



April 2011

Country Overview

Area	69,700 sq km
Population (beginning of 2009)	4,385.4 thousand
Population (beginning of 2010)	4,436.4 thousand
Life expectancy*	
UK	80 years
US	78 years
Georgia	77 years
Romania	74 years
Turkey	72.5 years
Official language	Georgian
Literacy	99.7%
Capital city	Tbilisi
Currency (code)	Lari (GEL)
Nominal GDP 2010 (preliminary)	US\$ 11.7 bln
Real GDP growth rate 2010	6.4%
Nominal GDP per capita 2010 (PPP)	US\$ 5,057
Headline CPI Inflation 2010 (period average)	7.1%
Non-food CPI Inflation 2010 (period average)	2.7%
US\$ - GEL 2010 (period average)	1.78
External public debt to GDP 2010**	28.2%

Source: Geostat, MOF, NBG

* Source: The World Factbook

** Excludes exclusive liabilities of the NBG to the IMF



Georgia

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Sovereign Ratings – Georgia

**STANDARD
& POOR'S**

B+, positive

(Outlook raised to positive in March 2011)

FitchRatings

B+, positive

(Outlook raised to positive in March 2011)

**MOODY'S
INVESTORS SERVICE**

Ba3, stable

(Assigned Ba3 rating in October 2010)

Major Rating Strengths:

- Good economic growth prospects and ongoing fiscal consolidation
- Following GDP growth of an estimated 6.4% in 2010, driven by a recovery in export growth and a rebound in credit growth to the private sector, Standard&Poor's expects the Georgian economy to recover more rapidly than they expected
- Near term growth is expected to benefit from an extension of public sector investment in infrastructure, energy, agriculture and tourism
- Expected improvement in Georgia's external performance that will reduce external financing needs and inflationary pressures

Major Rating Strengths:

- Strong economic recovery with strong GDP growth prospects
- Reduction in both budget and current account deficits
- Long track record of low and stable inflation
- Strong banking sector due to improvement in asset quality, growth in deposits and rising profitability
- Favorable business climate, low corruption, sound governance and easing of political risk
- High level of human development
- Strong support from the international community

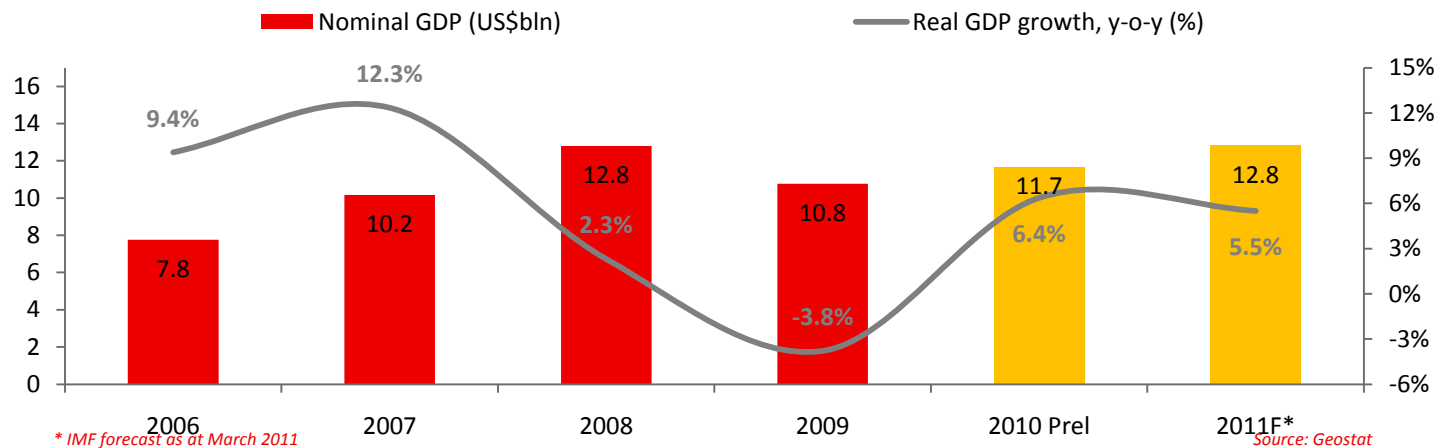
Major Rating Strengths:

- Progress in building social, political and economic institutions
- A healthy operating business environment that is unique in the region
- A credible fiscal and monetary framework that permits the government to run counter-cyclical policies
- Government debt at affordable levels as it is mainly from multilateral lenders on very favorable terms

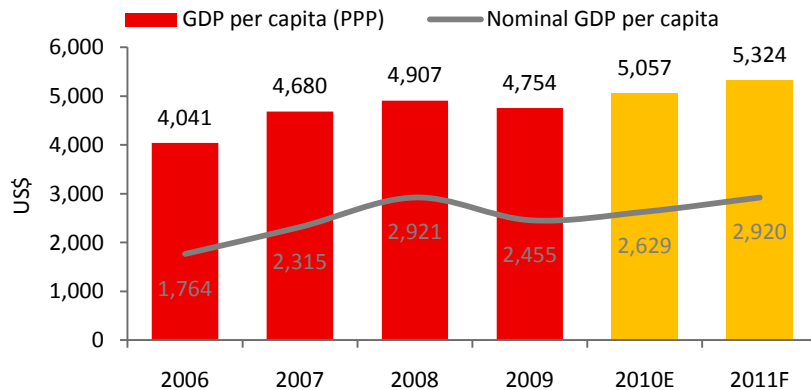


Reform Driven Economic Growth

GDP



GDP Per Capita – PPP and Nominal

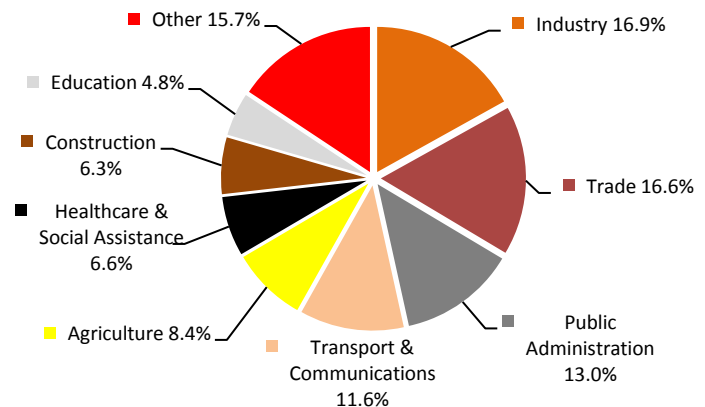


Source: Geostat, IMF



Georgia

Components of Nominal GDP* (2010 E)



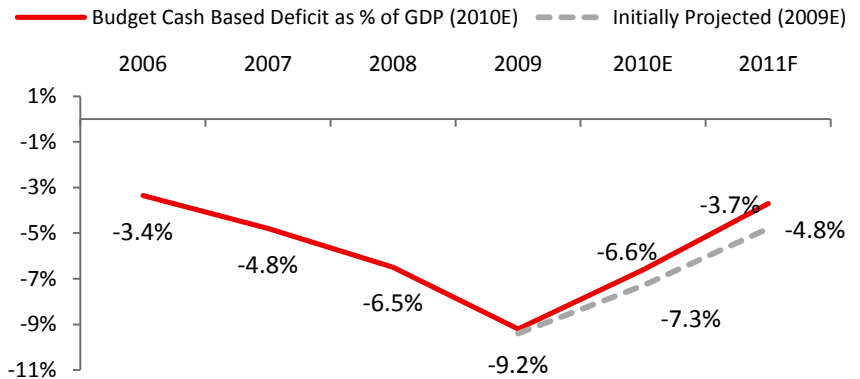
* Calculated using nominal GDP (preliminary) at basic prices

