

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

Fitch Ratings-London/Moscow/Frankfurt-10 September 2015: Fitch Ratings has affirmed Georgia's JSC Partnership Fund's (PF) Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-'. The agency has also affirmed the company's Short-term local currency IDR at 'B'. The Outlooks on the Long-term IDRs are Stable.

KEY RATING DRIVERS

PF's ratings are equalised with those of Georgia (BB-/Stable/B), reflecting Fitch's view of the Georgian government's strong intent to support the fund's potential issued or guaranteed debt. Fitch uses its public sector entities methodology and applies a top-down approach in its analysis of PF.

Fitch views the fund as an entity of strategic importance for the Georgian government and factors in its integration with the sovereign, including timely support if needed. We believe the Georgian government remains committed to boosting economic growth via the promotion of large-scale infrastructure projects, and that 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-/Stable), 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 to generate positive economic returns. The private equity market is currently under-developed in Georgia, limiting the country's growth potential. PF targets profitable projects in several key areas - agriculture, manufacturing, real estate and energy; PF successfully exited some of its finished projects in 2013-2015.

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.

PF's current debt stock comprises a USD50m loan from its subsidiary GOGC, and a USD20m loan from local TBC Bank (BB-/Stable). According to PF's consolidated financial statements its net debt/EBITDA slightly decreased to 3.5x in 2014 from 4.1x in 2013, while its profitability as measured by return on equity ratio improved to 4.9% from 3.3%. PF used the loan from GOGC to invest in the equity of Gardabani TPP SPV, which was commissioned in July 2015.

RATING SENSITIVITIES

A positive rating action on Georgia, coupled with continued support from the state, would be rating-positive for PF.

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

Rating of Public-Sector Entities - Outside the United States (pub. 26 Feb 2015)

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

Tax-Supported Rating Criteria (pub. 14 Aug 2012)

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

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