Georgian Railway JSC
(formerly Georgian Railway LLC)

Condensed Consolidated Interim Financial Statements for the three-month periods ended 31 March 2012 and 2011

Contents

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Management Board
Georgian Railway JSC (formerly Georgian Railway LLC)

Introduction

We have reviewed the accompanying condensed consolidated interim statements of financial position of Georgian Railway JSC (formerly Georgian Railway LLC) (the "Company") and its subsidiaries (the "Group") as at 31 March 2012 and 31 March 2011, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2012 and 31 March 2011, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our reviews.

Scope of reviews

We conducted our reviews in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 31 March 2012 and 31 March 2011, and for the three-month periods ended 31 March 2012 and 31 March 2011 are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

We draw attention to the fact that the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2011, excluding the adjustments described in note 18, are based on the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2011 that were approved for issuance on 15 May 2011. Such statements were neither audited nor reviewed. As part of preparing the current period condensed consolidated interim financial statements Management has adjusted the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2011. We have reviewed the adjustments made and nothing has come to our attention that causes us to believe that these adjustments have not been properly applied.

Tbilisi branch of KPMG CIS Limited

Tbilisi Branch of KPMG CIS Limited
14 May 2012

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’000 GEL	Note	31 March 2012	31 December 2011	31 March 2011	31 December 2010
		Unaudited		**Unaudited**	
ASSETS				**Restated**	
Non-current assets					
Property, plant and equipment	11	1,979,521	1,913,195	1,727,045	1,725,633
Investment property	11	-	6,838	9,926	9,926
Other non-current assets	11	227,795	276,039	174,014	136,375
Total non-current assets		**2,207,316**	**2,196,072**	**1,910,985**	**1,871,934**
Current assets					
Non-current assets held for distribution	11	33,033	-	-	-
Inventories		23,053	23,737	19,700	17,992
Current tax assets		-	511	-	-
Trade and other receivables		31,821	27,355	23,398	26,913
Prepayments and other current assets	12	57,387	27,714	53,381	42,665
Cash and cash equivalents	14	42,110	64,516	258,325	335,855
Bank deposits		87,196	76,449	36,896	38,021
Total current assets		**274,600**	**220,282**	**391,700**	**461,446**
Total assets		**2,481,916**	**2,416,354**	**2,302,685**	**2,333,380**
EQUITY AND LIABILITIES					
Equity					
Charter capital		990,545	1,000,463	985,869	985,376
Non-cash owner contribution reserve		38,031	38,043	35,404	35,404
Retained earnings		768,606	763,502	631,273	612,261
Total equity	13	**1,797,182**	**1,802,008**	**1,652,546**	**1,633,041**
Non-current liabilities					
Loans and borrowings	14	411,756	414,063	422,089	438,383
Trade and other payables		45	45	45	45
Deferred tax liabilities		59,550	60,925	66,548	66,521
Total non-current liabilities		**471,351**	**475,033**	**488,682**	**504,949**
Current liabilities					
Loans and borrowings	14	8,320	18,607	7,744	19,259
Trade and other payables	15	81,195	45,954	48,761	61,886
Liabilities to owner	16	22,291	13,188	26,543	29,241
Provisions		19,834	20,273	20,606	21,597
Other taxes payable		33,389	26,867	30,642	27,236
Other current liabilities		12,868	14,424	15,315	15,018
Dividends payable		28,000	-	-	-
Current tax liabilities		7,486	-	11,846	21,153
Total current liabilities		**213,383**	**139,313**	**161,457**	**195,390**
Total liabilities		**684,734**	**614,346**	**650,139**	**700,339**
Total equity and liabilities		**2,481,916**	**2,416,354**	**2,302,685**	**2,333,380**

The condensed consolidated interim statements of financial position are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 18.