Source: Geostat

April 2011

Fiscal Deficit and Monetary Performance

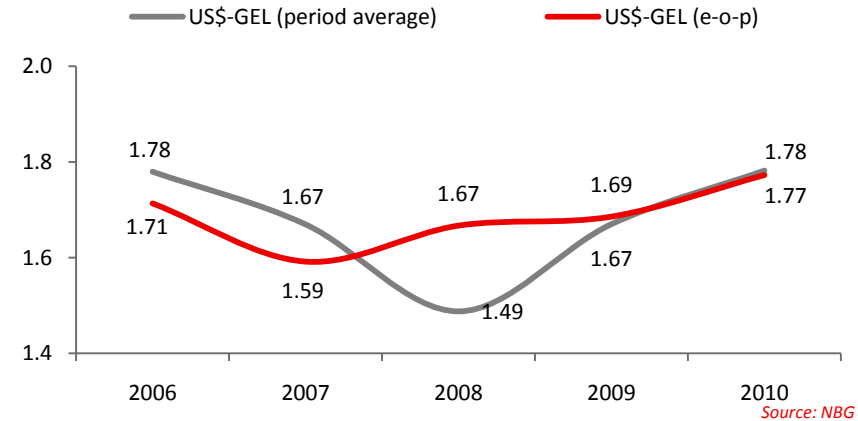
Consolidated Budget Deficit



* Calculated in accordance with GFSM-1986

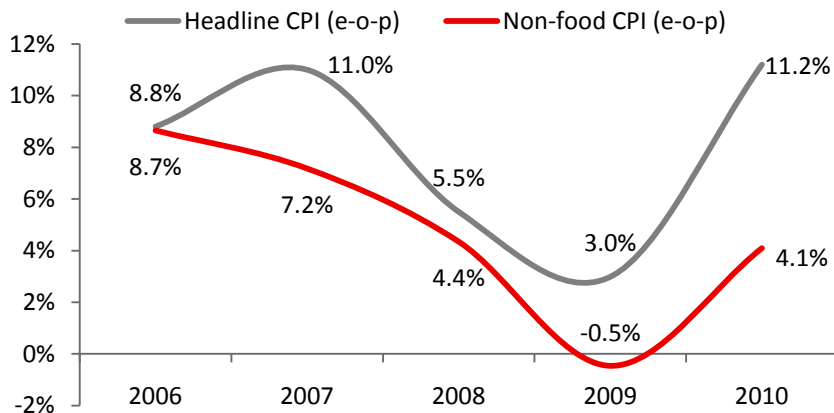
Source: MOF

Exchange Rate Evolution



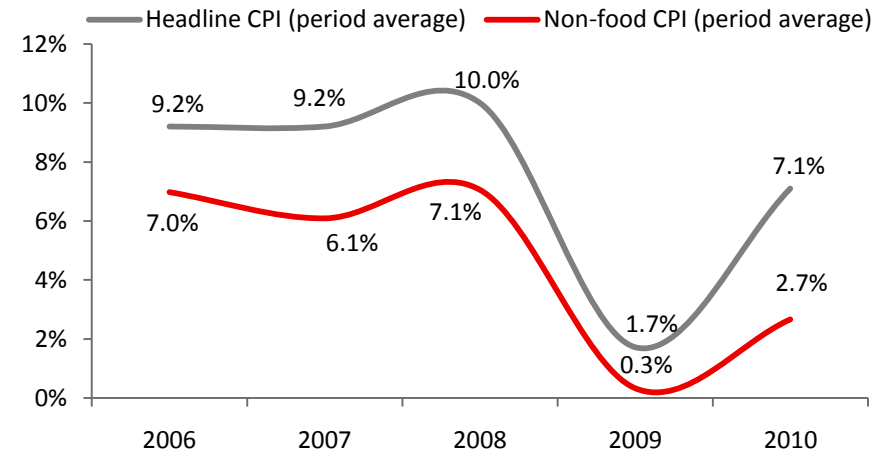
Source: NBG

Consumer Price Index (e-o-p)



Source: Geostat

Consumer Price Index (period average)



Source: Geostat



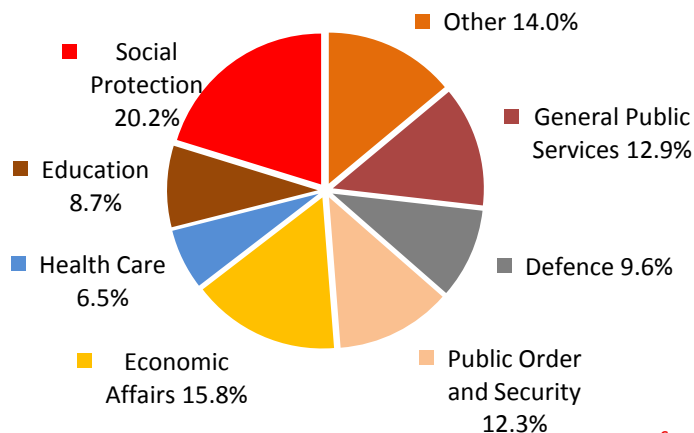
Georgia

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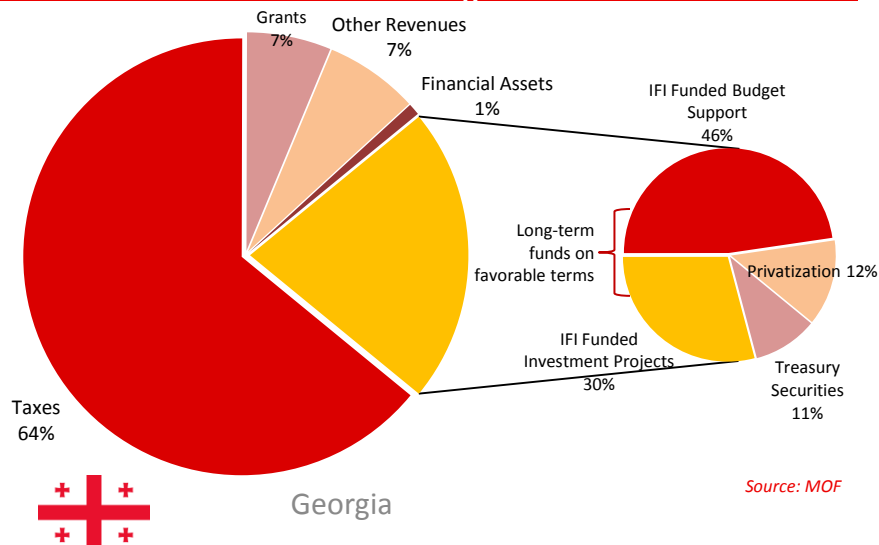
Fiscal Performance - Closer Look

Composition of 2010 State Budget Outlays



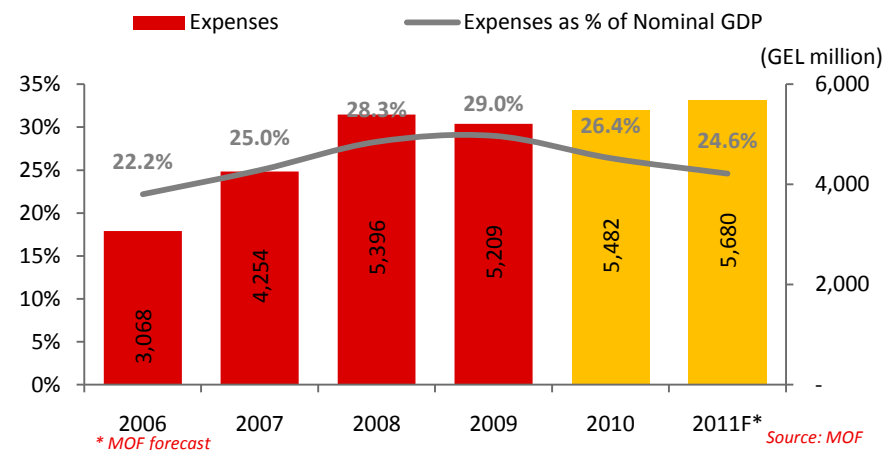
Source: MOF

Composition of 2010 Consolidated Budget Receipts and Deficit Financing Sources

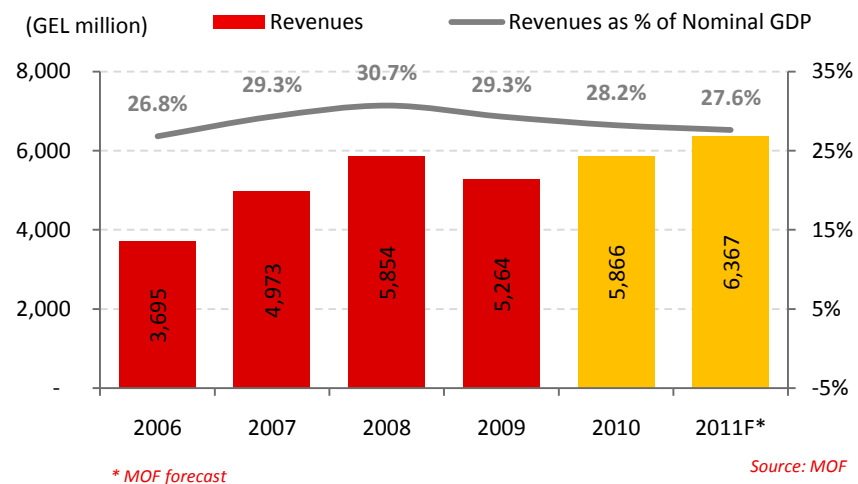


Source: MOF

Consolidated Budget Expenses



Consolidated Budget Revenue Performance

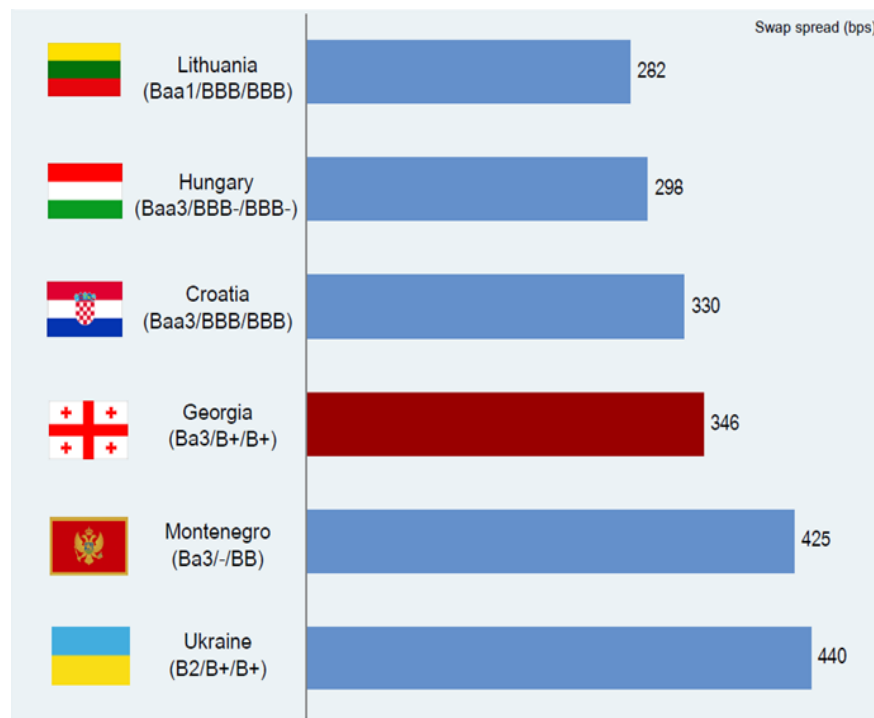


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New Eurobond

- On April 7, 2011, Georgia successfully priced a new 10-year \$500 million Reg S / 144A benchmark transaction and in parallel redeemed \$417 million of its existing \$500 million 7.50% bond due 2013 through an “any and all” cash tender.
- The tender participation ratio of 83% was extremely high and the majority of existing investors took advantage of the opportunity to swap their exposures into the new 10-year benchmark offering.
- As this was the government’s first 144A transaction, Georgia was able to successfully broaden its investor base particularly amongst new investors in the U.S.
- Driven by the significant 5.3x oversubscription and transaction’s high scarcity value, the bond performed well in the secondary market with good liquidity, closing at 99.875% (bid) on the first day of trading.

