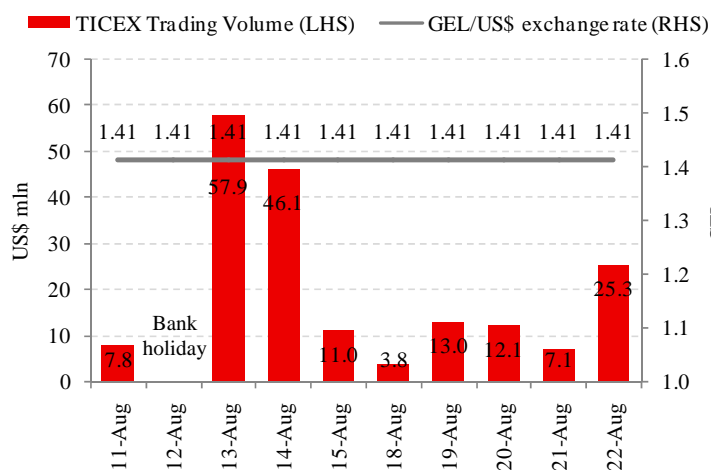
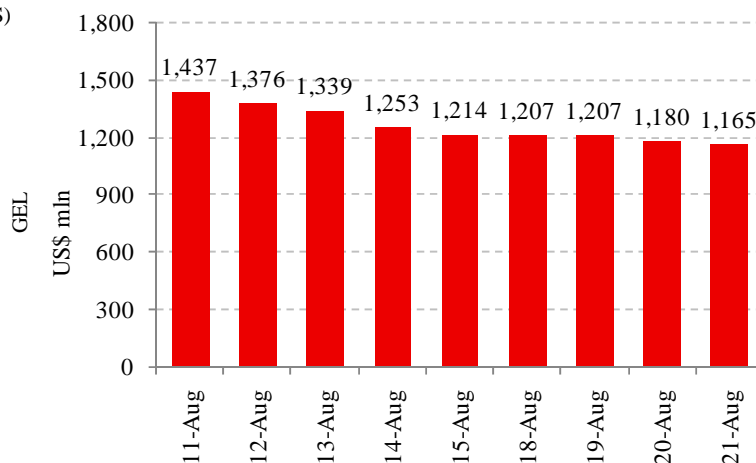



The Financial Services Sector

- Since 18 August 2008, the rate of exchange of the Georgian Lari against the US Dollar hasn't changed. The average daily turnover on the Tbilisi Interbank Currency Exchange (TICEX) this week was US\$13.1 mln, 58% lower than the average daily trading volume in the previous week and 31% higher than the average daily trading volume year to date. The National Bank of Georgia's (NBG) net sales of US Dollar on the TICEX were US\$33.4 million.
- As of close of business today, the foreign currency reserves of the NBG stood at US\$1,165 million.

TICEX trading data (since 11 August 2008)

Source: National Bank of Georgia
FX Reserves (since 11 August 2008)

Source: National Bank of Georgia

- On 20 August 2008, the Monetary Policy Committee (MPC) of the NBG held its regular meeting. The MPC decided to lower the main policy rate by 100 basis points to 11% - after four consecutive increases by cumulative 500 bps since November 2007. The MPC noted that some loosening of the monetary policy is necessary due to an increase in demand for liquid resources and the possible slowdown in economic activity brought about by the Russian invasion.
- This week, Georgian banks continued normal operations. Since Monday, some lending activities and online banking services have resumed.
- The trading volume on the Georgian Stock Exchange this week was 79% higher than the average daily trading volume in the previous week and 55% lower than the average daily trading volume year to date. The stock market index rose by 4.3% to 480.15.

