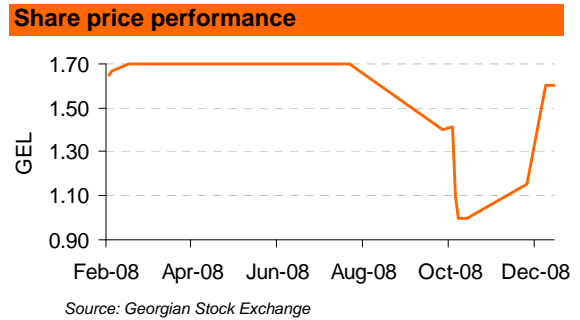




Share Data	31-Dec-08
Authorized shares, mln	70.0
Outstanding shares, mln	21.1
Price per share, GEL	1.60
GSE ticker	NRGY
Price change, q-o-q	-5.9%
Price change, since the IPO	0.0%
Mcap, GEL mln	33.8
Mcap, US\$ mln	20.3



This report provides CEI's (the "Company" or "us") investors with an overview of significant developments in the company, its operating and financial activities in Q4, 2008.

### News

- In December, the company successfully undertook a REPO transaction, conducted pursuant to the decision of the Extraordinary General Meeting of Shareholders (EGM) of CEI on December 12, 2008. The REPO transaction was undertaken to limit the downward pressure on the company share price in the environment of sizeable redemptions and the global liquidity shortage faced, among others, by the company shareholders. Under the REPO transaction, CEI shareholders were granted the right to sell up to 60% (sixty percent) of their stake holding in the company back to CEI at the (GEL equivalent) price of US\$ 0.70 per share. As a result of this transaction the company bought back 25.7 million shares worth GEL 29.7 million (US\$ 18.0 million). Shareholders who participated in the above transaction are entitled to repurchase the same amount of CEI shares from the company at a new NAV-linked price in December 2009. The exact price as well as other details of the repurchase transaction will be announced closer to the transaction date in the fourth quarter of 2009. In the aftermath of the REPO transaction CEI's Net Asset Value (NAV) per share has increased from an estimated 1.81 GEL to an estimated 2.43 GEL. The liquidity (net cash and cash equivalents) per share has also increased from 1.37 GEL to 1.60 GEL. The company's share price regained its earlier position and has stabilized at the IPO price - 1.60 GEL. The shareholder structure of the company has remained largely unchanged.
- Icelandic project development company Verkis and Ukrainian UkrHydroProject have conducted a comprehensive study of the Mtkvari HPP project. Findings have confirmed a possibility of increasing the power potential of Mtkvari HPP from 28 MW to 42MW capacity.
- UkrHydroProject won an informal tender for providing comprehensive design of the Mtkvari HPP project, which is due June 2009.
- Verkis was hired to conduct a feasibility study of the Mtkvari HPP project, which is expected to be completed in May 2009.
- Due to the higher profitability and attractiveness of the Mtkvari HPP project, coupled with the upward adjustment of the hydro power plant's projected capacity, CEI has decided to focus on the implementation of the Mtkvari HPP project and abandoned the plans to construct Dzegvi HPP.
- CEI is engaged in active talks with the International Financial Institutions (IFIs) on their potential involvement in the Mtkvari HPP project through a combination of debt and equity financing. In case of the positive outcome of the negotiations the first IFI fund disbursement is expected in early 2010.
- Georgian company GeoEngineering Ltd. has completed topography of the surface map for Mtkvari HPP and started a geological survey of the hydro power plant area.



## Financial overview

For the full-year 2008 CEI reported total revenue of GEL 14.7 million and net income of GEL 6.6 million. In Q4 2008, CEI's revenue increased by 419.3% q-o-q to GEL 11 million, while net income reached GEL 4 million, up 160% on a q-o-q basis. Most of the revenue as well as net income were generated by the Company's non-operating activities.

### Profit & loss

*Investment income* comprises of interest income which amounted to GEL 2.5 million during Q4 2008, up 10.5% q-o-q. In the beginning year 2008, the CEI management reviewed funds' allocation and distributed available liquidity between different term deposits with maturities from three to twelve months. Interest rates obtained on these accounts range from 12% on a 3-month deposit to 16.0% on a 12-month deposit in USD and EUR. For the full year 2008, the company reported investment income of GEL 6.6 million.

*Other non-operating revenue* comprises foreign exchange gain less losses are mainly attributed to a 17% devaluation of GEL against US dollar in the middle of Q4 2008. CEI had an exposure to US dollars and euros as a result of conversion of roughly 95% of its liquidity from the local currency mainly into US dollars during the second half of 2008.

*Salaries and other benefits* reached GEL 125.0 thousand, up 9.6% on a q-o-q basis.

*General and administrative expenses* mainly comprises of changes incurred on professional services, management fee, bank commission fee, all taxes other than corporate income tax and other administrative expenses. Total general and administrative expenses amounted to GEL 235.0 thousand up 37.4% q-o-q. The increase mainly was due to the accrual of property and land taxes in the end of the quarter and recognition of charge on pre-feasibility study conducted by the Ukrainian company UkroHydroProject.

*Finance cost* amounted to GEL 89.0 thousand. Short-term loan was taken out to cover the liquidity gap at the end of 2008 due to the REPO transaction.

## Balance sheet

*Investment property* comprises several land plots purchased by the company since the start of its operations.