'000 GEL	Note	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
		Unaudited	Unaudited Restated
Revenue	6	105,798	103,396
Other income		5,717	3,989
Employee benefits expense		(23,846)	(26,310)
Depreciation and amortization expense		(24,765)	(23,034)
Electricity and materials used	7	(12,346)	(12,669)
Other expenses	8	(14,703)	(20,464)
Results from operating activities		**35,855**	**24,908**
Finance income	9	10,425	10,869
Finance costs	9	(6,559)	(1,515)
Net finance income		**3,866**	**9,354**
Profit before income tax		**39,721**	**34,262**
Income tax expense	10	(6,617)	(5,719)
Profit and total comprehensive income for the period		**33,104**	**28,543**

These condensed consolidated interim financial statements were approved by the Management Board on 14 May 2012 and were signed on its behalf by:

Irakli Ezugbaia
General Director

Amiran Tevzadze
Acting Chief Accountant

The condensed consolidated interim statements of comprehensive income are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 18.

'000 GEL	**Charter capital**	**Non-cash owner contribution reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2011	**985,376**	**35,404**	**612,261**	**1,633,041**
Total comprehensive income for the period				
Profit and total comprehensive income for the period (unaudited, restated)	-	-	28,543	28,543
Transactions with owners, recorded directly in equity				
Non-cash contributions by and distributions to owners (unaudited, restated)	493	-	(9,531)	(9,038)
Balance at 31 March 2011 (unaudited, restated)	**985,869**	**35,404**	**631,273**	**1,652,546**
Balance at 1 January 2012	**1,000,463**	**38,043**	**763,502**	**1,802,008**
Total comprehensive income for the period				
Profit and total comprehensive income for the period (unaudited)	-	-	33,104	33,104
Transactions with owners, recorded directly in equity				
Dividends to owners (unaudited)	-	-	(28,000)	(28,000)
Non-cash contributions by and distributions to owners (unaudited)	(9,918)	(12)	-	(9,930)
Balance at 31 March 2012 (unaudited)	**990,545**	**38,031**	**768,606**	**1,797,182**

The condensed consolidated interim statements of changes in equity are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 18.

’000 GEL	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
	Unaudited	**Unaudited**
		Restated
Cash flows from operating activities		
Cash receipts from customers	101,042	111,644
Cash paid to suppliers and employees	(50,362)	(47,540)
Cash flows from operations before income taxes	**50,680**	**64,104**
Income tax paid	-	(15,000)
Net cash from operating activities	**50,680**	**49,104**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(49,581)	(99,414)
(Increase)/decrease in term deposits	(10,747)	1,125
(Increase)/decrease in restricted cash	(101)	5,790
Interest received	4,733	814
Net cash used in investing activities	**(55,696)**	**(91,685)**
Cash flows from financing activities		
Proceeds from borrowings	190	-
Interest paid	(20,647)	(22,330)
Net cash used in financing activities	**(20,457)**	**(22,330)**
Net decrease in cash and cash equivalents	**(25,473)**	**(64,911)**
Cash and cash equivalents at 1 January	61,553	323,943
Effect of exchange rate fluctuations on cash and cash equivalents	2,966	(6,743)
Cash and cash equivalents at 31 March	**39,046**	**252,289**

The condensed consolidated interim statements of cash flows are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 18.

1 Background

(a) Business environment

Georgian business environment

The Group's operations are primarily located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The conflict between Georgia and the Russian Federation has created additional uncertainty in the environment. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The condensed consolidated interim financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Reporting entity

Georgian Railway JSC (the "Company"), formerly incorporated as an LLC, and its subsidiaries (the "Group") comprise Georgian joint stock and limited liability companies as defined in the Civil Code of Georgia (see note 17).

The Group's principal activity is the operation of a nationwide railway system providing freight and passenger transportation services, maintenance and development of railway infrastructure and construction of railway lines within Georgia.

The Company was wholly owned by the State of Georgia represented by the State Enterprise Management Agency of the Ministry of Economy and Sustainable Development of Georgia as at 31 March 2011. On 25 October 2011 24% of the Company's charter capital was transferred to Partnership Fund JSC which is wholly owned by the State of Georgia (see note 17).

