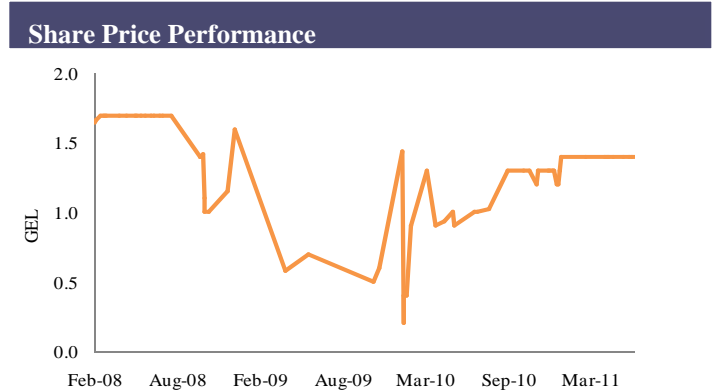




Share Data	31-Mar-11
Outstanding shares, mln	25.4
Price per share, GEL	1.40
GSE ticker	NRGY
Price change, since the IPO	-12.5%
MCap, GEL mln	35.5
MCap, US\$ mln	20.8
GEL/US\$ exchange rate	1.71



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 Q1 2011.

News

The CEI share price stayed flat at GEL 1.40 and the number of shares changing hands fell significantly during the reporting period – to a fifth of the previous quarter’s volume. The share price has largely recovered from the crises lows, and the share price growth has slowed down, as the price approaches its IPO level.

The board of directors of Overseas Private Investment Corporation (OPIC) approved a US\$ 58 million loan facility for the Mtkvari HPP project. The loan is unprecedented in Georgia in terms of the interest rate and tenor. Elizabeth Littlefield, OPIC’s president, noted that the project will substantially increase the supply of renewable electricity in Georgia and, therefore, Georgia’s energy independence.

In Q1 2011, the company commenced the construction of a diversion canal. The construction of a surge shaft, cofferdam and some remaining infrastructural works, which began at the end of last year, has continued, as planned, during the reporting period.

Below are the quarterly developments in more detail:

- In Q1 2011, CHC, CEI’s contractor company engaged in the Mtkvari HPP building works, commenced construction of a diversion canal on the upper part of the construction site. The 220 m long diversion canal will divert the river from its riverbed during the construction period to ensure dry working environment for the main dam building works.
- CHC completed the construction of workers dwellings, water wells and some of the inner roads on the upper part of the hydropower plant site. The construction of a temporary bridge, which will connect the north of the river bank to the south of the river, was in the closing stages of completion at the end of the reporting period. The bridge will significantly shorten the travel distance for company vehicles, speed up the building works and reduce transportation expenses. The bridge will be dismantled towards the end of the construction period and the area flooded with water.
- The construction of a surge shaft on the lower part of the hydropower plant site has continued throughout the reporting period. The surge shaft, located around 100 m upstream of the powerhouse in the headrace tunnel, will protect the penstock and the turbines from high water pressure in case of an emergency shutdown at the end of the tunnel.
- The company proceeded with the construction of a cofferdam, which is a watertight enclosure within the river, which together with the diversion canal ensures dry working environment for the main dam construction works.



SUMMARY OF FINANCIAL HIGHLIGHTS

As at and for the three months ended 31 March 2011

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

						YEAR-TO-DATE				
	Q1-2011	Q4-2010	Q3-2010	Q2-2010	Q1-2010	Change, %		2011	2010	Change,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Q-O-Q	Y-O-Y	(Unaudited)	(Unaudited)	%
SELECTED INCOME STATEMENT DATA										
Revenue	3	61	333	7	49	-94.3%	-93.0%	3	49	-93.0%
Operating costs	(333)	(663)	(353)	(488)	(356)	-49.8%	-6.6%	(333)	(356)	-6.6%
Net foreign currency gains/(losses) on monetary assets and liabilities	(136)	(984)	955	436	246	-86.2%	n/a	(136)	246	n/a
Net gains from investment securities available-for-sale	-	-	-	-	533	n/a	-100.0%	-	533	-100.0%
EBITDA	(465)	(1,586)	935	(45)	473	-70.7%	n/a	(465)	473	n/a
Depreciation and amortization charges	(24)	(14)	(9)	(9)	(8)	66.5%	196.7%	(24)	(8)	196.7%
EBIT	(488)	(1,600)	926	(54)	465	-69.5%	n/a	(488)	465	n/a
Share-bases compensation	-	-	-	-	(2,044)	n/a	-100.0%	-	(2,044)	-100.0%
Net finance income	379	445	742	1,029	1,168	-14.8%	-67.5%	379	1,168	-67.5%
EBT	(109)	(1,156)	1,668	976	(412)	-90.5%	-73.4%	(109)	(412)	-73.4%
Profit/(loss) for the period	(109)	(1,474)	1,668	976	(412)	-92.6%	-73.4%	(109)	(412)	-73.4%
SELECTED BALANCE SHEET DATA (Period-end)										
Cash and cash equivalents	23,335	28,036	30,980	32,970	35,715	-16.8%	-34.7%	23,335	35,715	-34.7%
Trade and other receivables	6,408	4,150	7,239	5,794	9,021	54.4%	-29.0%	6,408	9,021	-29.0%
Other assets	32,975	30,785	27,145	24,489	18,178	7.1%	81.4%	32,975	18,178	81.4%
Total assets	62,718	62,971	65,364	63,253	62,913	-0.4%	-0.3%	62,718	62,913	-0.3%
Other liabilities	965	1,006	1,335	948	1,586	-4.1%	-39.1%	965	1,586	-39.1%
Total liabilities	965	1,006	1,335	948	1,586	-4.1%	-39.1%	965	1,586	-39.1%
Minority interests	-	-	69	69	69	n/a	-100.0%	-	69	-100.0%
Total shareholders' equity	61,753	61,964	64,029	62,305	61,328	-0.3%	0.7%	61,753	61,328	0.7%
PER SHARE VALUES										
Share price, GEL	1.40	1.40	1.30	1.00	0.90	0.0%	55.6%	1.40	0.90	55.6%
Market capitalization	35,539	35,539	33,001	25,385	22,847	0.0%	55.6%	35,539	22,847	55.6%
Price earnings (P/E) ratio, annualized	neg	neg	4.91	6.43	neg	n/a	n/a	neg	neg	n/a
Basic earnings/(loss) per share for the period	(0.00)	(0.06)	0.07	0.04	(0.02)	-92.6%	-74.1%	(0.00)	(0.02)	-74.1%
Diluted earnings/(loss) per share for the period	(0.00)	(0.06)	0.07	0.04	(0.02)	-92.6%	-74.1%	(0.00)	(0.02)	-74.1%
Book value per share, GEL	2.43	2.44	2.52	2.45	2.42	-0.3%	0.7%	2.43	2.42	0.7%
ORDINARY SHARES OUTSTANDING										
Weighted-average ordinary shares outstanding, basic	25,385	25,239	25,190	25,090	24,788	0.6%	2.4%	25,385	24,788	2.4%
Weighted-average ordinary shares outstanding, diluted	25,385	25,239	25,190	25,090	24,788	0.6%	2.4%	25,385	24,788	2.4%
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	-0.7%	-9.4%	10.2%	6.2%	-2.6%			-0.7%	-2.6%	
ROE, Annualized	-0.7%	-9.4%	10.6%	6.3%	-2.7%			-0.7%	-2.7%	



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