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+'

Contacts:
Goga Melikidze
 Advisor to Prime Minister
 +995 32 934 632
 gmelikidze@geo.gov.ge

David Amaglobeli
 Acting President of the National Bank of Georgia
 +995 32 442 403
 damaglobeli@nbg.gov.ge

Kakha Baidurashvili
 First Deputy Minister of Finance
 +995 32 446 447
 k.baidurashvili@mof.ge

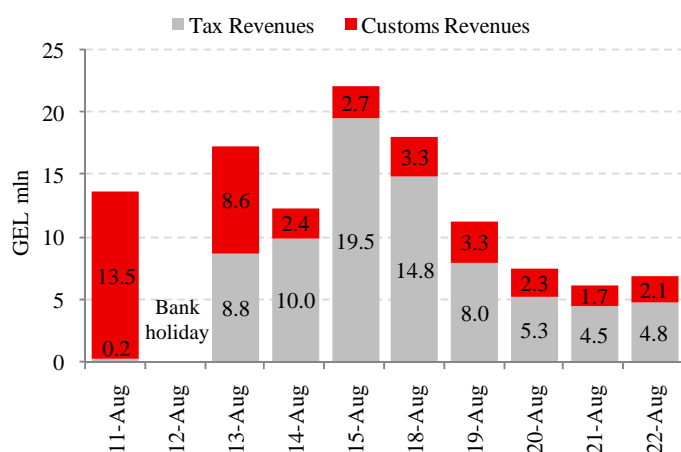
Vakhtang Lejava
 First Deputy Minister of Economic Development
 +995 32 923311
 vlejava@economy.ge

This news report is presented for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. This news report may contain statements that constitute "forward-looking statements". While these forward-looking statements represent our judgments and future expectations, a number of risks, uncertainties and other factors could cause actual developments and results to differ materially from our expectations. We are under no obligation (and expressly disclaim any such obligations) to update or alter our forward-looking statements whether as a result of new information, future events, or otherwise. The recipients hereof are permitted to further disseminate this news report or key facts and statements contained herein, provided that they do so with the proper attribution to the relevant government agency as the source of such information.

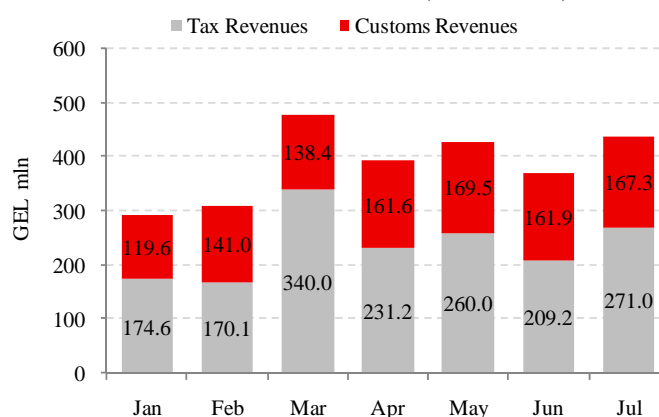
Fiscal Revenue Collection

- The average daily budget revenue collection this week equaled GEL 10.1 million, 38% lower than the average daily revenue collection in the preceding week and 29% lower than the average daily revenue collection in January – July 2008. The decrease was attributable to the difficulties many importers have experienced in moving cargo from the border to Tbilisi and other regions in East Georgia

Fiscal revenue collection (Since 11 August 2008)



Fiscal revenue collection (Jan-Jul 2008)



Source: Ministry of Finance

Infrastructure & Local Distribution Routes

- No interruptions in electricity or gas supply have been reported this week anywhere in Georgia.
- This week, there were significant interruptions in railway traffic as a result of an explosion damaging an important railway bridge in the Kaspi area. The bridge is being repaired, with the completion of repairs expected in three weeks.
- The Georgian ports continued working at a reduced level of activity throughout this week. The average daily volume of cargo handled by Poti and Batumi ports increased by 12% compared to the preceding week.
- Since 18 August 2008, Austrian Airlines, Turkish Airlines, Lufthansa, CSA, BMI and several other airlines have resumed all scheduled flights, which had been canceled in the previous week. Georgian National Airlines, Airzena, Air Baltic, Ukraine International Airlines, Dnepravia and Aerosvit Airlines continue their regular flights. Flights to and from Russia haven't resumed at this stage.

Other Main Events

- According to the Public Register data, the average daily number of real estate registrations dropped significantly at the onset of the conflict (8 August 2008) to approximately 250 per business day from approximately 1,900 in January – July 2008. This week, the average daily number of real estate registrations rose to approximately 650.
- Some investor activity was evident on the privatisation auctions conducted by the Ministry of Economic Development on 18 and 19 August 2008. Total privatisation proceeds this week amounted to GEL 860,146.
- Monthly state pensions were distributed in mid-August without delays or interruptions.

