



M-O-M CPI IN JULY 2008 FELL BY 1.2%, Y-O-Y PERIOD-END CPI CHANGED IN SINGLE DIGITS AGAIN

GEL/US\$: 1.4130 GEL/EUR: 2.1476
Galt & Taggart Index: 460

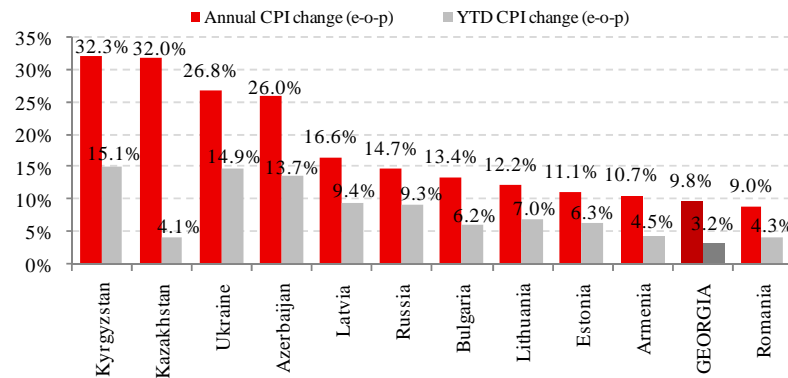
| CPI | July 2008 | June 2008 | July 2007 | 2007 | 2006 |
|-------------------------------|-----------|-----------|-----------|-------|------|
| Month-on-month | -1.2% | -0.1% | 0.1% | - | - |
| Year-on-year (e-o-p) | 9.8% | 11.3% | 6.6% | 11.0% | 8.8% |
| Year-on-year (period average) | 10.4% | 10.2% | 9.5% | 9.2% | 9.2% |

The Department of Statistics of the Ministry of Economic Development of Georgia reported that the consumer price index (CPI) fell by 1.2% m-o-m in July 2008, down from a 0.1% m-o-m decrease in June 2008. The end-of-period CPI change for the twelve months ended 31 July 2008 decreased to 9.8% from 11.3% at the end of the previous month. The annual period-average CPI change in July 2008 rose by 10.4% from 10.2% in June 2008.

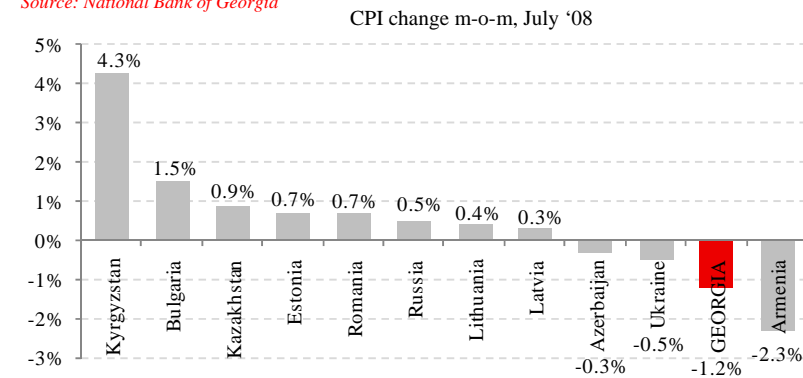
The e-o-p CPI change by 9.8% in Georgia compares favorably to 32.3% in Kyrgyzstan, 32.0% in Kazakhstan, 26.8% in Ukraine, 16.6% in Latvia, 14.7% in Russia, 13.4% in Bulgaria and is broadly in line with Georgia's other regional peers.

In July 2008, annual growth rate of Broad Money (M3) rose to 28.2% from 27.3% annual growth in June (its lowest level since June 2007) and 39.6% in May.