Comparison of Spread over Swaps of Recent Emerging Market Sovereign Transactions

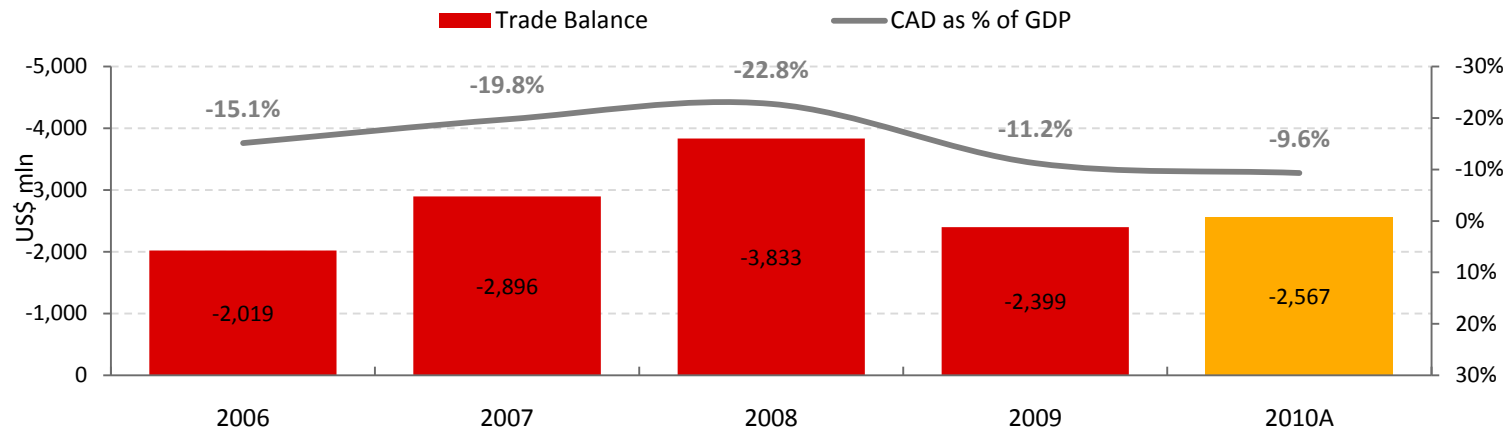


Source: MOF



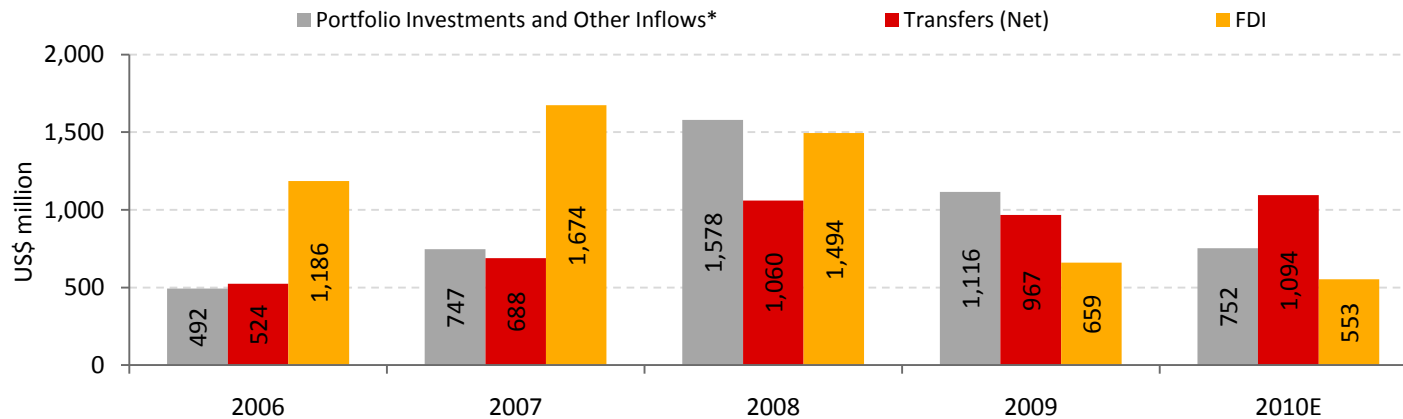
Current Account

Current Account Deficit



Source: NBG, Geostat

Offsetting Inflows



Source: NBG, Geostat

Georgia

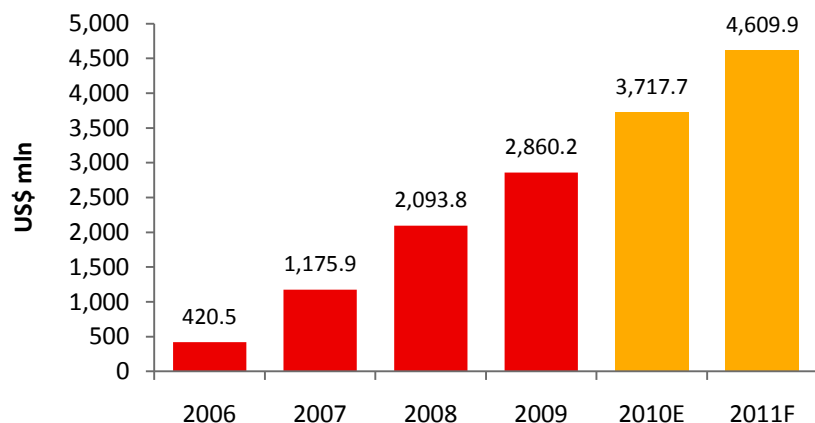
* Other Inflows are calculated as the sum of "Capital account" and "Other investments" under the Capital and Financial Balance of the Balance of Payments of Georgia

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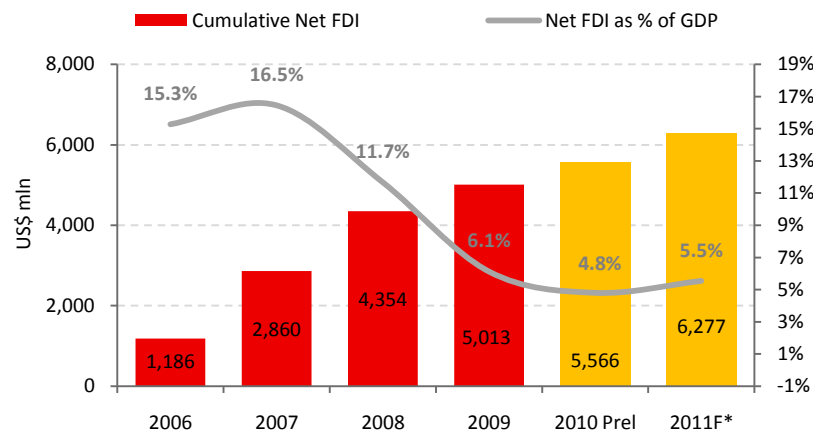


Major Diversified Investment Inflows

Cumulative Remittances



FDI



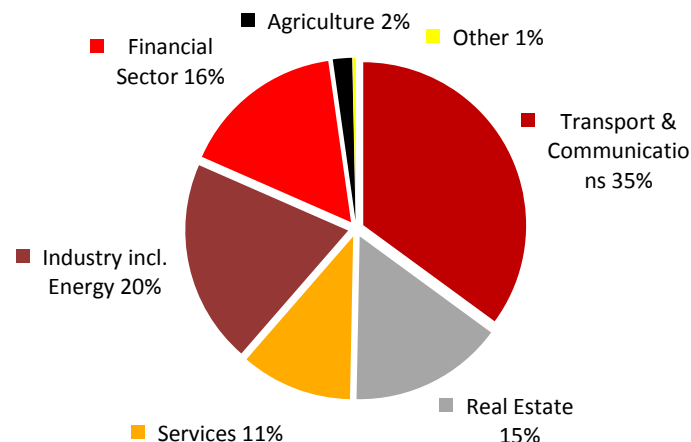
* IMF, NBG forecast

Source: NBG

Cumulative FDI Breakdown by Origin ('06-'10 Preliminary)

Country	US\$ million	Share in total
UAE	640	10.7%
Netherlands	629	10.5%
UK	562	9.4%
USA	533	8.9%
Turkey	524	8.8%
British Virgin Islands	465	7.8%
Czech Republic	321	5.4%
Kazakhstan	257	4.3%
Azerbaijan	220	3.7%
Russia	211	3.5%
Subtotal	4,362	72.9%
Other	1,618	27.1%
Total	5,981	100.0%

FDI Breakdown by Sectors (2010 Preliminary)



