


INVESTOR CONFIDENCE AND CAPITAL INFLOWS REMAIN HIGH IN Q1 2008

 GEL/US\$: 1.4770 GEL/EUR: 2.2961
 Galt & Taggart Index: 804

Preliminary results of Q1 2008 demonstrate that, notwithstanding the current conditions in the global financial markets, investor confidence in Georgia remains high. Cross-border transactional activity in Q1 2008 appears to have been at the highest level in recent history, with quarterly private capital inflows exceeding US\$500 million.

On 10 January 2008, Bank of Georgia (LSE:BGEO), the largest universal bank, announced that it had successfully placed a US\$65 million senior loan facility through Merrill Lynch. Several other Georgian banks have raised debt in Q1 2008, including a US\$10 million subordinated loan placed by TBC Bank. In March 2008, TBC Bank also announced the signing of a US\$30 million Multisource Framework Agreement with BNP Paribas.

In February 2008, Bank of Georgia announced that it has raised US\$100 million through a rights issue of GDRs, with ING Bank acting as the sole bookrunner and UniCredit and Galt & Taggart Securities participating in the syndicate.

In Q1 2008, several new banking licenses were issued, with Halyk Bank, a group of European and Georgian investors and Dhabi Group each obtaining a banking license. In March 2008, Dhabi Group announced that Kor Bank, its wholly-owned newly-established Georgian bank, acquired a 100% equity interest in Standard Bank, a top 10 Georgian bank, for the consideration of GEL70 million.

In January 2008, GRDC, a leading real estate developer, announced that it had successfully closed a US\$105 million equity private placement with several institutional investors. In another sign that international institutional investors remain highly receptive to quality investment opportunities in Georgia, in February 2008 Caucasus Energy & Infrastructure (GSE:NRGY), the permanent-capital vehicle investing in energy and infrastructure assets, announced that it had placed US\$50 million of new equity and was admitted to trading on the Georgian Stock Exchange

In February 2008, KazMunaiGas announced the purchase of the Batumi oil terminal assets and long-term lease of the Batumi port assets. In February 2008, EFES Breweries International acquired a 100% equity interest in Natakhtari Brewery, the largest brewery in Georgia. In March 2008, Populi, the leading supermarket chain, raised GEL 5 million via a rights issue fully subscribed to by its institutional shareholders.

Privatisation transactions with aggregate committed proceeds exceeding US\$200 million were completed or announced in Q1 2008. The key privatisation transactions include the following:

- Sale of Arsenal real estate property near downtown Tbilisi for US\$38 million;
- Sale of a landmark office building in Tbilisi for US\$9 million;
- Sale of the Skhmeri manganese deposit mining license for GEL16 million;
- Sale of JSC Sakhydromsheni, an engineering and construction company, for US\$7 million;
- Closing of the sale of a landmark building in downtown Tbilisi which is being developed as a Kempinski hotel, with the last payment tranche of US\$18 million; and
- Signing of the sale for US\$167 million of a 353Ha land plot adjacent to the Lisi Lake in Tbilisi, with the first payment tranche of US\$25 million receivable by the end of March 2008.

Additionally, small-scale privatisation auction proceeds in Q1 2008 were US\$36 mln.

“I wish to congratulate all Georgian companies and their foreign investors and partners that have been transactionally active in Q1 2008. We are pleased to observe the very high level of investor interest and transactional activity, which demonstrates that international investors and lenders are well aware of the attractive opportunities Georgia has to offer. Our companies’ capital-raising success in Q1 2008 demonstrates, among other things, the importance of maintaining sound fiscal and monetary policies and the reform momentum”, commented **Lado Gurgenidze**, Prime Minister of Georgia.

Georgia: Key Economic Data	2004A	2005A	2006A	2007E
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	1,682
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	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+/B'	Positive
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'BB-/B/BB-'	Stable

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