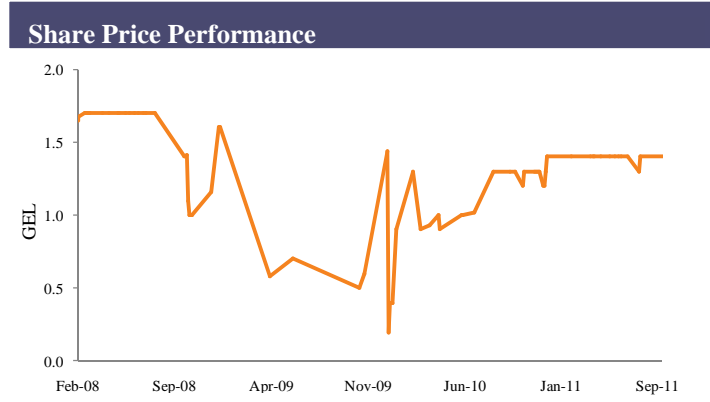




Share Data	30-Sep-11
Outstanding shares, mln	25.4
Price per share, GEL	1.40
GSE ticker	NRGY
Price change, since the IPO	-12.5%
MCap, GEL mln	35.5
MCap, US\$ mln	21.4
GEL/US\$ exchange rate	1.66



Source: The Georgian Stock Exchange

This report provides CEI’s investors with an overview of significant developments in the company, its operating and financial activities in Q3 2011.

News

The CEI share price stayed flat despite high volatility of the global markets during the reporting period. At the moment the share price is GEL 1.4, which is 12.5% below the IPO price.

Archil Mamatelashvili resigned from the post of CEO to be replaced by George Abdushelishvili, formerly a CEO of Millennium Challenge Georgia Fund and Deputy Minister of Energy.

President Saakashvili, along with the Prime Minister Nika Gilauri and Minister of Energy Alexander Khetaguri visited the Mtkvari HPP construction site (picture 1) (for the video please visit our website www.cei.ge/videos). The visit was widely reported in the Georgian mass-media.

The company completed the excavation of a tunnel adit (picture 2) and the construction of a lining segment factory (picture 3). The company’s management visited a Herrenknecht factory in Germany for TBM acceptance (picture 4) (for the video of how the TBM works please visit www.cei.ge/videos).

Picture 1 President’s visit



Picture 2. Tunnel adit



Picture 3. Segment factory



Picture 4. TBM



Below are the quarterly developments in more detail:

- George Abdushelishvili was appointed as CEO of Caucasus Energy and Infrastructure assuming his new role from Archil Mamatelashvili, who resigned from the CEO position. Mr Mamatelashvili will remain with CEI as a consultant to ensure smooth



transition and provide advice to the new CEO and the board. Prior to joining CEI, George Abdushelishvili served as CEO of Millennium Challenge Georgia (MCG) Fund and Deputy Minister of Energy. In the capacity of CEO at MCG Fund, Mr Abdushelishvili managed various projects worth USD 395 million including construction of a 225km highway, rehabilitation of water and sanitation systems, agricultural development projects and rehabilitation of a gas pipeline. He has also held various senior positions at Bank of Georgia, Bank Republic and TBC Bank. Mr Abdushelishvili holds an undergraduate degree in International Economic Relations from Georgian Technical University and MBA in International Banking and Finance from University of Birmingham.