*The figures in this table are comprised of remittances made by electronic money transfer operators. The NBG estimates that net remittances for balance of payments purposes, calculated according to Balance of Payments – 5th Edition (published by the IMF), for 2010 was U.S.\$ 1,253 million
Source: NBG, Geostat



Georgia

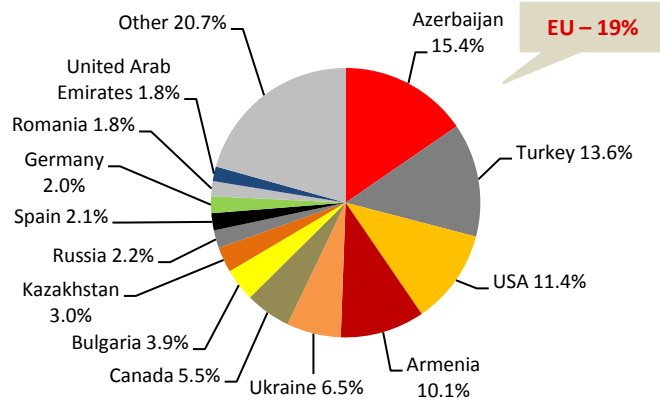
April 2011

Source: Geostat

Diversified Trade Structure

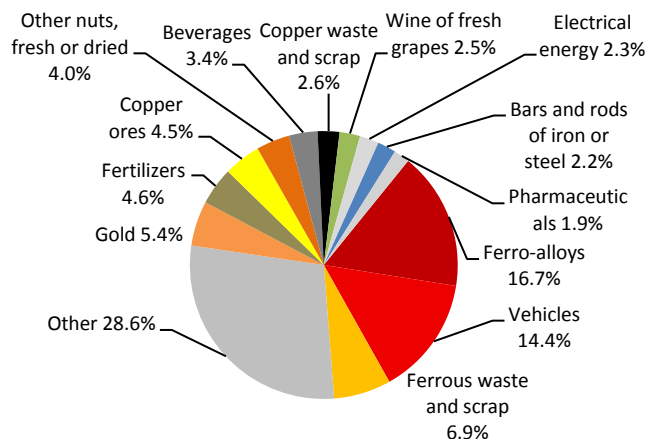
- WTO member since 2000
- Simplified customs regime since 2006, new customs code became effective in 2007. The customs code was combined with the existing tax code in 2010
- No quantitative restrictions on tariff barriers
- Beneficiary of the EU GSP+ Scheme since 2005, granting local companies the right to export 7,200 categories of goods to the EU duty-free
- Georgia Turkey FTA was signed in 2008
- Negotiations involving FTA with the EU

Export Structure by Country, 2010



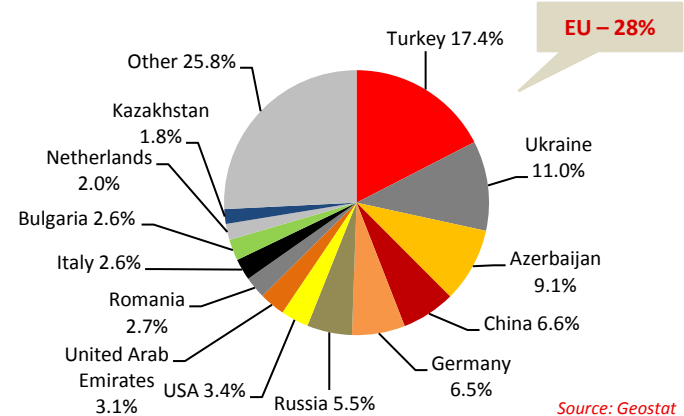
Source: Geostat

Export Structure by Product, 2010



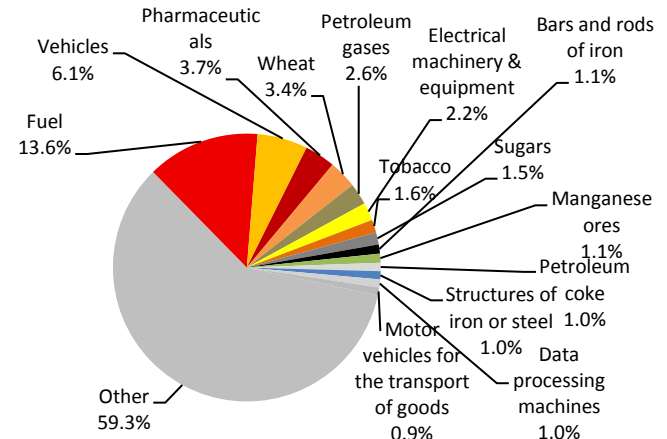
Source: Geostat

Import Structure by Country, 2010



Source: Geostat

Import Structure by Product, 2010

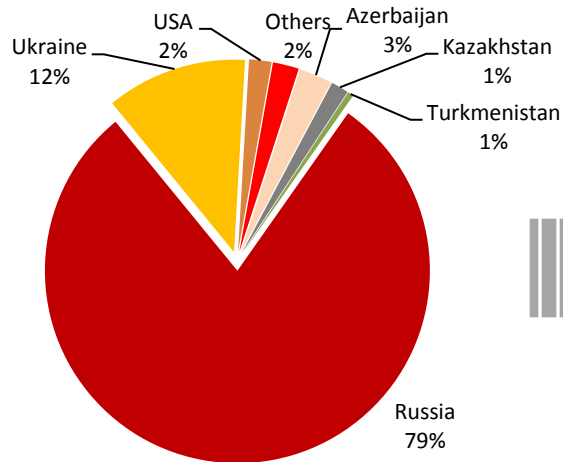


Source: Geostat



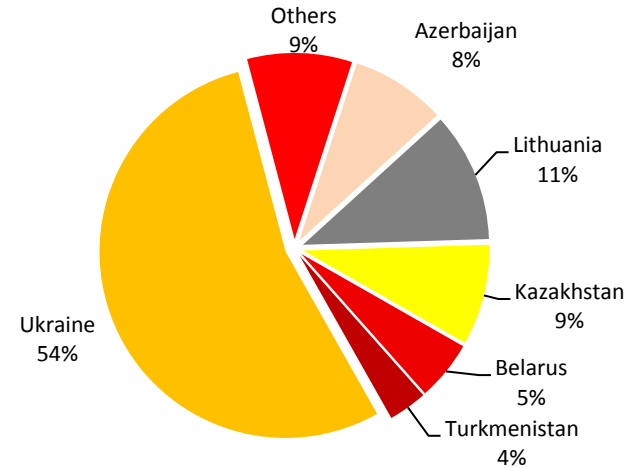
Diversification of Agriculture Export: New Markets for Traditional Export Products

Geographical Distribution of Mineral Water Export in 2005: before Russian Embargo



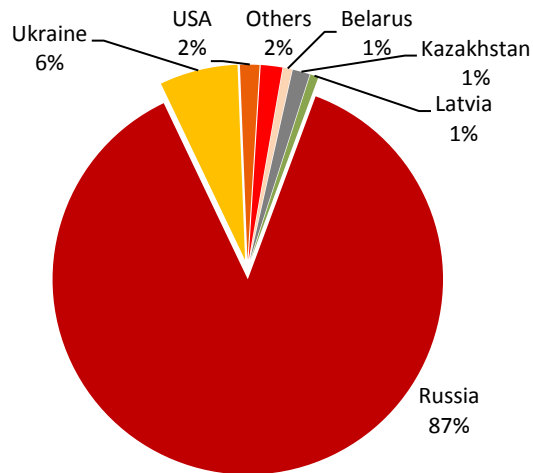
DIVERSIFICATION

Geographical Distribution of Mineral Water Export in 2010: Substantial Diversification Benefits Achieved



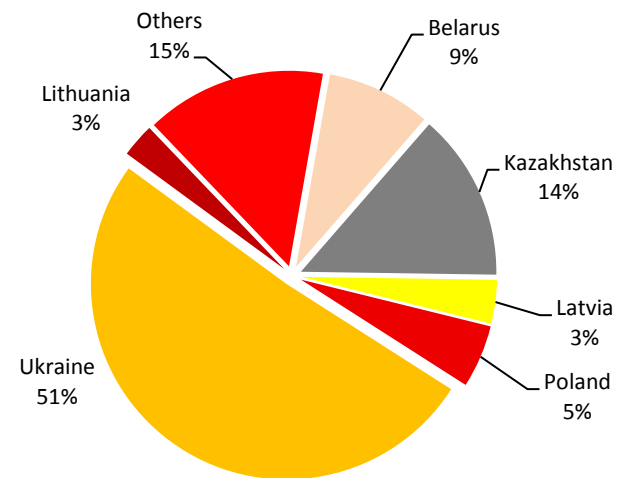
Source: Geostat

Geographical Distribution of Wine Export in 2005: before Russian Embargo



DIVERSIFICATION

Geographical Distribution of Wine Export in 2010: Substantial Diversification Benefits Achieved