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the years ended 31 December 2011 and 2010.

(b) Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the years ended 31 December 2011 and 2010.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the years ended 31 December 2011 and 2010.

As part of preparing the current period condensed consolidated interim financial statements, Management identified errors in the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2011 that were approved for issuance on 15 May 2011. These statements were neither audited nor reviewed. Management restated the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2011 in accordance with International Financial Reporting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in these condensed consolidated interim financial statements to adjust for those errors (see note 18).

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the years ended 31 December 2011 and 2010.

5 Operating segments

Information about reportable segments (unaudited)

	Freight transportation		Passenger transportation		Total	
’000 GEL	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**
		Restated		**Restated**		**Restated**
External revenues	101,101	97,716	4,105	3,450	105,206	101,166
Reportable segment profit/(loss) before infrastructure costs, central overheads, net finance income or costs and income tax	60,752	57,943	(2,226)	(3,217)	58,526	54,726
Reportable segment assets	**359,081**	**337,733**	**108,382**	**101,359**	**467,463**	**439,092**

Reconciliation of reportable segment profit or loss (unaudited)

’000 GEL	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**
		Restated
Total profit or loss for reportable segments	58,526	54,726
Other profit or loss	(321)	(1,300)
Payroll expenses – infrastructure and headquarters	(8,044)	(12,768)
Depreciation expenses – infrastructure and headquarters	(12,622)	(12,068)
Net finance income	3,866	9,354
Other net unallocated expenses	(1,684)	(3,682)
Consolidated profit before income tax	**39,721**	**34,262**

There has been no change to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2011 and 31 December 2010.

6 Revenue

’000 GEL	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
		Restated
Freight traffic	87,276	89,271
Freight car rental	13,789	8,357
Passenger traffic	3,694	3,157
Other	1,039	2,611
	105,798	**103,396**

Railroad transportation in Georgia is a natural monopoly; however, prices are not subject to government regulation. According to clause 64 of the Railway Code of Georgia, which came into force on 1 July 2005, the Government of Georgia allowed the Group to set prices for all services provided including freight transportation, freight transportation-related additional services, and passenger and luggage transportation.

Tariffs for freight transportation are based on the International Rail Transit Tariff. The Group is a co-signatory of the Tariff Agreement together with CIS countries, Latvia, Lithuania and Estonia. The parties to the Agreement hold annual conferences to determine the tariff policy for the following year: each party declares tariffs denominated in Swiss Francs for railway transportation and states the general rules that apply to and modify tariffs. The agreed tariffs indicate the maximum level of tariffs applicable.

Effective from 1 February 2012, the Group changed the freight tariff currency from CHF to USD due to the volatility of the exchange rates between the CHF and other currencies and also to better align costs and revenues from its customers, which mainly trade in USD or GEL.

7 Electricity and materials used

’000 GEL	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
		Restated
Electricity	6,114	8,466
Materials	3,953	1,771
Fuel	2,279	2,432
	12,346	**12,669**

8 Other expenses

’000 GEL	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**
		Restated
Freight car rental	4,995	5,561
Taxes other than income tax	4,992	4,168
Security	1,842	1,894
Repairs and maintenance	1,641	3,709
Write off of non-current assets	-	4,094
Other	1,233	1,038
	14,703	**20,464**

During the three-month period ended 31 March 2011 the Group identified impairment indicators leading to the write-off of several items of the Group’s construction in progress. No such indicators were identified during the three-month period ended 31 March 2012.