- President of Georgia Mikheil Saakashvili, along with Prime Minister Nika Gilauri and Minister of Energy and Natural Resources Alexander Khetaguri, visited the Mtkvari HPP construction site. President Saakashvili inspected the headrace tunnel and surge shaft construction works and spoke about the importance of new hydropower plants in Georgia for increasing country's energy independence, creation of new jobs and the development of local infrastructure. The visit was the headline news on the leading Georgian television channels as well as in print and online media.
- The company completed construction of a tunnel adit on the lower part of the hydropower plant construction site. The 52 meter tunnel adit, which was excavated using the DOSCO Roadheader drilling machine, will provide an emergency access to the headrace tunnel.
- The company completed construction of a lining segment factory on the lower part of the construction site. The segment factory will produce ring shaped concrete lining segments, which will be lined up on the headrace tunnel walls as the Tunnel Boring Machine (TBM) drills through the 9.6 km tunnel. The segment moulds and the factory will be delivered in Q4 2011 and the factory will be fully equipped to start the production of lining segments.
- The company completed the Tunnel Boring Machine (TBM) factory acceptance at a Herrenknecht workshop in Germany. The TBM will be used to drill the 9.6 km headrace tunnel, which will carry water from the reservoir to the powerhouse. The factory acceptance testing programme was carried out in the presence of CEI management and engineers and involved tests to determine if requirements of contract and technical specifications were met. Herrenknecht Hard Rock Double Shield TBM was assembled at a Herrenknecht workshop in Germany. The TBM will be disassembled and shipped to the Mtkvari HPP construction site in Q4 2011.
- Responding to JSC Caucasus Energy and Infrastructure (CEI) shareholders' interest regarding the progress of Black Sea High Voltage Transmission Line Network (Turkey-Georgia 500kV transmission line) construction works, in Q3 2011 CEI contacted Energotrans, a company 100% owned by Georgian State Electro System (GSE) executing the transmission line project. According to the CEO of Energotrans Kakha Sekhnishashvili, the company already completed infrastructural works for the 500 kV Akhatsikhe substation, which is located near the Turkish border and 2.5 km away from the Mtkvari HPP. The construction of high voltage overhead power lines, which stretch 247 km across South-west and South-East Georgia, is also on schedule, with most of the utility poles already erected. The line should be operational in the middle of 2012.