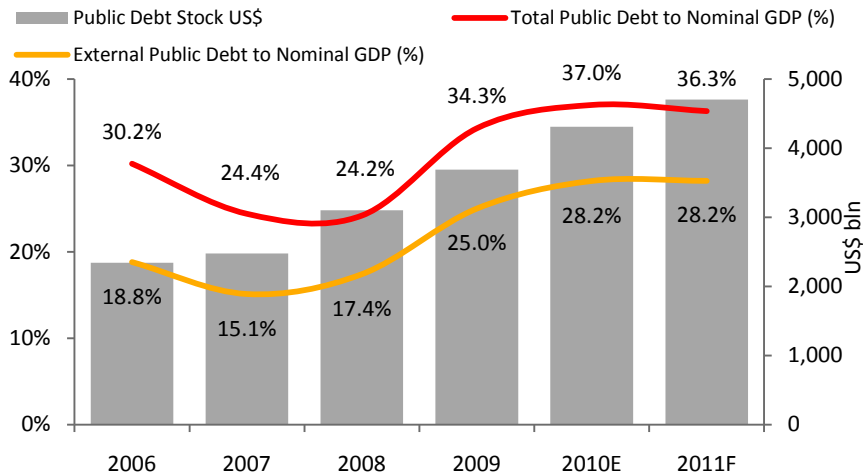


April 2011 Source: Geostat



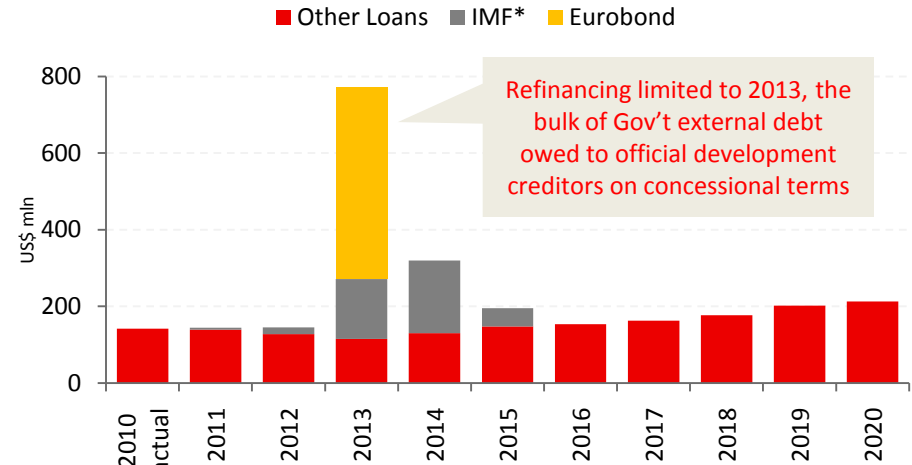
Public Debt Situation

Debt Indicators: Below the Prudential Thresholds*



Source: MOF * Excludes exclusive liabilities of the NBG to the IMF

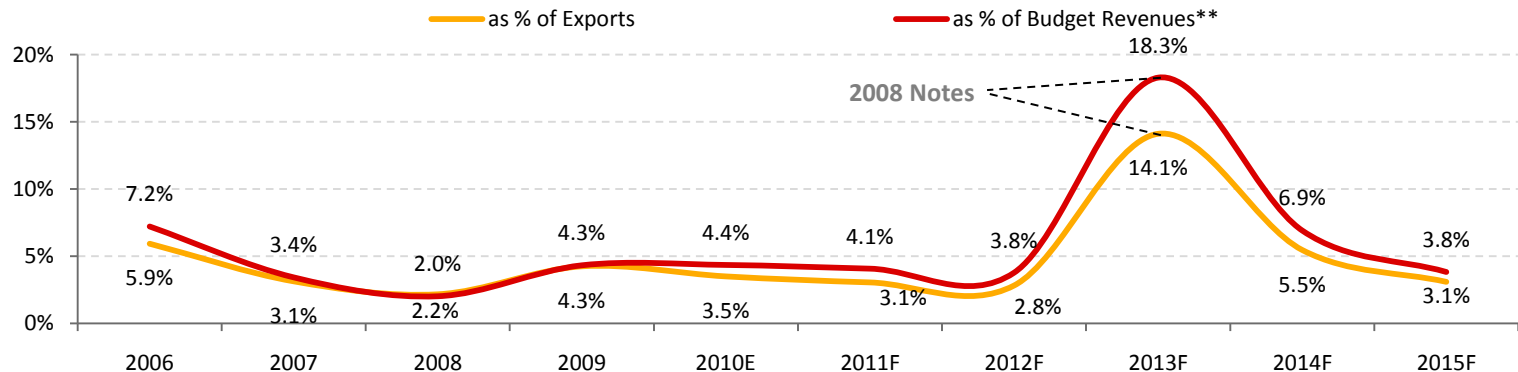
Projected Total External Public Debt Service Requirements



Source: MOF

* Excludes exclusive liabilities of the NBG to the IMF

Flat Repayment Profile: Government External Debt Service*



* Excludes exclusive liabilities of the NBG

Georgia ** Budget Revenue ratios may vary from the preliminary Prospectus due to the different currency conversion mechanism applied in this chart

Note: this slide does not reflect the projected debt service arising from the Notes and the results of the 2008 Notes Tender



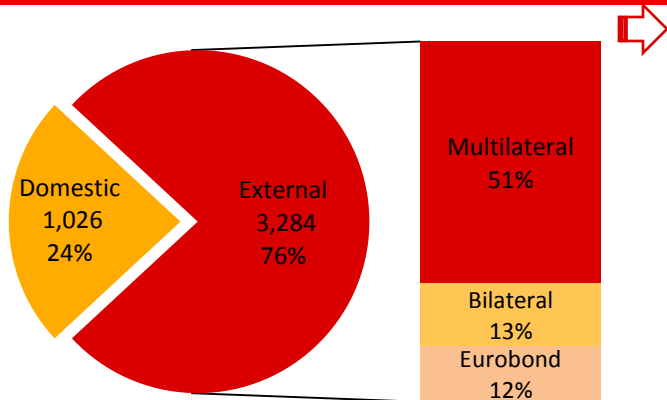
April 2011

Source: MOF

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Public Debt Parameters

Public Debt Stock (in million USD) and Low Interest Rate on External Public Debt

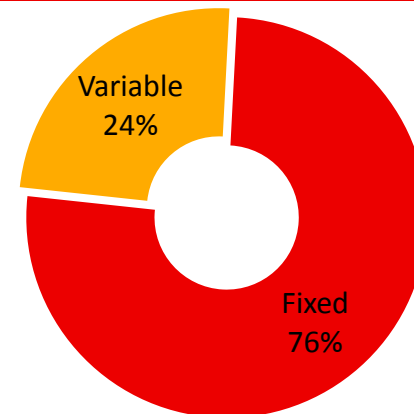


Portfolio
Average
Weighted
Interest Rate as
at end-February
2011
approximately
2.2%

Note: Debt stocks are as at 31 December 2010. Excludes exclusive liabilities of the NBG to IMF

Source: MOF

External Public Debt by Interest Type



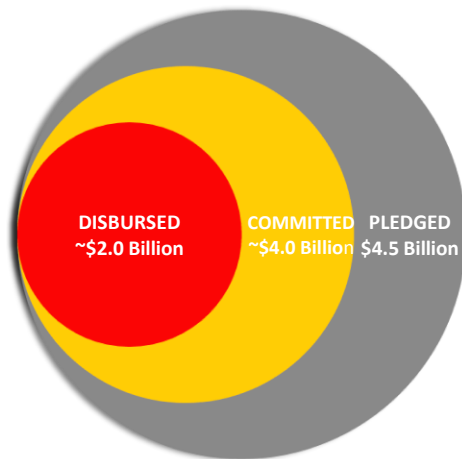
Note: Excludes exclusive liabilities of the NBG to the IMF

Source: MOF



Dynamics of Brussels Pledge Implementation

Brussels Pledge Update – Public and Estimated Private Sectors



Source: MOF

Donor Pledge - Key Facts

A joint EU/World Bank international donors conference for Georgia was convened in Brussels at which U.S.\$4.5 billion in long-term loans on concessionary terms and grants were pledged to Georgia with the aims of boosting the Georgian economy in the short term and laying the groundwork for a return to long-term growth.

As at 31 December 2010, approximately U.S.\$2.0 billion of this assistance had been disbursed.

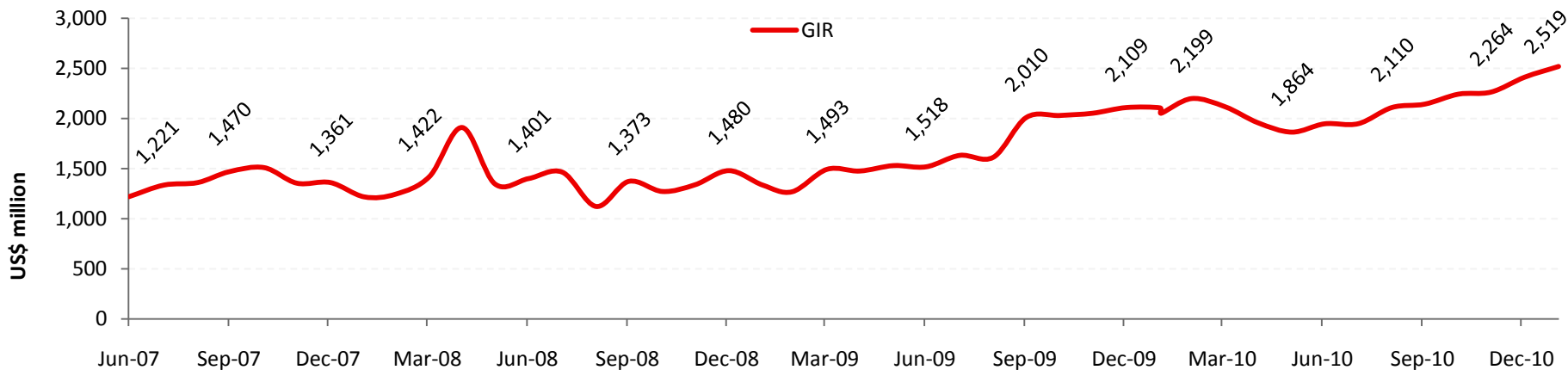
The Government expects that, by the end of the first half of 2011, Georgia will have entered into firm commitments with respect to the amounts pledged at the Brussels conference, which will provide stimulus funding to the Georgian economy.

