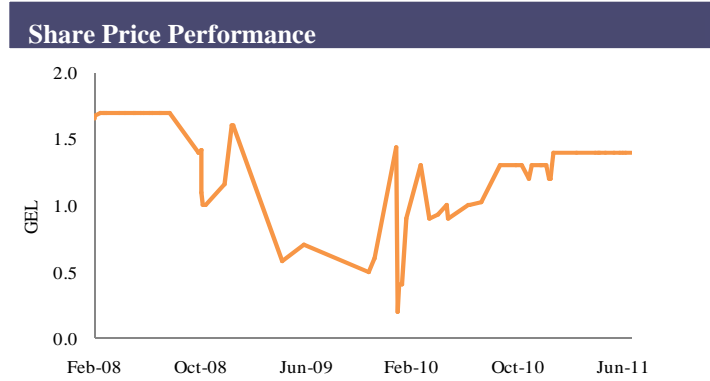




Share Data	30-Jun-11
Outstanding shares, mln	25.4
Price per share, GEL	1.40
GSE ticker	NRGY
Price change, since the IPO	-12.5%
MCap, GEL mln	35.5
MCap, US\$ mln	21.3
GEL/US\$ exchange rate	1.67



Source: Georgian Stock Exchange

This report provides CEI’s investors with an overview of significant developments in the company, its operating and financial activities in Q2 2011.

News

The trading volume in CEI shares picked up during the reporting period, but the share price stayed unchanged at GEL 1.40 for a third consecutive quarter.

CEI began construction of a tunnel adit (picture 1), completed construction of a temporary bridge (picture 2) and a concrete plant (picture 3) on the upper part of the construction site. The company also signed a contract with the leading German tunnel boring machine (TBM) manufacturer Herreknecht regarding an acquisition of a Herreknecht hard rock double shield TBM and began the construction of a lining segment factory ahead of the TBM delivery (Picture 4). The construction of a surge shaft, cofferdam and diversion canal has continued, as planned, during the reporting period.

Picture 1. Tunnel adit



Picture 2. Bridge



Picture 3. Concrete plant



Picture 4. Segment Factory



Below are the quarterly developments in more detail:

- The company began construction of a tunnel adit 173 meters from the downstream end of the tunnel. The adit will provide an emergency access to the 9.6 km headrace tunnel. The excavation works of the 52 m long tunnel adit have begun with the DOSCO Roadheader drilling machine.
- In Q2 2011, CEI completed construction of a temporary bridge on the Mtkvari River. The 33 meter bridge will be dismantled towards the end of the construction period and the area flooded with water. The bridge will significantly shorten the travel



distance for company vehicles, speed up the building works and reduce transportation expenses. This is the second bridge built on the hydropower plant construction site since the construction works began in November 2009.

- CEI constructed a concrete plant on the upper part of the construction site. The plant will provide concrete needed for the construction of the main features of the HPP such as the main dam and spillway. The company also built a crushing and sorting complex, which will ensure uninterrupted provision of relevant aggregates to the concrete plant. This is the second concrete plant built on the Mtkvari HPP construction site.
- CEI signed a contract with the leading German tunnel boring machine (TBM) manufacturer regarding an acquisition of a Herreknecht hard rock double shield TBM. The TBM will be used to drill the 9.4 km headrace tunnel under the supervision of engineers from Herreknecht.
- The company began construction of a lining segment factory ahead of the delivery of the Herreknecht TBM. The lining segment factory will produce ring-shaped concrete lining segments, which will be lined up on the tunnel walls, as the TBM bores through the tunnel. The TBM incorporates high precision segment lining technology, which means that as the machine drills the tunnel, it installs the lining segments on the tunnel walls.
- The construction of a diversion canal, cofferdam and a surge shaft continued according to the schedule during the reporting period. The diversion canal and cofferdam ensure dry working environment for the main dam building works. The surge shaft will protect the penstock and turbines from the high water pressure in case of an emergency shutdown at the end of the tunnel.