International Support

- On 19 August 2008, The Wall Street Journal Reported that Senator Joseph Biden intends to seek congressional approval for a US\$1 billion economic recovery package for Georgia. Barack Obama was quoted by the Wall Street Journal to be "proud to join my friend, Sen. Joe Biden" on the issue.
- On 19 August 2008, Deputy Secretary of US Treasury Robert Kimmitt stated in interview on CNBC that the United States and their allies would help rebuild Georgia as well as provide Georgia with humanitarian aid and longer-term reconstruction aid in the wake of its conflict with Russia. Georgia would recover economically and urged Russia to reopen communication and transport links in the war-torn country. "We and our international partners are going to do all that we can in the near term on humanitarian assistance and the long term on reconstruction aid," stated Mr. Kimmitt.
- World Bank and G-7 Finance Ministers issued statements this week, demonstrating their support to the Georgian economy. The statements are set out in the appendix below.

APPENDIX**Statements of the World Bank and G-7 Finance Ministers**

August 20, 2008
hp-1118

Statement by G-7 Finance Ministers on Georgia

G-7 Finance Ministers today issued the following statement on Georgia:

"G-7 Finance Ministers welcome the international mediation efforts to end the hostilities and to bring about a political solution to the conflict in Georgia. The loss of life, humanitarian suffering and wider destruction over recent days is considerable, and we welcome commitments to assist with the urgent humanitarian needs.

"We, the G-7, stand ready to support Georgia in order to promote the continued health of the Georgian economy, maintain confidence in Georgia's financial system and support economic reconstruction.

"In this regard we welcome the commitment by Georgia and the International Monetary Fund to work together to reinforce the soundness of Georgia's economic reform program. We also call on the Georgian authorities, other countries, the World Bank, European Bank for Reconstruction and Development, Asian Development Bank, European Investment Bank, and European Commission to promptly identify and support reconstruction needs and the restoration of services that will build a base for future economic growth.

"Georgia has solid economic fundamentals as a result of economic reforms and sound policies, and we are committed to helping Georgia continue on this path."



THE WORLD BANK

Working for a World
Free of Poverty

Contact:
In Washington
Michael Jones (+1-202) 473 25 88
Mjones2@worldbank.org

In Tbilisi
Inga Paichadze
Tel: (+995 32) 91 30 96/91 26 59
Email: ipaichadze@worldbank.org

Press Release

World Bank Statement on Georgia

WASHINGTON, August 21, 2008 -The following is a statement made by Theodore Ahlers, World Bank acting vice president for Europe and Central Asia today in Washington:

"At the invitation of the Georgian government, a World Bank economic assessment team will leave for Tbilisi tomorrow. The World Bank remains committed to improving people's lives in Georgia, and will continue with its ongoing support to economic reform and development in the country.

In the coming days we will work with the Georgian government to assess the economic impact of recent events and to recommend policy measures directed at fostering growth and protecting against poverty.

Georgia has strong economic fundamentals, the result of a committed reform program and prudent fiscal management by the government. These factors will help the economy to weather the impact of the conflict. The economy is, however, dependant on external investment, and growth is likely to be temporarily dampened as investors adopt a wait and see attitude.

The World Bank is in close discussions with the government on measures to minimize the impact of disruptions on peoples' lives. At the government's request the Bank will assist the authorities in assessing the toll of the damage and reconstruction needs with international partners and other stakeholders through a follow up mission. In this task, the Bank will focus on the infrastructure, environment, and agriculture sectors and on the needs of the internally displaced population. It will also assist the authorities in setting up a multi-donor trust fund for reconstruction investment to ensure a speedy recovery from the conflict and to ease the suffering of all of its victims.

The World Bank notes with grave concern the reports of forest fires in the Borjomi area of Georgia. As a long-standing international partner which has been supporting improved environmental and forestry management throughout the South Caucasus region, the World Bank sincerely hopes that arrangements can be made urgently to facilitate access to the area of the necessary equipment and other resources to bring these fires under control as soon as possible.

The Bank will remain in close consultation with the authorities as needs evolve and will respond flexibly and speedily with policy advice and financing in the present difficult circumstances facing the Georgian people."