Source: MOF



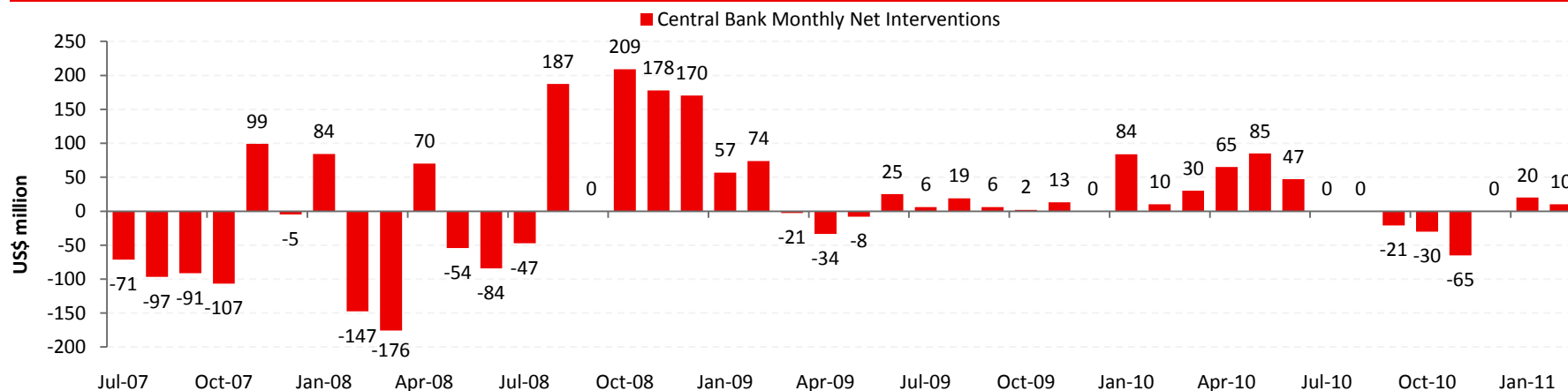
Resilient Economy

Central Bank Gross FX Reserves: As of February 2011 Gross FX Reserves level was equivalent to more than 4 months of Imports



Source: NBG

Central Bank Involvement in FX Market: in the Sustainable Equilibrium



Source: NBG



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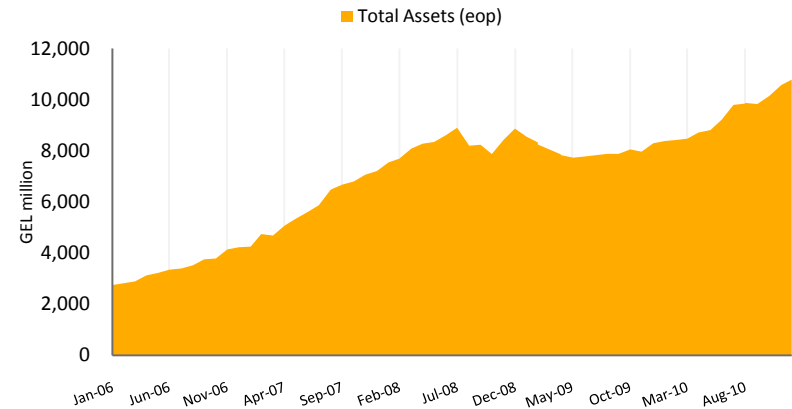
14

Banking Sector

Comments

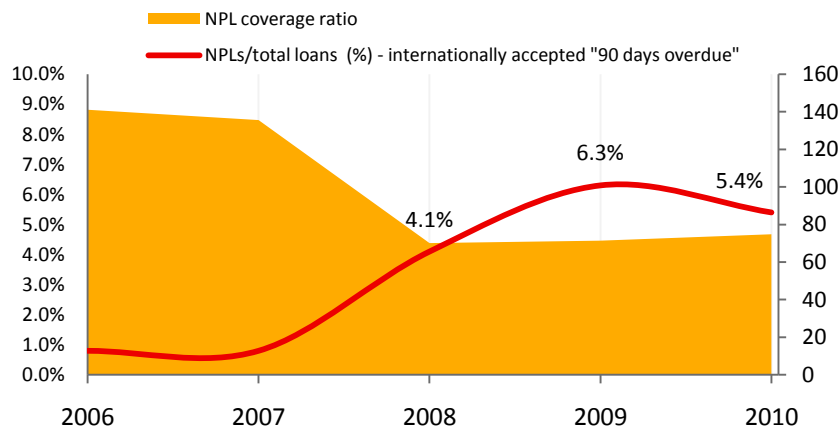
- Georgia's banking sector represents only a moderate contingent liability of the sovereign (Ratio of assets to Nominal GDP is 50.8% as of end-December 2010)
- Entirely privately owned since 1995
- No restrictions on foreign ownership of banks
- Well capitalised with average Basel I capital adequacy ratio of 24% (18% local standards)

Bank Assets Are On The Rise...



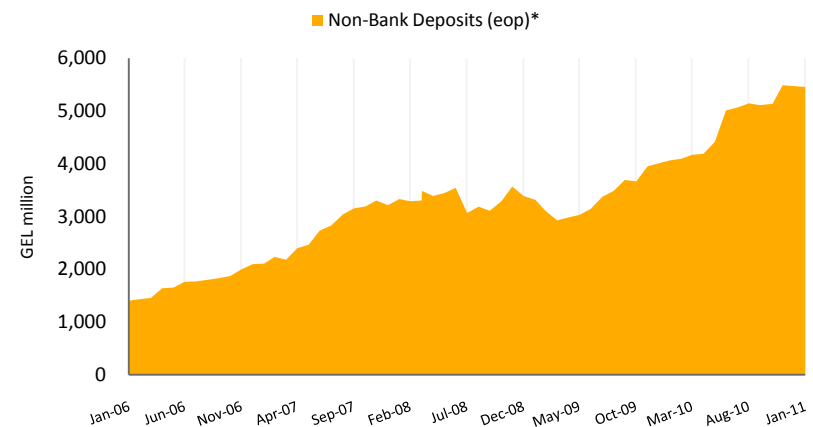
Source: NBG

NPLs



Source: NBG

Bank Deposits Have Grown Beyond Pre-Crisis Levels



* Comprised of Current Accounts, Savings Deposits and Time Deposits

Source: NBG



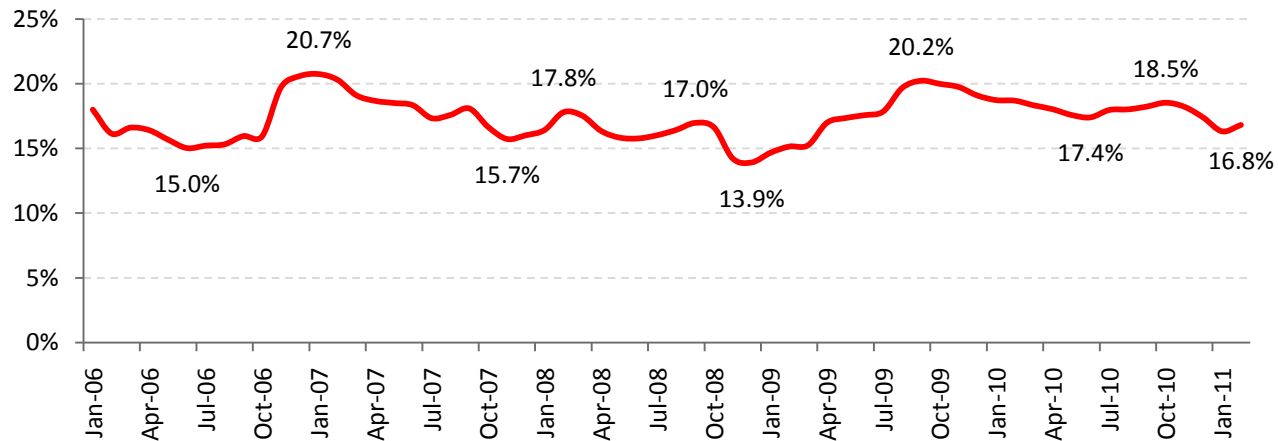
Georgia

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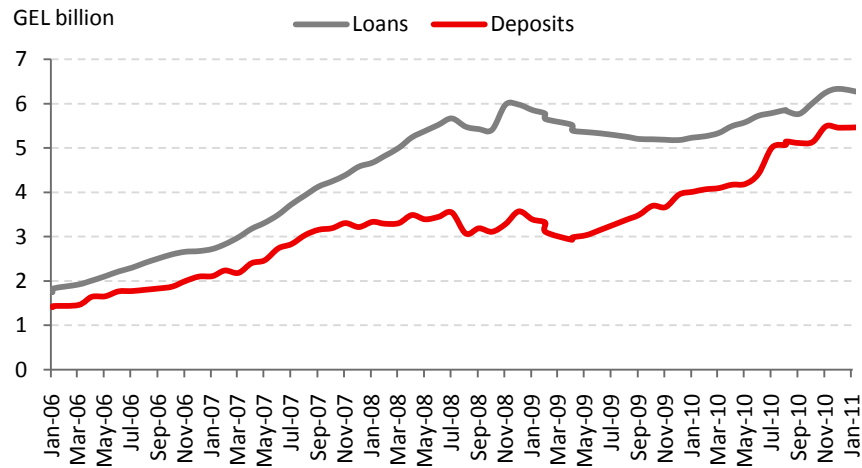
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Banking Sector