SUMMARY OF FINANCIAL HIGHLIGHTS

As at and for the six months ended 30 September 2011

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

	YEAR-TO-DATE									
	Q3-2011	Q2-2011	Q1-2011	Q4-2010	Q3-2010	Change, %		2011	2010	Change,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Q-O-Q	Y-O-Y	(Unaudited)	(Unaudited)	%
SELECTED INCOME STATEMENT DATA										
Revenue	8	11	3	61	333	-28.2%	-97.6%	22	389	-94.3%
Operating costs	(371)	(446)	(333)	(663)	(353)	-17.0%	5.0%	(1,149)	(1,197)	-4.0%
Net foreign currency gains/(losses) on monetary assets and liabilities	(1,029)	(236)	(136)	(984)	955	336.4%	n/a	(1,400)	1,637	n/a
Net gains from investment securities available-for-sale	-	-	-	-	-	n/a	n/a	-	533	-100.0%
EBITDA	(1,392)	(671)	(465)	(1,586)	935	107.4%	n/a	(2,528)	1,363	n/a
Depreciation and amortization charges	(27)	(24)	(24)	(14)	(9)	10.1%	195.8%	(75)	(26)	188.4%
EBIT	(1,418)	(695)	(488)	(1,600)	926	104.0%	n/a	(2,602)	1,337	n/a
Share-bases compensation	-	-	-	-	-	n/a	n/a	-	(2,044)	-100.0%
Net finance income	147	262	379	445	742	-44.1%	-80.2%	788	2,939	-73.2%
EBT	(1,272)	(433)	(109)	(1,156)	1,668	193.7%	n/a	(1,814)	2,232	n/a
Profit/(loss) for the period	(1,272)	(433)	(109)	(1,474)	1,668	193.7%	n/a	(1,814)	2,232	n/a
SELECTED BALANCE SHEET DATA (Period-end)										
Cash and cash equivalents	9,023	12,027	23,335	28,036	30,980	-25.0%	-70.9%	44,385	99,665	-55.5%
Trade and other receivables	14,641	15,194	6,408	4,150	7,239	-3.6%	102.3%	36,242	22,054	64.3%
Other assets	38,008	35,664	32,975	30,785	27,145	6.6%	40.0%	106,647	69,812	52.8%
Total assets	61,672	62,885	62,718	62,971	65,364	-1.9%	-5.6%	187,275	191,530	-2.2%
Other liabilities	1,624	1,565	965	1,006	1,335	3.8%	21.7%	4,154	3,868	7.4%
Total liabilities	1,624	1,565	965	1,006	1,335	3.8%	21.7%	4,154	3,868	7.4%
Minority interests	-	-	-	-	69	n/a	n/a	-	208	-100.0%
Total shareholders' equity	60,048	61,320	61,753	61,964	64,029	-2.1%	-6.2%	183,121	187,662	-2.4%
PER SHARE VALUES										
Share price, GEL	1.40	1.40	1.40	1.40	1.30	0.0%	7.7%	1.40	1.30	7.7%
Market capitalization	35,539	35,539	35,539	35,539	33,001	0.0%	7.7%	35,539	33,001	7.7%
Price earnings (P/E) ratio, annualized	neg	neg	neg	neg	4.91	n/a	n/a	neg	4.90	n/a
Basic earnings/(loss) per share for the period	(0.05)	(0.02)	(0.00)	(0.06)	0.07	193.7%	n/a	(0.07)	0.09	n/a
Diluted earnings/(loss) per share for the period	(0.05)	(0.02)	(0.00)	(0.06)	0.07	193.7%	n/a	(0.07)	0.09	n/a
Book value per share, GEL	2.37	2.42	2.43	2.44	2.52	-2.1%	-6.2%	2.37	2.52	-6.2%
ORDINARY SHARES OUTSTANDING										
Weighted-average ordinary shares outstanding, basic	25,385	25,385	25,385	25,239	25,190	0.0%	0.8%	25,385	25,190	0.8%
Weighted-average ordinary shares outstanding, diluted	25,385	25,385	25,385	25,239	25,190	0.0%	0.8%	25,385	25,190	0.8%
Ordinary shares outstanding at period end	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%
Ordinary shares outstanding diluted at period end	25,385	25,385	25,385	25,385	25,385	0.0%	0.0%	25,385	25,385	0.0%
FINANCIAL RATIOS										
ROA, Annualized	-8.2%	-2.8%	-0.7%	-9.2%	10.4%			-3.9%	4.6%	
ROE, Annualized	-8.4%	-2.8%	-0.7%	-9.4%	10.6%			-4.0%	4.6%	



Caucasus Energy & Infrastructure

George Abdushelishvili

CEO

Office: +995 322 91 69 49

gabdushelishvili@cei.ge

Irakli Bezhuashvili

CFO

Office: +995 322 91 69 49

ibezhuashvili@cei.ge

Bidzina Bejuashvili

Executive Chairman

Office: +995 322 23 48 48

bbejuashvili@cei.ge

IMPORTANT DISCLAIMER

This material is for information purposes only and does not constitute an offer to sell, nor a solicitation of an offer to buy shares in JSC Caucasus Energy & Infrastructure (the "Company") in any jurisdiction to any person to whom it is unlawful to make such an offer or sale. The financial information presented herein is unaudited and reflects the best estimates of management. The Company's and its subsidiaries' actual results may differ significantly from the amounts reflected herein as a result of various factors. This newsletter contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to the implementation of strategic initiatives and other statements relating to our business development and financial performance. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market, macroeconomic, governmental, legislative and regulatory trends, (2) movements in local and international currency exchange rates, interest rates and securities markets, (3) competitive pressures, (4) technological developments, (5) management changes and changes to our group structure and (6) other key factors that we have indicated could adversely affect our business and financial performance, which are in our past and future filings and reports, including those filed with the NSCG. We are under no obligation (and expressly disclaim any such obligations) to update or alter our forward-looking statements whether as a result of new information, future events, or otherwise.

© 2011 JSC Caucasus Energy & Infrastructure. All rights reserved. No part of this material may be reproduced or transmitted in any form or by any means without the prior written permission of the copyright holder for which written application should be made.