9 Finance income and costs

(a) Foreign currency exchange rate fluctuations

Included in finance income for the three-month period ended 31 March 2012 is a net foreign exchange gain of GEL 6,426 thousand mainly as a result of the GEL depreciation against the Swiss Franc (“CHF”) and GEL appreciation against the U.S. Dollar (“USD”) as the Group held a significant part of its bank balances in CHF and the Group’s loans and borrowing were denominated in USD during the three-month period ended 31 March 2012. In the three-month period ended 31 March 2011, the Group recognised a foreign exchange gain of GEL 10,251 thousand due to GEL appreciation against USD partly offset by the impact of GEL appreciation against CHF.

(b) Impairment of receivables

Included in finance costs for the three-month period ended 31 March 2012 is an impairment loss of GEL 6,536 thousand mainly due to disputed receivables for which the Group does not expect a repayment (three-month period ended 31 March 2011: GEL 1,514 thousand).

10 Income tax expense

Income tax is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim periods. The Group’s consolidated effective tax rate for the three-month period ended 31 March 2012 was 17 percent (three-month period ended 31 March 2011: 17 percent). The statutory tax rate is 15 percent.

11 Property, plant and equipment and other non-current assets

(c) Acquisitions and disposals of property, plant and equipment

During the three-month period ended 31 March 2012 the Group acquired assets with a cost, excluding capitalized borrowing costs, of GEL 83,333 thousand mainly relating to the Main Line Modernization and Tbilisi Bypass projects (31 March 2011: GEL 30,144 thousand).

Capitalized borrowing costs related to the Main Line Modernization project for the three-month period ended 31 March 2012 amounted to GEL 6,056 thousand (31 March 2011: GEL 6,380 thousand) and capitalized borrowing costs related to the Tbilisi Bypass project for the three-month period ended 31 March 2012 amounted to GEL 4,254 thousand (31 March 2011: GEL 4,496 thousand).

During the three-month period ended 31 March 2012 assets with a carrying amount of GEL 827 thousand were transferred to the owner (31 March 2011: GEL 12,156 thousand).

(d) Investment property

In March 2012 the decision was made to transfer the Tbilisi Central Station building to the Government of Georgia although the Group retains a right of use over that portion of the Tbilisi Central Station necessary for the Group's operations. In the three-month period ended 31 March 2012, investment property of 6,838 thousand, mainly relating to the Tbilisi Central Station, was reclassified to property, plant and equipment due to the change in use of the property.

(e) Other non-current assets

The increase in other non-current assets is mainly related to prepayments made and materials and equipment purchased for the Main Line Modernization and Tbilisi Bypass Projects.

(f) Non-current assets held for distribution

During the three-month period ended 31 March 2012, the Group resolved to transfer to the Government of Georgia the partially-constructed Batumi Tower in the western part of Georgia, as well as the land plots upon which the building is being constructed, all of the rights and obligations under the construction agreement and all other agreements executed in connection with this project. The total value of such assets reclassified from property, plant and equipment and prepayments for non-current assets were GEL 33,033 thousand consisting land plots of GEL 4,220 thousand, construction in progress of GEL 9,186 thousand and prepayments for construction contracts of GEL 19,627 thousand. The transfer was completed in April 2012.

(g) Capital commitments and major projects

As at 31 March 2012 the Group entered into contracts for the construction or purchase of property, plant and equipment of GEL 854,646 thousand (31 March 2011: GEL 611,582 thousand), mainly relating to the Main Line Modernization (GEL 534,288 thousand) and Tbilisi Bypass Projects (GEL 277,815 thousand) excluding prepayments made for the contracts amounting to GEL 132,479 thousand as at 31 March 2012 (31 March 2011: GEL 71,957 thousand).

12 Prepayments and other current assets

During the three-month period ended 31 March 2012 the Group revised its estimate of the VAT recoverable within 12 months from 31 March 2012, which resulted in an increase in prepayments and other current assets and a reduction in other non-current assets as at 31 March 2012 of GEL 26,966 thousand.

13 Equity

(a) Dividends

Dividends were declared by the Group during the three-month period ended 31 March 2012 of GEL 28,000 thousand (three-month period ended 31 March 2011: nil) (see note 17).