Capital Adequacy Ratio (CAR)



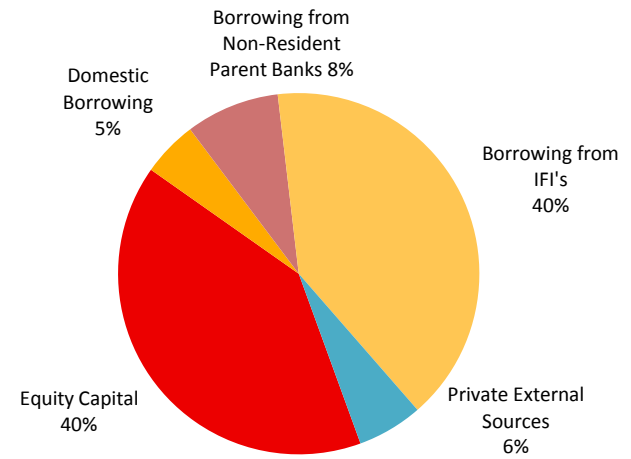
Total Bank Deposits and Loans *



* Excluding interbank loans and deposits

Source: NBG

Non-Deposit Funding Structure (November 2010)



Source: NBG



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Regional Energy Hub



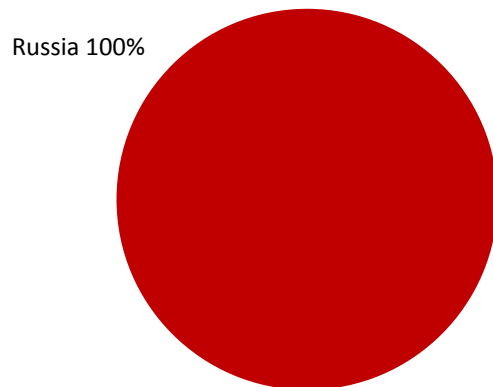
- **Transit country and regional energy hub**
 - Baku-Tbilisi-Ceyhan (BTC) oil pipeline
 - Baku-Supsa oil pipeline
 - South-Caucasus gas pipeline (SCP) from Shah-Deniz
 - North-South Gas pipeline
 - Georgia-Azerbaijan Southern Gas pipeline (GASP)

- Gas supply contracts with Azerbaijan
- Transit role for oil & gas – pipelines and railway
- Net exporter of electricity



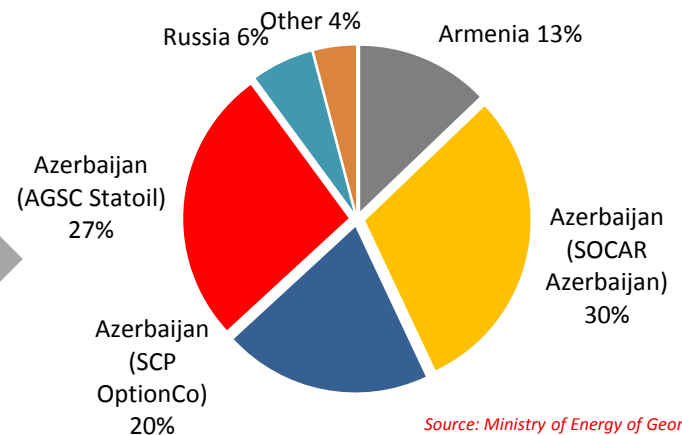
Increasingly Diversified Sources of Energy Imports

Geographical Distribution of Natural Gas Import in 2005



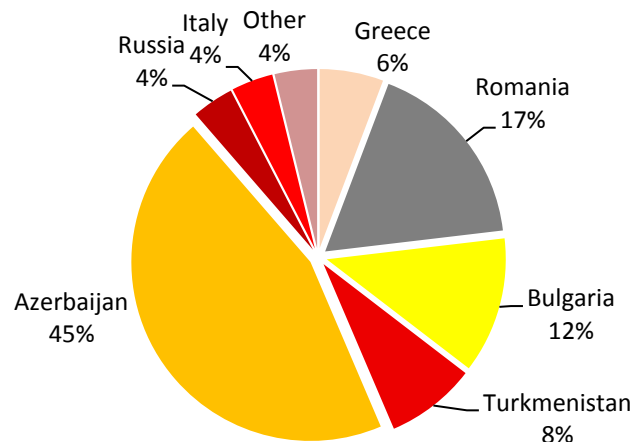
DIVERSIFICATION

Geographical Distribution of Georgia's Natural Gas Supply in 2010



Source: Ministry of Energy of Georgia

Geographical Distribution of Petroleum and Oil Product Imports in 2010



*Georgia is entitled to an in-kind transit fee of 10% of the volume of gas that passes through the North-South Pipeline

** Local extraction

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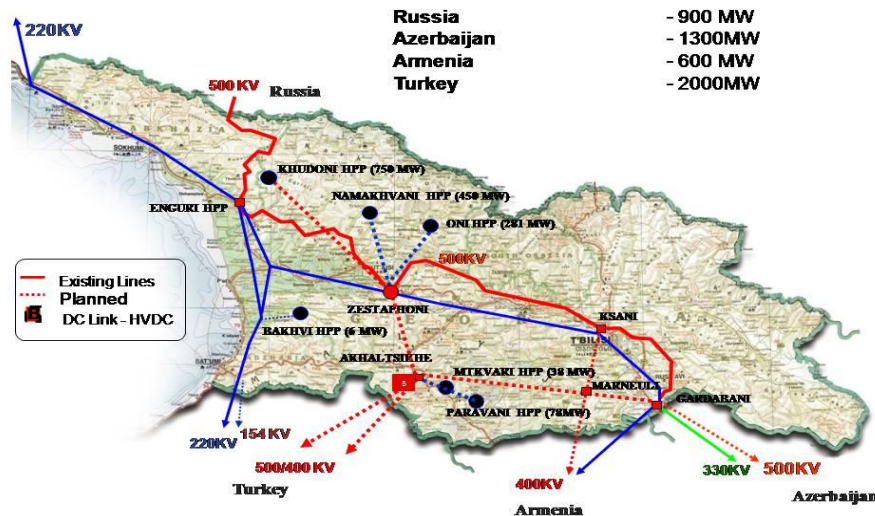
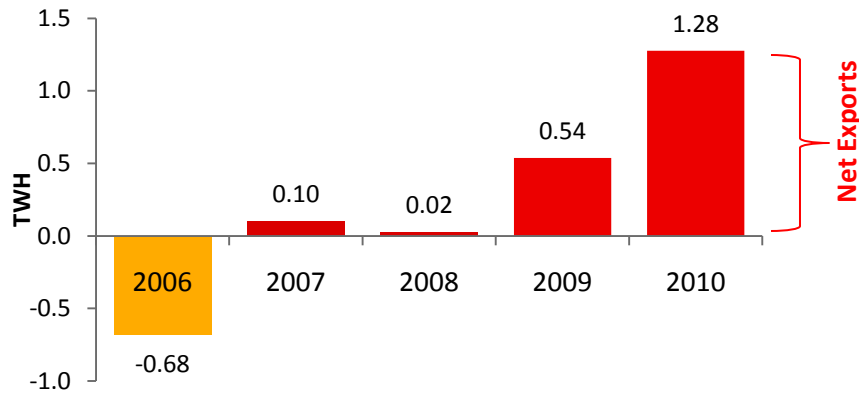
Source: Geostat



Georgia

Net Electricity Exporter with Export Expansion Capacity

Net Electricity Exports: Source of Export Revenues



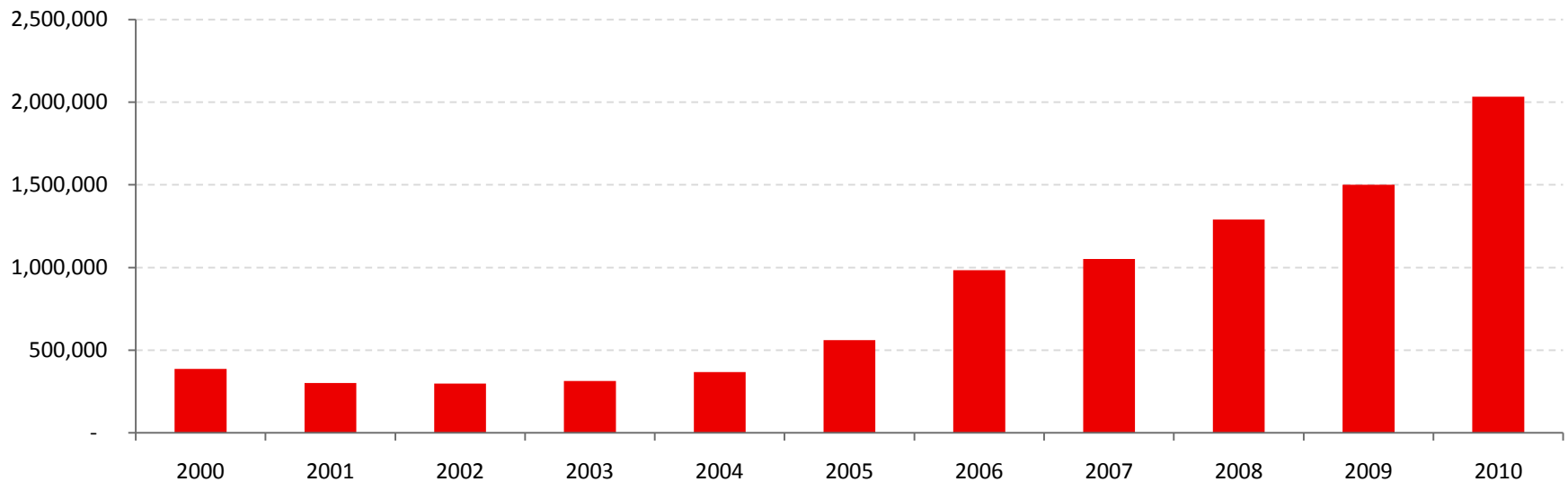
- Growing consumption rate and high tariffs on the Turkish electricity market expandable to Iraq, Syria and EU countries
- Net electricity exporter in all four neighboring countries since 2007
- Net exports for 2010 (1.3 TeraWatt Hours (“TWH”)) more than 12 times higher compared to 2007
- New hydro projects awarded with an expected total installed capacity of 2,050 MW and a generation output of 8.3 TWH
- Construction of the Black Sea Regional Transmission Project, a new 500/400 kV high voltage line to Turkey
- 5 new HPP projects under construction
- Significant untapped hydro reserves; only an estimated 18% of the country’s hydro potential are currently being utilised
- Once all three electricity lines are operational, total transmission capacity to Turkey will reach 2000 MW - 15 times more than current interconnection capacity

Source: Ministry of Energy of Georgia



Georgia, the Increasingly Global Visitors Destination

Growing Visitor Arrivals



Source: Georgian National Tourism Agency

- Over 2 million visitors arrived in Georgia in 2010, up 36% y-o-y.



