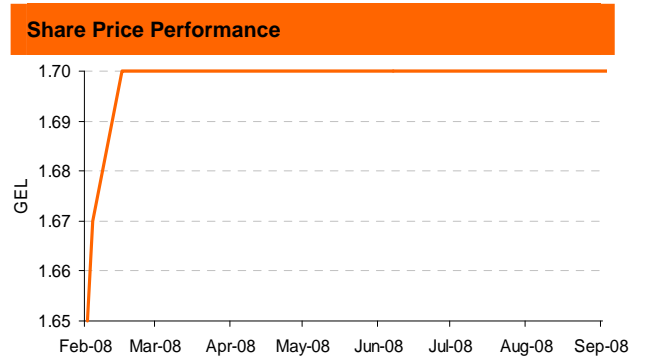




Share Data	30-Sep-08
Authorized shares, mln	70.0
Outstanding shares, mln	50.0
Price per share, GEL	1.70
GSE ticker	NRGY
Price change, q-o-q	0.0%
Price change, since the IPO	6.3%
Mcap, GEL mln	85.0
Mcap, US\$ mln	60.5



Source: Georgian Stock Exchange

This report highlights operating and financial activities of JSC Caucasus Energy & Infrastructure (“CEI” or the “Company”) in Q3 2008. The Company’s share price remained unchanged during this period at GEL 1.70 per share, up 6.3% since the IPO.

**News**

- The government of Georgia approved the Company’s application for the construction of a 28 MW capacity Hydro Power Plant on the river Mtkvari (Mtkvari HPP). The preliminary project envisages the construction of weir and dam of the Mtkvari HPP in Aspindza district, which will be connected to the power-house in the village of Sakuneti, 6 kms off Akhaltsikhe, South Georgia (close to the Georgian–Turkish border) via the underground tunnel. The annual electricity generation of the HPP should exceed 160 mln kWhs, while the annual capacity load is expected to be in excess of 5,700 hours. The construction will start in early spring 2009, and according to the Company’s estimates will be completed in 3.5 - 4 years.
- CEI hired UkrHydroproject, a Ukrainian HPP project development company, to perform preliminary works on the design of Mtkvari HPP.
- CEI completed the preliminary design, topographical surface chart and geological survey of a 10 MW Dzegvi HPP on Mtkvari River. The Dzegvi HPP’s annual electricity generation should exceed 55 mln kWhs, whereas the annual capacity load should equal 5,500 hours.
- The Company hired Gergili Ltd to prepare an environmental impact assessment report on Dzegvi HPP.



## Financial overview

In Q3 2008, CEI's revenue increased by 47% q-o-q to GEL 2.2 million, while net income exceeded GEL 1.5 million, up 52% on a q-o-q basis. Most of the revenue as well as net income were generated by the Company's non-operating activities. Q3 2008 was the second full quarter of CEI's operations after the IPO; therefore, a y-o-y comparison of the Company's financial performance is not yet available.

### *Profit & loss*

*Non-operating revenue*, which mainly comprises interest income, amounted to GEL 2.2 million during Q3 2008, up 47% q-o-q. In the beginning of Q2 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 12.5% on a 3-month deposit to 16.0% on a 12-month deposit in local currency GEL.

*Payroll* costs reached GEL 114 thousand, up 11% on a q-o-q basis, due to a hire of two new employees in the reporting period.

*FX loss* was mainly attributed to a 1% appreciation of GEL against US dollar in Q3 2008. CEI got an exposure to US dollars as a result of conversion of roughly 55% of its liquidity from the local currency into US dollars during the reporting period.

*Bank commissions* mainly consist of fees and commissions paid by CEI to various financial institutions for bank guaranties and currency conversion.

### *Balance sheet*

*Property, plant and equipment* mainly comprise 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 within a year.

As at 30 September 2008 the Company's *trade and other receivables* amounted to GEL 19.7 million, which mainly comprised Restricted cash in the amount of GEL 13 million and other receivables. 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.

Due to a long term nature of the Company's investments, the CEI management placed most of available liquidity on various term deposits. *Bank deposits* include ten 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 also liquidity held on the Company's current accounts with banks. Interest earned on these accounts ranges from 7.0% to 12.0%, annualized.



## Income Statement, GEL (IFRS)

	Q3-2008 (Unaudited)	Q2-2008 (Unaudited)	Change, %
Operating revenue	-	-	n/a
Non-operating revenue	2,234,544	1,523,988	47%
<b>Total revenue</b>	<b>2,234,544</b>	<b>1,523,988</b>	<b>47%</b>
Professional services	(105,131)	(117,829)	(11%)
Payroll	(114,297)	(104,159)	10%
FX gain/(loss)	(133,044)	(100,166)	33%
Bank commissions	(21,616)	(876)	2,366%
Rent	(16,885)	(19,149)	(12%)
Depreciation of property, plant and equipment	(4,737)	(3,567)	33%
Business trips	(6,391)	(190)	3,264%
Other expenses	(20,916)	(1,855)	1,027%
<b>Total expenses</b>	<b>(423,017)</b>	<b>(347,792)</b>	<b>22%</b>
<b>Profit/(loss) before income tax</b>	<b>1,811,527</b>	<b>1,176,195</b>	<b>54%</b>
Income tax expense	(275,221)	(166,502)	65%
<b>Profit/(loss) for the period</b>	<b>1,536,306</b>	<b>1,009,693</b>	<b>52%</b>



Balance Sheet, GEL (IFRS)

	30-Sep-08 (Unaudited)	31-Dec-07 (Audited)	Change, %
Property, plant and equipment	12,130,573	-	n/a
Intangible assets	2,002	-	n/a
Deferred income tax assets	24,022	24,022	0%
<b>Total non-current assets</b>	<b>12,156,597</b>	<b>24,022</b>	<b>50,506%</b>
Assets held for sale	1,086,539	-	n/a
Trade and other receivables	19,664,481	-	n/a
Bank deposits	40,689,235	-	n/a
Cash and cash equivalents	9,194,023	1,590,229	478%
<b>Total current assets</b>	<b>70,634,278</b>	<b>1,590,229</b>	<b>4,342%</b>
<b>Total assets</b>	<b>82,790,875</b>	<b>1,614,251</b>	<b>5,029%</b>
Share capital	12,500,000	308,000	3,958%
Share premium	67,374,112	1,495,000	4,407%
Treasury Shares	(53,500)	(58,000)	(8%)
Retained earnings/(accumulated deficit)	2,529,165	(136,126)	n/a
<b>Total equity</b>	<b>82,349,777</b>	<b>1,608,874</b>	<b>5,018%</b>
Trade and other payables	441,098	5,377	8,104%
<b>Total current liabilities</b>	<b>441,098</b>	<b>5,377</b>	<b>8,104%</b>
<b>Total equity and liability</b>	<b>82,790,875</b>	<b>1,614,251</b>	<b>5,029%</b>



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