

FITCH REVISES OUTLOOK ON GEORGIA'S JSC PARTNERSHIP FUND TO STABLE; AFFIRMS AT 'BB-'

Fitch Ratings-Moscow/London-23 April 2015: Fitch Ratings has revised the Outlook on Georgia's JSC Partnership Fund's (PF) Long-Term foreign and local currency Issuer Default Ratings (IDR) to Stable from Positive and affirmed the IDRs at 'BB-'. The agency has also affirmed the company's Short-term local currency IDR at 'B'.

The revision of the Outlook follows the revision of the Outlook on Georgia (see 'Fitch Revises Georgia's Outlook to Stable; Affirms at 'BB-' dated 17 April 2015 at www.fitchratings.com). PF's ratings are credit linked to the sovereign.

KEY RATING DRIVERS

The affirmation reflects the equalisation of PF's ratings with those of Georgia (BB-/Stable/B). Fitch uses its public sector entities methodology and applies a top-down approach in its analysis of PF. The Georgian government's ability and intent to support the fund's potential issued or guaranteed debt remains a key factor in determining rating equalisation with the sovereign.

Fitch views the fund as an entity of strategic importance for the Georgian government and factors in its strong integration with the sovereign, including timely support if needed. While the Georgian government remains committed to boosting economic growth via the promotion of large-scale infrastructure projects, we believe the fund will remain a significant player in facilitating investments, particularly in the energy sector.

PF is 100% owned by the state and its mandate is to oversee key national infrastructure corporations. The state endowed PF with 100% stakes in Georgian Railway (BB-/Stable), JSC Georgian Oil and Gas Corporation (GOGC, BB-/Positive), JSC Georgian State Electrosystem, and JSC Electricity System Commercial Operator.

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

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

PF's only debt is a loan from its subsidiary (USD50m), GOGC. PF has used the loan to invest in the equity of Gardabani TPP SPV, which is expected to be commissioned in 2H15.

RATING SENSITIVITIES

Any positive rating action on Georgia, coupled with continued support from the state, would be rating positive, as PF is credit linked to the sovereign.

Weaker links with the state would be rating negative, although Fitch currently views this as unlikely. A downgrade of Georgia would also be negative.

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Additional information is available on www.fitchratings.com

Applicable criteria, 'Tax-Supported Rating Criteria' dated 14 August 2012 and 'Ratings of Public Sector Entities - Outside the United States' dated 26 February 2015 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

Rating of Public-Sector Entities - Outside the United States

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862448

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