Low Tax Rate Jurisdiction and Special Taxation Regimes

Business friendly tax regime, low tax rate environment

- Introduction of new tax code in 2010
- No payroll tax or social insurance tax
- No capital gains tax
- No wealth tax, inheritance tax or stamp duty

Efficient and effective collection system through e-filing and e-payments

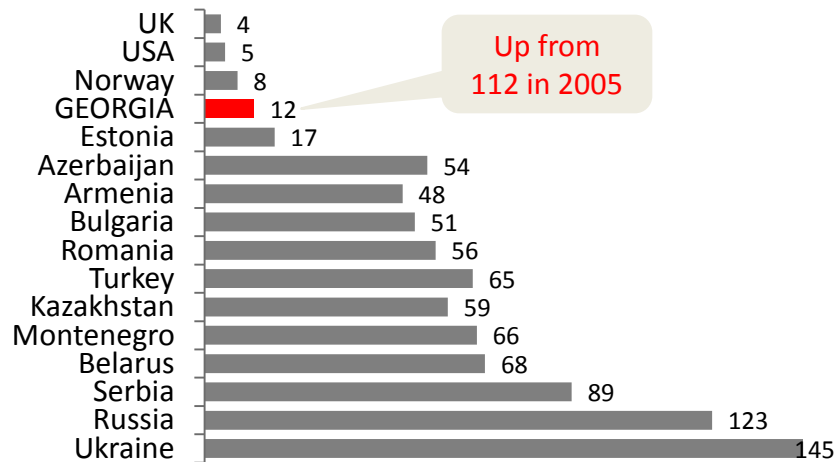
Special taxation systems have been adopted for different regimes aimed at establishing new international financial company in Georgia, encouraging economic growth, supporting the sustainable development and trade-transit function of Georgia

Type of Tax	International Financial Companies	Free Industrial Zone	Free Warehouse Company
Corporate Income Tax	(from financial services) 0%	(for international companies) 0%	(from re-exporting of foreign goods) 0%
Value Added Tax	0%	0%	0%
Customs Tax	0%, 5% or 12%	0%	0%
Property Tax	up to 1%	0%	up to 1%
Personal Income Tax	20%	20%	20%

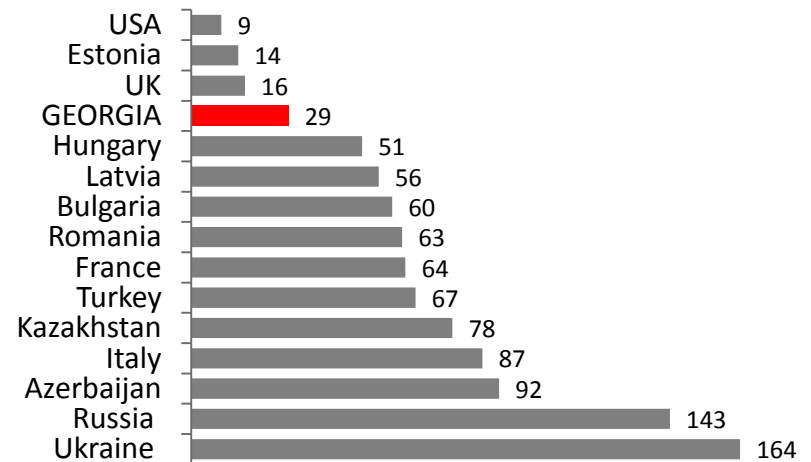


Reforms - Creation of Favourable Market Environment

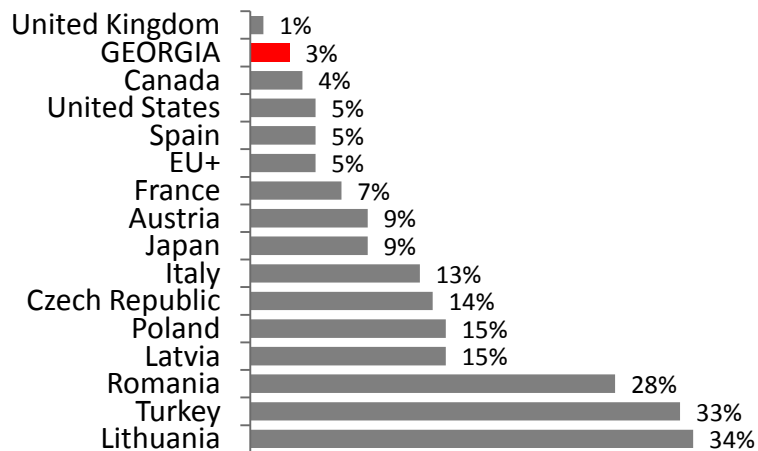
Ease of Doing Business, 2011 (WB-IFC Doing Business Report)



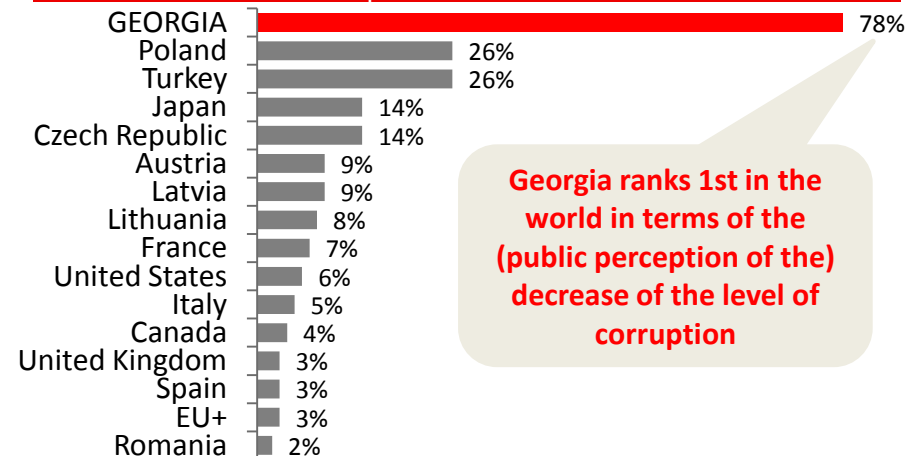
Index of Economic Freedom, 2011 (Heritage Foundation)



TI 2010 Global Corruption Barometer: % admitting having paid a bribe within the last 12 month



TI 2010 Global Corruption Barometer: % of the surveyed claiming the corruption level has decreased



Georgia

Sources: WB / IFC, the Heritage Foundation, Transparency International

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Investing Across Borders - Indicators of Foreign Direct Investment Regulation According to the World Bank

Sector	GEORGIA Score	Regional Average	Global Average
Mining, oil & gas	100	96.2	92
Agriculture & forestry	100	97.5	95.9
Light manufacturing	100	98.5	96.6
Telecom	100	96.2	88
Electricity	100	96.4	87.6
Banking	100	100	91
Insurance	100	94.9	91.2
Transport	100	84	78.5
Media	100	73.1	68
Construction, tourism & retail	100	100	98.1
Health care & waste management	100	100	96

Source: World Bank

“Georgia is one of the most open countries to foreign equity ownership as measured by the Investing Across Sectors indicators. All of the 33 sectors covered by the indicators are fully open to foreign investment. There are neither sectors with monopolistic or oligopolistic market structures nor any perceived difficulties in obtaining any required operating licenses” – Summary by the World Bank



Fundamental Policies: What We Believe In

- The rule of law & property rights
- Minimal state fiscal footprint
 - Few, low and flat rate taxes
 - Minimal social security burden on businesses
- Sound money
 - Inflation targeting, single-digit inflation
- Free trade
- Flexible labour market, with minimal state interference in employer-employee relations
- Limited government
 - Focus on market liberalization
 - Minimized and simplified licensing requirements
 - Privatisation
- Means-tested, targeted state assistance to the poor
- Lean and efficient civil service sector



Contacts

Nika Gilauri

Prime Minister of Georgia

ngilauri@geo.gov.ge

Kakha Baindurashvili

Minister of Finance of Georgia

k.baindurashvili@mof.ge

Vakhtang Lejava

Chief Advisor to the Prime Minister

vlejava@geo.gov.ge

Dimitri Gvindadze

Deputy Minister of Finance of Georgia

d.gvindadze@mof.ge

