

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

Fitch Ratings-Moscow-23 October 2014: Fitch Ratings has revised Georgia-based JSC Partnership Fund's (PF) Outlook to Positive from Stable and affirmed its Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-'. The agency also affirmed the company's Short-term foreign currency IDR at 'B'.

The revision of the Outlook to Positive follows the Outlook revision of Georgia (see Fitch Revises Georgia's Outlook to Positive; Affirms at 'BB-' dated 17 October 2014 at www.fitchratings.com) as its ratings are credit linked with the sovereign.

KEY RATING DRIVERS

PF's ratings are equalised with those of Georgia (BB-/Positive/B), based on the government's ability and willingness to support the fund's issued or guaranteed debt. Fitch uses its public sector entities methodology and applies a top-down approach in its analysis of PF.

The government's plans, announced earlier this year, to reorganise the fund and establish Development Finance Corporation were abandoned. This in Fitch's view reflects the fund's strategic importance, including timely support from the Georgian State if needed.

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

Another of PF's mandates is to develop private equity investments in viable economic projects that generate 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. Blending a 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.

PF's only debt is a USD50m loan from its subsidiary GOGC. PF has used the loan to invest in the equity of Gardabani TPP SPV.

RATING SENSITIVITIES

An upgrade of Georgia, coupled with continued support from the State, would be rating positive.

Conversely weaker links, although unlikely in the foreseeable future, with the State, or a sovereign downgrade would be negative for PF's ratings.

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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 4 March 2014 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=738077

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