*Assets held for sale* consist of a 60% stake in JSC "Energotransportmekanizatsia" and a land plot in Mukhrani, Mtskheta region acquired by CEI earlier in 2008. The Company's management expects the sale of these assets to be completed in the first half of year 2009.

*Restricted cash* represents several term deposits with accrued interest, which have been blocked as a performance bond by the Government of Georgia (the GoG) against the Memorandum of Understanding on construction of HPPs concluded between the GoG and the Company earlier in 2008.

As at 31 December 2008 the Company's *prepayments and other receivables* amounted to GEL 12.3 million, which mainly comprised prepayments to suppliers, interest receivable on term deposits and loans granted.

Due to a long term nature of the Company's investments, CEI's management placed most of the available liquidity on various term deposits. *Bank deposits* include 4 such deposits with maturity of more than 90 days, bearing interest rate from 13.5% to 16.0%, annualized.

*Cash and cash equivalents* include 3-month deposits and liquidity held on the Company's current accounts with banks. Interest earned on these accounts ranges from 7.0% to 13.0%, annualized.

**Income Statement**

In accordance with International Financial Reporting Standards, (IFRS)

*(Amounts in GEL '000's unless otherwise stated)*

	Q4 2008	Q3 2008	Change, %	2008	2007	Change, %
	(Unaudited)	(Unaudited)		(Audited)	(Audited)	
Operating revenue	-	-	n/a	-	-	n/a
Investment income	2,470	2,235	11%	6,570	-	n/a
Other non-operating revenue	8,445	(133)	n/a	8,111	(66)	n/a
<b>Total revenue</b>	<b>10,915</b>	<b>2,102</b>	<b>419%</b>	<b>14,681</b>	<b>(66)</b>	<b>n/a</b>
Impairment of Investment property	(4,886)	-	n/a	(4,983)	-	n/a
Salaries and other benefits	(125)	(114)	10%	(377)	(5)	7,440%
General and administrative exp.	(235)	(171)	37%	(605)	(89)	580%
Depreciation and amortisation	(5)	(5)	0%	(13)	-	n/a
Finance cost	(89)	-	n/a	(90)	-	n/a
<b>Total expenses</b>	<b>(5,340)</b>	<b>(290)</b>	<b>57%</b>	<b>(6,068)</b>	<b>(94)</b>	<b>6,355%</b>
<b>Profit/(loss) before income tax</b>	<b>5,575</b>	<b>1,812</b>	<b>477%</b>	<b>8,613</b>	<b>(160)</b>	<b>n/a</b>
Income tax (expense)/benefit	(1,573)	(275)	472%	(2,043)	24	n/a
<b>Profit/(loss) for the period</b>	<b>4,002</b>	<b>1,537</b>	<b>160%</b>	<b>6,570</b>	<b>(136)</b>	<b>n/a</b>
Attributable to:						
- Shareholders of the company	4,041	1,537	163%	6,609	(136)	n/a
- Minority interest	(39)	-	n/a	(39)	-	n/a
<b>Profit/(loss) for the period</b>	<b>4,002</b>	<b>1,537</b>	<b>160%</b>	<b>6,570</b>	<b>(136)</b>	<b>n/a</b>

**Balance Sheet, GEL**

In accordance with International Financial Reporting Standards, (IFRS)

*(Amounts in GEL '000's unless otherwise stated)*

	31-Dec-08 (Audited)	31-Dec-07 (Audited)	Change, %
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	104	-	n/a
Intangible assets	2	-	n/a
Investment property	7,775	-	n/a
Restricted cash	10,769	-	n/a
Deferred income tax assets	-	24	n/a
<b>Total non-current assets</b>	<b>18,650</b>	<b>24</b>	<b>77,608%</b>
<b>Current assets</b>			
Assets held for sale	481	-	n/a
Available-for-sale financial assets	2,522	-	n/a
Prepayments and other receivables	12,290	-	n/a
Bank deposits	25,452	-	n/a
Cash and cash equivalents	25,699	1,590	1,516%
<b>Total current assets</b>	<b>66,444</b>	<b>1,590</b>	<b>4,079%</b>
<b>TOTAL ASSETS</b>	<b>85,094</b>	<b>1,614</b>	<b>5,172%</b>
<b>EQUITY</b>			
Share capital	12,500	308	3,958%
Share premium	43,969	1,495	2,841%
Treasury Shares	(6,465)	(58)	11,047%
Other reserve	337	-	n/a
Retained earnings/(accumulated deficit)	6,473	(136)	n/a
<b>Total equity attributable to shareholders</b>	<b>56,814</b>	<b>1,609</b>	<b>3,431%</b>
Minority interest	96	-	n/a
<b>TOTAL EQUITY</b>	<b>56,910</b>	<b>1,609</b>	<b>3,437%</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability	76	-	n/a
<b>Total non-current liabilities</b>	<b>76</b>	<b>-</b>	<b>n/a</b>
<b>Current liabilities</b>			
Trade and other payables	154	5	2,980%
Current income tax liability	1,559	-	n/a
Borrowings	26,395	-	n/a
<b>Total current liabilities</b>	<b>28,108</b>	<b>5</b>	<b>562,060%</b>
<b>TOTAL EQUITY AND LIABILITY</b>	<b>85,094</b>	<b>1,614</b>	<b>5,172%</b>



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