

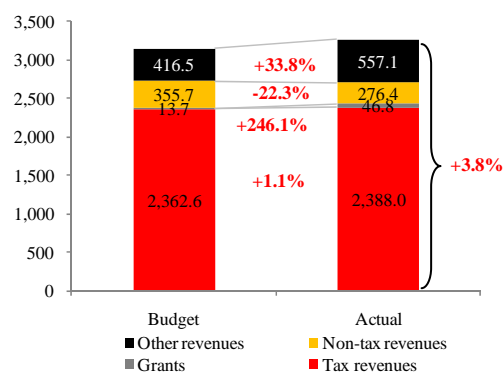
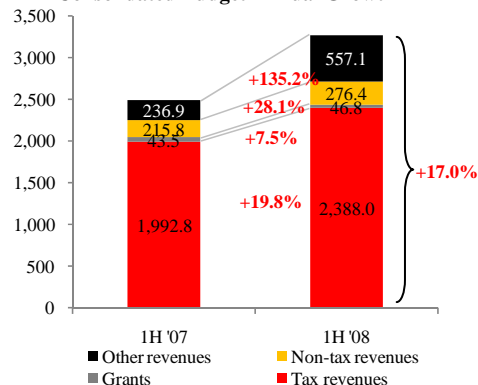
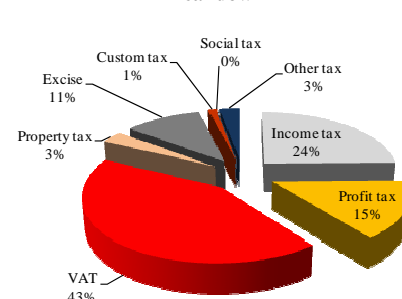

**SOUND BUDGET REVENUE COLLECTION PERFORMANCE IN 1H 2008**

 GEL/US\$: 1.4131 GEL/EUR: 2.1900  
 Galt & Taggart Index: 562

	1H 2008		Deviation		1H 2007	Growth, y-o-y	
	Budget	Actual		%		Actual	
<b>Consolidated budget, GEL mln</b>	<b>3,148.4</b>	<b>3,268.3</b>	<b>119.9</b>	<b>103.8%</b>	<b>2,488.9</b>	<b>779.4</b>	<b>31.3%</b>
<b>Revenues</b>	<b>2,362.6</b>	<b>2,388.0</b>	<b>25.4</b>	<b>101.1%</b>	<b>1,992.8</b>	<b>395.2</b>	<b>19.8%</b>
<b>Tax revenues</b>	<b>2,362.6</b>	<b>2,388.0</b>	<b>25.4</b>	<b>101.1%</b>	<b>1,992.8</b>	<b>395.2</b>	<b>19.8%</b>
Income tax	585.3	590.5	5.2	100.9%	237.9	352.6	148.2%
Profit tax	351.4	352.4	1.0	100.3%	292.2	60.2	20.6%
VAT	1,019.3	1,020.9	1.6	100.2%	870.3	150.6	17.3%
Property tax	72.0	74.9	2.9	104.0%	62.3	12.6	20.3%
Excise tax	254.4	256.8	2.3	100.9%	196.5	60.2	30.7%
Custom	25.3	25.3	0.0	100.0%	21.5	3.8	17.7%
Social tax	0.0	0.0	0.0	0.0%	303.1	-303.1	-100%
Other tax revenues	54.8	67.2	12.4	122.6%	9.0	58.1	643.2%
<b>Grants</b>	<b>13.7</b>	<b>46.8</b>	<b>33.1</b>	<b>342.6%</b>	<b>43.5</b>	<b>3.3</b>	<b>7.5%</b>
<b>Non-tax revenues</b>	<b>355.7</b>	<b>276.4</b>	<b>-79.3</b>	<b>77.7%</b>	<b>215.8</b>	<b>60.6</b>	<b>28.1%</b>
<b>Other revenues</b>	<b>416.5</b>	<b>557.1</b>	<b>140.7</b>	<b>133.8%</b>	<b>236.9</b>	<b>320.3</b>	<b>135.2%</b>
<b>State budget, GEL mln</b>	<b>2,977.3</b>	<b>3,028.4</b>	<b>51.1</b>	<b>101.7%</b>	<b>2,072.2</b>	<b>956.2</b>	<b>46.1%</b>
<b>Revenues</b>	<b>2,258.9</b>	<b>2,277.0</b>	<b>18.1</b>	<b>100.8%</b>	<b>1,679.7</b>	<b>597.3</b>	<b>35.6%</b>
<b>Tax revenue</b>	<b>2,258.9</b>	<b>2,277.0</b>	<b>18.1</b>	<b>100.8%</b>	<b>1,679.7</b>	<b>597.3</b>	<b>35.6%</b>
<b>Grants</b>	<b>49.2</b>	<b>46.7</b>	<b>-2.4</b>	<b>95.0%</b>	<b>43.1</b>	<b>3.6</b>	<b>8.4%</b>
<b>Non-tax revenues</b>	<b>310.4</b>	<b>215.6</b>	<b>-94.8</b>	<b>69.4%</b>	<b>160.7</b>	<b>54.9</b>	<b>34.2%</b>
<b>Other revenues</b>	<b>358.9</b>	<b>489.1</b>	<b>130.3</b>	<b>136.3%</b>	<b>188.6</b>	<b>300.5</b>	<b>159.3%</b>

The Ministry of Finance of Georgia reported recently that the revenues of the 1H 2008 consolidated and state budgets exceeded the forecast by GEL 119.9 mln (up 31% y-o-y) and GEL 51.1 mln (up 46% y-o-y), respectively. Consolidated budget revenues were GEL 3,268.3 mln, or 104% of the forecast, up 31.3% y-o-y. Consolidated tax revenues collected were GEL 2,388 mln, or 101% of the budgeted amount, up 19.8% y-o-y. Consolidated non-tax revenues were GEL 276.4 mln or 77.7% of the budgeted amount, up 28.1% y-o-y.

"I wish to congratulate my colleagues at the Ministry of Finance on their revenue collection performance. The growth trend we continue to experience is a result of the resilience and dynamism of the Georgian economy and our adherence to the fiscal policy of simple, low and flat taxes. I am confident that the economy and hence the budget revenue collection will continue to react positively to our further efforts to reduce the tax burden by continuing to cut the tax rates", commented *Nika Gilauri*, Minister of Finance.

**1H 2008 Consolidated Budget Revenue Breakdown**

**Consolidated Budget Annual Growth**

**1H 2008 Consolidated Budget Tax Revenue Breakdown**

**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+/B'	Positive
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'BB-/B/BB-'	Stable

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