

JSC Partnership Fund

Update

Ratings

Foreign Currency

| | |
|-------------------|-----|
| Long-Term Rating | BB- |
| Short-Term Rating | B |

Local Currency

| | |
|------------------|-----|
| Long-Term Rating | BB- |
|------------------|-----|

Outlooks

| | |
|-----------------------------------|--------|
| Foreign-Currency Long-Term Rating | Stable |
| Local-Currency Long-Term Rating | Stable |

Financial Data

JSC Partnership Fund

| | 31 Dec |
|-------------------------------|--------|
| | 11 |
| Revenue (GELm) | 5.9 |
| Profit from operations (GELm) | 3.7 |
| Net profit (loss) (GELm) | 4.0 |
| Equity (GELm) | 382.7 |
| Gross debt (GELm) | 0.7 |
| Gross debt/equity (x) | 0.001 |

Key Rating Drivers

Ratings Affirmed: Fitch Ratings affirmed the Long-Term Foreign- and Local-Currency ratings at 'BB-' for JSC Partnership Fund (PF) on 29 March 2013. This reflects the equalisation of PF's ratings with those of Georgia (BB-/Stable/B). Fitch uses its public-sector entities rating criteria and applies a top-down approach in its analysis of PF. The Georgia government's ability and intention to support the PF's potential issued or guaranteed debt remains key to determining rating equalisation with the sovereign.

Strategic Assets Manager: PF is 100% owned by the Georgian state. The fund manages on behalf of the government its key infrastructure corporations. The state increased the fund's stakes in strategic assets in 2012 and PF currently has 100% of Georgian Railway (Grail, BB-/Stable), 100% of JSC Georgian Oil and Gas Corporation (GOGC, BB-/Stable), 100% of JSC Georgian State Electrosystem (GSE), and 100% of JSC Electricity System Commercial Operator (ESCO) among other assets.

Equity Investments Promotion: PF's mandate is to shape and develop private equity investments in viable economic projects generating positive economic returns. The private equity market is currently undeveloped in Georgia, the limiting country's growth potential. PF targets profitable projects in several key areas - agriculture, manufacturing, real estate and energy.

Strong State Control: The fund's supervisory board is chaired by the Georgian prime minister and composed of five leading cabinet members and four independent directors. Blending corporate structure with strong state control should, in Fitch's view, ensure the fund's accountability to Georgia's government, and hence its adherence to mandated policy objectives, as well as adding investment expertise.

Low Debt: The debt of PF is low and limited to an open credit line (USD5m) and a loan from its subsidiary (USD50m), GOGC. PF took the loan to make an advance payment for Gardabani Power Plant project in 2012. PF is considering an exchange of debt to equity with GOGC in 2013, which will effectively reduce the fund's debt liability. PF has no plans to issue its own debt.

Limited Track Record: PF was established in June 2011 and its operational track record is relatively short. The fund launched several investment projects in the real estate and energy sectors in 2012 but as of March 2013 none were completed.

Fund's Potential Reorganisation: Following the 2012 parliamentary elections in Georgia, the new government decided to review its strategy on the future development of the fund. Once achieved, any changes in PF's structure or status that strengthen its links with the state will support Fitch's view of equalising the ratings with those of Georgia. On the contrary, any decision to dispose of material stakes in state-owned infrastructure companies, or changes in the goals of the fund is viewed as rating negative by Fitch.

Rating Sensitivities

Sovereign Linkage: An upgrade of Georgia, coupled with continued state support, would be rating positive. A downgrade of Georgia, or changes that would lead to a dilution or reassessment of state support could exert downward pressure on the rating.

Related Research

[Georgia's Post-Election Outlook \(December 2012\)](#)

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Appendix A

Figure 1

JSC Partnership Fund — Financial Summary**(GELm)****2011****Income statement**

| | |
|------------------------------------|------------|
| Revenue | 5.9 |
| General and administrative expense | -2.0 |
| Other operating expense | -0.2 |
| Total operating expense | -2.2 |
| Operating profit/(loss) | 3.7 |
| Non-operating income/(expense) | 0.3 |
| Interest expense | 0.0 |
| Net income/(loss) | 4.0 |

| | |
|---------|-----|
| ROA (%) | 1.0 |
| ROE (%) | 1.0 |

Balance sheet

| | |
|------------------------------------|--------------|
| Cash and cash equivalents | 2.5 |
| Receivables and tax assets | 0.9 |
| Prepayments for non-current assets | 2.9 |
| Assets held for sale | 167.2 |
| PPE | 0.2 |
| Investments | 236.0 |
| Total assets | 409.8 |

| | |
|--------------------------|-------------|
| Payables | 18.0 |
| Other provisions | 1.1 |
| Deferred tax liabilities | 3.2 |
| Borrowings | 0.7 |
| Total liabilities | 23.0 |

| | |
|-------------------------------------|--------------|
| Retained earnings | 4.0 |
| Equity | 382.7 |
| Total liabilities and equity | 409.8 |

Source: JSC Partnership Fund

Related Criteria[Tax-Supported Rating Criteria \(August 2012\)](#)[Ratings of non-US Public Sector Entities \(March 2013\)](#)

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