SUMMARY OF FINANCIAL HIGHLIGHTS

As at and for the six months ended 30 June 2011

(Amounts in thousands of Georgian Lari, except financial ratios and per share data)

						YEAR-TO-DATE				
	Q2-2011	Q1-2011	Q4-2010	Q3-2010	Q2-2010	Change, %		2011	2010	Change,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Q-O-Q	Y-O-Y	(Unaudited)	(Unaudited)	%
SELECTED INCOME STATEMENT DATA										
Revenue	11	3	61	333	7	215.2%	65.0%	14	56	-74.3%
Operating costs	(446)	(333)	(663)	(353)	(488)	34.2%	-8.5%	(779)	(844)	-7.7%
Net foreign currency gains/(losses) on monetary assets and liabilities	(236)	(136)	(984)	955	436	74.0%	n/a	(371)	682	n/a
Net gains from investment securities available-for-sale	-	-	-	-	-	n/a	n/a	-	533	-100.0%
EBITDA	(671)	(465)	(1,586)	935	(45)	44.5%	1,393.5%	(1,136)	428	n/a
Depreciation and amortization charges	(24)	(24)	(14)	(9)	(9)	2.0%	173.3%	(48)	(17)	184.4%
EBIT	(695)	(488)	(1,600)	926	(54)	42.4%	1,193%	(1,184)	411	n/a
Share-bases compensation	-	-	-	-	-	n/a	n/a	-	(2,044)	-100.0%
Net finance income	262	379	445	742	1,029	-30.8%	-74.5%	641	2,197	-70.8%
EBT	(433)	(109)	(1,156)	1,668	976	295.9%	n/a	(543)	564	n/a
Profit/(loss) for the period	(433)	(109)	(1,474)	1,668	976	295.9%	n/a	(543)	564	n/a
SELECTED BALANCE SHEET DATA (Period-end)										
Cash and cash equivalents	12,027	23,335	28,036	30,980	32,970	-48.5%	-63.5%	35,362	68,685	-48.5%
Trade and other receivables	15,194	6,408	4,150	7,239	5,794	137.1%	162.2%	21,601	14,815	45.8%
Other assets	35,664	32,975	30,785	27,145	24,489	8.2%	45.6%	68,639	42,667	60.9%
Total assets	62,885	62,718	62,971	65,364	63,253	0.3%	-0.6%	125,603	126,166	-0.4%
Other liabilities	1,565	965	1,006	1,335	948	62.1%	65.1%	2,530	2,533	-0.1%
Total liabilities	1,565	965	1,006	1,335	948	62.1%	65.1%	2,530	2,533	-0.1%
Minority interests	-	-	-	69	69	n/a	-100.0%	-	139	-100.0%
Total shareholders' equity	61,320	61,753	61,964	64,029	62,305	-0.7%	-1.6%	123,073	123,633	-0.5%
PER SHARE VALUES										
Share price, GEL	1.40	1.40	1.40	1.30	1.00	1.0%	40.0%	1.40	1.00	40.0%
Market capitalization	35,539	35,539	35,539	33,001	25,385	0.0%	40.0%	35,539	25,385	40.0%
Price earnings (P/E) ratio, annualized	neg	neg	neg	4.91	6.43	n/a	n/a	neg	22.46	n/a
Basic earnings/(loss) per share for the period	(0.02)	(0.00)	(0.06)	0.07	0.04	295.9%	n/a	(0.02)	0.02	n/a
Diluted earnings/(loss) per share for the period	(0.02)	(0.00)	(0.06)	0.07	0.04	295.9%	n/a	(0.02)	0.02	n/a
Book value per share, GEL	2.42	2.43	2.44	2.52	2.45	-0.7%	-1.6%	2.42	2.45	-1.6%
ORDINARY SHARES OUTSTANDING										
Weighted-average ordinary shares outstanding, basic	25,385	25,385	25,239	25,190	25,090	0.6%	1.2%	25,385	25,090	1.2%
Weighted-average ordinary shares outstanding, diluted	25,385	25,385	25,239	25,190	25,090	0.6%	1.2%	25,385	25,090	1.2%
Ordinary shares outstanding	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%
Ordinary shares outstanding diluted	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%
FINANCIAL RATIOS										
ROA, Annualized	-2.8%	-0.7%	-9.2%	10.4%	6.2%			-1.7%	1.8%	
ROE, Annualized	-2.8%	-0.7%	-9.4%	10.6%	6.3%			-0.4%	1.8%	



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