14 Loans and borrowings

No significant issues or repayments of loans and borrowings occurred during the three-month periods ended 31 March 2012 and 31 March 2011. Changes in the carrying amounts are attributable to interest accruals and payments and foreign currency translation differences.

In July 2010 the Group issued bonds with a face value of USD 250 million maturing in July 2015. The proceeds are being used for the implementation of two capital projects: the Main Line Modernization and the Tbilisi Bypass.

Cash and cash equivalents include restricted cash of GEL 3,064 thousand as at 31 March 2012 (31 December 2011: GEL 2,963 thousand; 31 March 2011: GEL 6,036 thousand; 31 December 2010: GEL 11,912 thousand).

15 Trade and other payables

As at 31 March 2012 construction works completed by a contractor for the Bypass Project amounted to GEL 40,342 thousand representing an increase of GEL 35,339 thousand compared to 31 December 2011.

16 Related party transactions

(a) Parent and ultimate controlling party

The Company was wholly owned by the State of Georgia represented by the State Enterprise Management Agency of the Ministry of Economy and Sustainable Development of Georgia as at 31 March 2011. On 25 October 2011 24% of the Company’s charter capital was transferred to Partnership Fund JSC which is wholly owned by the State of Georgia.

(b) Transactions with key management personnel

Key management received the following remuneration during the three-month periods ended 31 March 2012 and 2011, which is included in employee benefits expenses:

’000 GEL	**Three-month period ended 31 March 2012**	**Three-month period ended 31 March 2011**
Salaries and bonuses	**247**	**279**

(c) Other related party transactions

(i) Revenue, purchases and expenses

Until September 2011 the Group purchased most of its electricity from a State-owned operator which amounted to GEL 675 thousand for the three-month period ended 31 March 2012 (three-month period ended 31 March 2011: GEL 6,838 thousand). In September 2011, the Company signed an agreement for the purchase and sale of electricity from another provider. The Group also purchases security services from a state agency which amounted to GEL 1,902 thousand for the three-month period ended 31 March 2012 (three-month period ended 31 March 2011: GEL 1,910 thousand). During the three-month period ended 31 March 2012 the Group purchased goods of GEL 1,258 thousand from a State-owned company (three-month period ended 31 March 2011: GEL 656 thousand). The Group usually does not have significant balances for these purchases.

Management estimates that the aggregate amounts of other income and expenses and the related balances with other government-related entities are not significant.

(ii) Other balances

’000 GEL	**31 March 2012**	**31 December 2011**	**31 March 2011**	**31 December 2010**
Liabilities to owner	**22,291**	**13,188**	**26,543**	**29,241**

Liabilities to owners relate to non-core property, plant and equipment that has been withdrawn but not yet transferred formally to the Government of Georgia. These liabilities are recognised at the carrying amount of assets to be transferred to the Government of Georgia.

17 Subsequent events

In April 2012 the Company changed its legal form from a limited liability company, whose charter capital is not divided into shares, to a joint stock company with a share capital of 1,049,751,200 shares having a par value of GEL 1 per share.

In April 2012, a Memorandum of Understanding was signed between the Company and the Government of Georgia which creates a set-off mechanism for the Company whereby dividends that would otherwise be payable to the State in respect of its shares in the Company are offset against the Group’s future expenses in relation to the Bypass Project and in exchange for the transfer, by the Group to the Government, of approximately 70.1 hectares of land plots in Central Tbilisi. The amount to be offset under this mechanism is subject to an aggregate cap of CHF 138.0 million. If the dividends payable to the State are insufficient to cover the reimbursable expenses in full, the Group has the right to retain a pro-rata ownership interest in the land plots.

Pursuant to Government Resolution No. 789 of 30 April 2012 on “Contributing the Shares of JSC “Georgian Railway” owned by the State into the capital of JSC Partnership Fund”, on 3 May 2012 the State transferred additional shares in the Company representing 1.5 per cent. of the Company’s authorised capital, by way of capital contribution, to the JSC Partnership Fund.