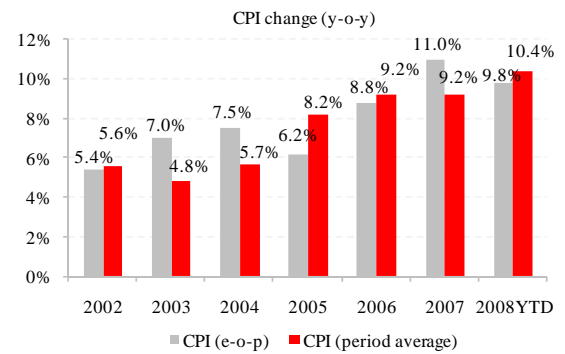
"Our hawkish stance on inflation has begun bearing fruit. In the context of the recent adversity brought about by the Russian occupation, we are determined more than ever to keep our sound economic policy framework intact", commented *Nika Gilauri*, Minister of Finance.



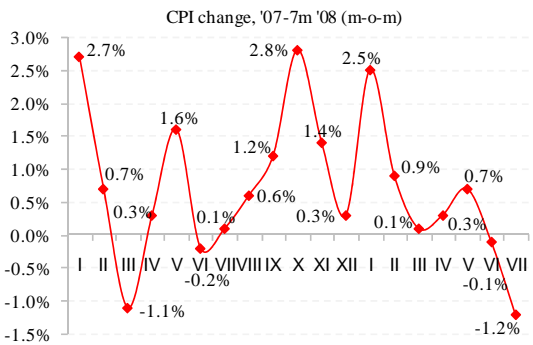
Source: National Bank of Georgia



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Source: Department of Statistics of Georgia



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| Sectors and Commodity Groups | Y-o-y CPI change (e-o-p) June, '08 |
|-------------------------------------|------------------------------------|
| Cooking oil | 42.4% |
| Bread products | 29.8% |
| Furnishings and household equipment | 19.3% |
| Transportation | 18.0% |
| Healthcare | 16.1% |
| Meat and meat products | 13.6% |
| Fast food products | 11.4% |
| Food and non-alcoholic beverages | 11.2% |
| Dairy products | 10.5% |
| Other foodstuffs | 10.2% |
| Housing, water, electricity and gas | 7.4% |
| Miscellaneous goods and services | 7.4% |
| Other non-alcoholic beverages | 5.3% |
| Communications | 4.8% |
| Hotels, cafes and restaurants | 2.9% |
| Recreation and entertainment | 1.7% |
| Education | 1.5% |
| Confectionery | 0.6% |
| Fish products | 0.6% |
| Alcoholic beverages and tobacco | -0.3% |
| Clothing and footwear | -4.4% |
| Vegetables | -10.2% |
| Fruits | -16.7% |

Source: Department of Statistics of Georgia

| Georgia: Key Economic Data | 2004A | 2005A | 2006A | 2007A |
|-------------------------------------|---------|----------|----------|----------|
| Nominal GDP (GEL mln) | 9,824.3 | 11,621.0 | 13,783.9 | 16,998.6 |
| Real GDP Growth (y-o-y; %) | 5.9% | 9.6% | 9.4% | 12.4% |
| GDP per Capita (US\$) | 1,187.2 | 1,478.4 | 1,758.7 | 2,315.2 |
| CPI (e-o-p; %) | 7.5% | 6.2% | 8.8% | 11.0% |
| Net FDI (US\$ mln) | 483 | 542 | 1,076 | 2,014.8 |
| Current Account Deficit as % of GDP | -6.6% | -10.7% | -14.9% | -18.9% |
| GEL/US\$ (e-o-p) | 1.83 | 1.79 | 1.71 | 1.59 |
| GEL/EUR (e-o-p) | 2.49 | 2.12 | 2.26 | 2.33 |
| Galt & Taggart Index (e-o-p) | 194 | 320 | 790 | 1,041 |

Source: Department of Statistics, Ministry of Economic Development, Ministry of Finance, National Bank of Georgia

Georgia has, as of the date hereof, the following sovereign credit ratings:

| Standard & Poor's | Sovereign Credit Rating | 'B/ Watch Negative /B' |
|-------------------|--|------------------------|
| FitchRatings | Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling | 'B+/ Negative /B/B+' |

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