility for fruits and vegetables in Ganja with plans for further business development



# Case Study

## NAA Agrotara

- Currently, the company's principal activity is provision of storage rental services
- The investment plan includes an upgrade of storage facility, installment of a packaging line, facilities for processing of fruits and vegetables and trading on the company's own account

### Current Status:

- Two-stage investment has started in June and was completed in November, 2009.
- During this time, CIIC has overhauled the accounting system introducing IFRS accounts, hired auditors, introduced the standard principles of corporate governance, invited specialists from cold storage engineering company to evaluate the technical condition of the facilities and provide recommendations for improvements, etc.