In April 2012, the Company made a dividend payment in the amount of GEL 10 million.

In April 2012, land plots and assets located in Kulevi, with an aggregate value of approximately GEL 48.0 million, were contributed by the Government of Georgia to the Company’s capital.

In April 2012, as part of the Modernisation Project, 33 land plots (including six buildings and a reservoir), with an aggregate value of approximately GEL 11.2 million, were contributed by the Government of Georgia to the Company’s capital.

On 16 April 2012 the Government of Georgia announced its intention to proceed with an initial public offering of 25% of the ordinary shares (in the form of Global Depositary receipts) of the Company on The London Stock Exchange.

18 Correction of prior period errors

As part of preparing the current period condensed consolidated interim financial statements, Management identified errors in the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2011 that were approved for issuance on 15 May 2011. Management restated the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2011 in accordance with International Financial Reporting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in these condensed consolidated interim financial statements to adjust for those errors. This has resulted in the following changes in the amounts reported previously. There was no impact on the statement of financial position as at 31 December 2010.

Condensed consolidated interim statement of financial position as at 31 March 2011

’000 GEL	**Balances as previously reported as at 31 March 2011**	**Restatements**	**Restated balances as at 31 March 2011**
Non-current assets	1,919,242	(8,257)	1,910,985
Current assets	385,917	5,783	391,700
Total assets	**2,305,159**	**(2,474)**	**2,302,685**
Equity	1,646,176	6,370	1,652,546
Non-current liabilities	488,610	72	488,682
Current liabilities	170,373	(8,916)	161,457
Total equity and liabilities	**2,305,159**	**(2,474)**	**2,302,685**

Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2011

’000 GEL	Balances as previously reported as at 31 March 2011	Restatements	Restated balances as at 31 March 2011
Results from operating activities	31,433	(6,525)	24,908
Net finance (costs)/income	(1,963)	11,317	9,354
Profit before income tax	**29,470**	**4,792**	**34,262**
Income tax expense	(7,623)	1,904	(5,719)
Profit and total comprehensive income for the period	**21,847**	**6,696**	**28,543**

The errors identified by Management principally related to borrowing costs of GEL 10,875 thousand which should have been capitalised and certain items of construction in progress of GEL 4,094 thousand for which indicators of impairment were identified during the three-month period ended 31 March 2011 and which should have been written off.

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2011

’000 GEL	Balances as previously reported as at 31 March 2011	Restatements	Restated balances as at 31 March 2011
Balance as at 1 January 2011	**1,633,041**	**-**	**1,633,041**
Profit and total comprehensive income for the period	21,847	6,696	28,543
Total contributions by and distributions to owners	(8,712)	(326)	(9,038)
Balance as at 31 March 2011	**1,646,176**	**6,370**	**1,652,546**

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2011

’000 GEL	Balances as previously reported as at 31 March 2011	Restatements	Restated balances as at 31 March 2011
Net cash from operating activities	15,025	34,079	49,104
Net cash used in investing activities	(86,828)	(4,857)	(91,685)
Net cash used in financing activities	-	(22,330)	(22,330)
Net increase in cash and cash equivalents	(71,803)	6,892	(64,911)
Cash and cash equivalents at 1 January 2011	373,876	(49,933)	323,943
Effect of exchange rate fluctuations on cash and cash equivalents	(7,055)	312	(6,743)
Cash and cash equivalents at 31 March 2011	**295,018**	**(42,729)**	**252,289**

Management identified errors related to the classification of deposits of GEL 36,896 thousand and restricted cash of GEL 6,036 thousand as cash and cash equivalents as at 31 March 2011.

Management also changed the classification of interest paid for the three-month period ended 31 March 2011 of GEL 22,330 thousand as financing activities rather than operating activities consistent with the presentation in the consolidated financial statements as at and for the year ended 31 December 2011.